



**AUDIT REPORT
ON
THE ACCOUNTS OF
CDA, CAA, NHA, PAK. PWD,
ESTATE OFFICE, FGEHF,
NCL, PHAF, HEC AND
WWF/BOARDS**

**GOVERNMENT OF PAKISTAN
AUDIT YEAR 2017-18**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ACWC	Asphaltic Concrete Wearing Course
ADA	Airport Development Agency
ADB	Asian Development Bank
ADP	Annual Development Programme
AER	Assistant to Employer Representative
AGPR	Accountant General Pakistan Revenues
AGR	Annual Ground Rent
AIAP	Allama Iqbal International Airport
AIMS	Airport Information Management System
AMP	Annual Maintenance Plan
APM	Airport Manager
ASF	Airport Security Force
BBIAP	Benazir Bhutto International Airport
BCS	Building Control Section
BOD	Board of Directors
BOQ	Bill of Quantities
BOT	Build, Operate and Transfer
BUP	Build up Property
CAA	Civil Aviation Authority
CATI	Civil Aviation Training Institute
CBA	Collective Bargaining Agent
CCD	Central Civil Division
CDA	Capital Development Authority
CDR	Call Deposit Receipt
CDL	Cash Deposit Loan
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
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
DLP	Defect Liability Period
DMA	Directorate of Municipal Administration
DP	Draft Para
DST	Double Surface Treatment
DWP	Department Working Party
EALS	Environment Afforestation Land and Social
E&M	Electrical and Mechanical
ECC	Economic Coordination Committee
ECNEC	Executive Committee of the National Economic Council
EIA	Environmental Impact Assessment
EO	Estate Office
EOBI	Employees Old-age Benefit Institution
EOI	Expression of Interest
EOT	Extension of Time
EPC	Engineering, Procurement and Construction
EPC	Escalation Payment Certificate
ETTM	Electronic Traffic Toll Management
FA	Financial Advisor
FBR	Federal Board of Revenue
FGEHF	Federal Government Employees Housing Foundation
FIA	Federal Investigation Agency
FIDIC	Federation Internationale Des Ingenieurs-Conseils (International Federation of Consulting Engineers)
FOR	Free on Rail
FWO	Frontier Works Organization
FY	Financial Year
GB	Gilgit-Baltistan
GFR	General Financial Rules
GPF	General Provident Fund
GVM	Gross Vehicle Mass
GVW	Gross Vehicle Weight

GWL	General Waiting List
HEC	Higher Education Commission
HQ	Headquarters
HSD	High Speed Diesel
HVAC	Heating, Ventilating and Air-conditioning
IB	Instructions to Bidders
ICAO	International Civil Aviation Organization
ICB	International Competitive Bidding
ICT	Islamabad Capital Territory
IEE	Initial Environmental Examination
IPC	Interim Payment Certificate
IPDF	Infrastructure Project Development Facility
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
LED	Light Emitting Diodes
MB	Measurement Book
MCI	Metropolitan Corporation Islamabad
MES	Military Engineering Service
MFDAC	Memorandum for Departmental Accounts Committee
MoC	Ministry of Communications
MoU	Memorandum of Understanding
MPO	Machinery Pool Organization
MSSR	Monopulse Secondary Surveillance Radar
NAM	New Accounting Model
NCB	National Competitive Bidding
NCL	National Construction Limited
NDC	No Demand Certificate
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
NIIAP	New Islamabad International Airport Project
NIT	Notice Inviting Tender
NLC	National Logistics Corporation
NOC	No Objection Certificate
NTRC	National Transport Research Centre
O&M	Operation and Management
P&CA	Procurement and Contract Administration
PAC	Public Accounts Committee
PACRA	Pakistan Credit Rating Agency
PAO	Principal Accounting Officer
PAR	Performance Audit Report
PCC	Plain Cement Concrete
PC-I	Planning Commission (Proforma-I)
PCFC	Pak-China Friendship Centre
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
PLA	Personal Ledger Account
PM	Periodic Maintenance
PMC	Present Management Consultants
PMDC	Pakistan Medical and Dental Council
PMO	Project Management Office
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

PSR	Primary Surveillance Radar
MT	Motor Transport
PWD	Public Works Department
PWP	Peoples Works Programme
PWWB	Punjab Workers Welfare Board
RCC	Re-inforced Cement Concrete
RCB	Rawalpindi Cantonment Board
RDA	Rawalpindi Development Authority
RFP	Request for Proposal
Rft	Running Foot
RM	Routine Maintenance
RMA	Road Maintenance Account
ROW	Right of Way
SAR	Special Audit Report
SBD	Standard Bidding Documents
SDGs	Sustainable Development Goals
SECP	Securities and Exchange Commission of Pakistan
SH	Sub-Head
SOP	Standard Operating Procedure
SP	Special Provisions
SRO	Statutory Regulatory Order
TST	Triple Surface Treatment
VO	Variation Order
WBM	Water Bound Macadam
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, PHAF, HEC and WWF/Bs for the financial year 2016-17 and also contains some audit observations for the financial years 2013-14, 2014-15 and 2015-16. The Directorate General Audit Works (Federal), Islamabad conducted audit during 2017-18 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.

Audit 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/-

(Javaid Jehangir)

Auditor General of Pakistan

Islamabad

Dated: 12th February, 2018

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 155 personnel including officers and staff. The annual budget of the Directorate General for the current financial year is Rs 160.350 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 (2017-18), for the Compliance with Authority Audit, the Directorate General Audit Works (Federal) conducted audit of 85 formations, out of the 264 under its audit jurisdiction during Phase-I of the Audit Plan, by deputing fifteen (15) Field Audit Teams with an input of 3,582 man-days. Moreover, regularity audit of ten (10) formations relating to CDA, NHA, PHAF and PD&R were conducted in Phase-II of Audit Plan of 2016-17 and audit observations have been included in this Audit Report. One (01) Special Audit and nine (09) Performance 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

Auditable expenditure under the jurisdiction of Directorate General Audit Works (Federal), Islamabad for the year 2016-17 was Rs 419,483.449 million covering 264 formations under eight (08) PAOs. Out of this, the Directorate General Audit Works (Federal) audited an expenditure of Rs 118,445.660 million under the category of compliance audit, which in terms of percentage is 28.24% of auditable expenditure. In addition, as part of its Audit Plan (2017-18), the Directorate General Audit Works (Federal) conducted a financial attest audit of the accounts of Pakistan Public Works Department (Government of Pakistan) and nine (09) Foreign Aided Projects executed by NHA. 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 142,692.513 million against estimates of Rs 176,867.477 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 11,303.53 million. The management accepted the stance of Audit to the extent of Rs 5,638.62 million. Recovery amounting to Rs 238.97 million was made by the audited entities and verified by Audit till the finalization of this Audit Report. Recovery of Rs 174.21 million out of Rs 231.97 million was not in the notice of the executives before audit.

In addition to the above stated recoveries, a sum of Rs 782.23 million was recovered by audited entities in relation to audit observations pertaining to previous years. Total recovery of Rs 1,021.20 million was verified by Audit during 2017-18 till the finalization of this Audit Report. The sum included Rs 594.34 million pertaining to overpayments and Rs 426.86 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, 2017 till the finalization of this Audit Report, thirty-one (31) DAC meetings were convened by various PAOs. Audit 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. While discussing Para 3.4.4 of Audit Report on the accounts of CAA for the year 2016-17, PAC in its meeting held on 7.11.2017, issued directions to all PAOs that tender documents should not be issued to any participating firm/JV unless it has a valid registration with the Pakistan Engineering Council. PAC also directed that PEC should devise a mechanism for prompt processing of registration of firms/JVs particularly of foreign firms. (National Assembly Secretariat O.M. No. F.10(1)/2016-17/2017-PAC dated 8th November, 2017)
- ii. Pakistan Public Works Department accounted for receipts on account of Federal Lodges in the Summary of

Appropriation Accounts so as to depict actual picture of recovery adjusted in reduction of expenditure.

- iii. CAA agreed that in future rate running contracts will be executed through open tenders. (DP.30)
- iv. DAC directed CAA that in future provision be made through special condition that additional guarantee will be obtained for upward revision of contract cost. (DP. 60, 175)
- v. DAC directed CAA that that all tender notices/eligibility criteria should be in line with PEC bye-laws and PPRA rules so that sanctity of competitive bidding process is not hampered and it is not restricted by imposing unnecessary conditions. (DP. 119)
- vi. CAA deleted specified item from variable portion of Appendix-C of the contract agreement, having cost impact less than 5%. (DP. 162, 163)
- vii. NHA issued a circular to consultants to use Statistical Bulletins published by Federal Bureau of Statistics (FBS) as source of index for steel to remove discrepancy. (DP. 129)
- viii. DAC observed with concern that purpose of formation of Joint Venture is to provide an opportunity for local firm to participate in unique projects and also a source of technology transfer and capacity building of local firms, which was not pursued actively by NHA. DAC directed NHA to pursue it with the contractor, incorporate obligations under “Corporate Social Responsibility” and must involve local firms in future. (DP. 254)
- ix. DAC directed NHA that it may be ensured that 40% of the project vehicles would be purchased by the contractor of Havelian-Thakot Project and the same be handed over to NHA after completion of the project, as a property of NHA. (DP.261)

- x. In order to ensure transparency of tendering process, NHA issued instructions that separate letter of rebate may not be accepted while evaluating tenders. (DP.233)
- xi. DAC directed NHA that a framework be devised to link the market fluctuations with Composite Schedule of Rates for proper estimation of cost and evaluation of works. Frequency of revision of CSR be rationalized for proper estimation. (DP. 124)
- xii. DAC directed that NHA should adopt more scientific approach and proper computer generated count/data for determination of proper reserved price for revenue contract. (DP. 113)
- xiii. DAC directed NHA to review the provision of NHA Code wherein %age has been given rather than absolute financial value for power of approval of variation order. DAC constituted a Committee under the chairmanship of Additional Secretary, Ministry of Communications to examine the increasing trend of variation orders in execution of works and financial of powers of Members to approve the variation. (DP. 46, 179)
- xiv. DAC directed NHA to generate pre-numbered bills to the users of Right of Way and book these as receivables in the financial statements of NHA in accordance with international financial reporting standards. (Para 4.4.30 AR 2015-16, DAC meeting held on 31st October, 2017)
- xv. DAC directed the management of Pakistan Institute of Engineering and Applied Sciences, Islamabad that a separate procedure regarding escalation/de-escalation and similar financial issues relating to HEC PSDP funded projects may be devised. (DP.1)

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 (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.

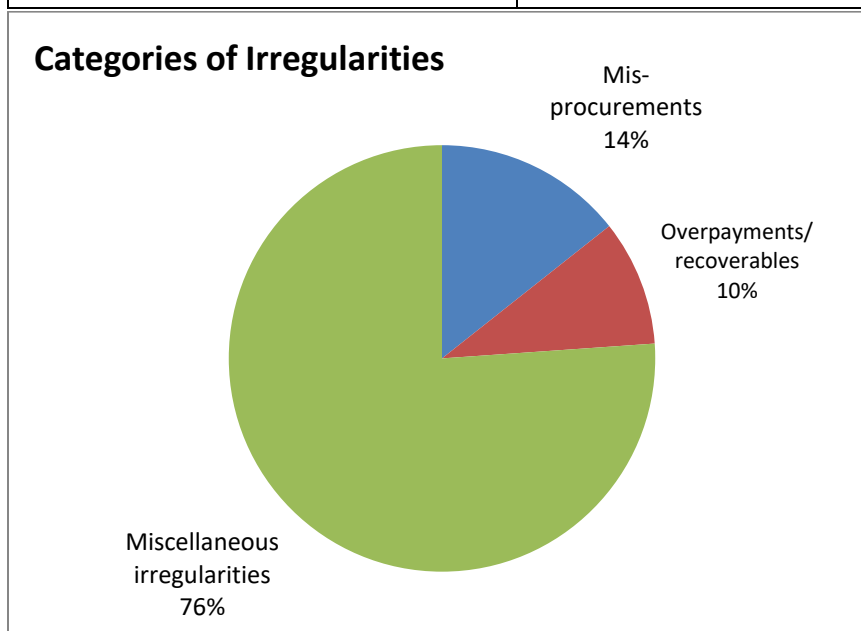
vii. Key audit findings of the report

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

- i. Non-adherence to Public Procurement Rules, Planning Commission’s guidelines and Land Disposal Regulations while procuring works, services, goods, 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	16,992.67
Overpayments/Recoverables	11,303.53
Miscellaneous irregularities	90,148.92
Total	118,445.12



Major audit findings included in this Audit Report are:

- i. Plot for the development of wholesale super market in Sector I-11/4, Islamabad was allotted to M/s Metro Cash & Carry Pakistan Private Limited in violation of Islamabad Land Disposal Regulations 2005 regarding open auction and no mechanism/reserved price yardstick was followed. Besides, CDA Board approved auction of plot for allotment of 8 acres but possession was given for 9 acres of land. ¹
- ii. Excessive billing was paid by CDA to IESCO due to non-deducting the effect of load shedding and un-illuminated lights from the monthly bill payments. The payment for excessive billing was a result of non-installation of energy meter over the entire system and bills were raised on the basis of units consumed during average 12 hours per day. Fifty seven percent (57%) street lights remained un-illuminated despite incurring expenditure involving procurement of stores and salaries of a fleet of employees. ²
- iii. CDA approved layout plan of a housing scheme despite the fact that it failed to prove the land ownership. ³
- iv. Revenue of Rs 5,040.462 million on account of licence fee, toll collection, rent, property tax, operation and maintenance charges, utility charges, entrée fee, etc. was not realized by CDA, CAA, NHA, Estate Office and WWB. ⁴
- v. Overpayments of Rs 3,349.567 million were made by CDA, NHA, Pak. PWD, FGEHF, HEC and WWB due to price escalation/de-escalation and incorrect interpretation/

¹ Para 2.4.5

² Para 2.4.6

³ Para 2.4.8

⁴ Paras 2.4.1, 2.4.38, 2.4.41, 2.4.46, 2.4.50, 2.4.60, 3.4.11, 3.4.23, 4.4.42, 4.4.64, 4.4.78, 5.4.48, 5.4.49, 5.4.50, 5.4.51, 5.4.52, 5.4.53, 5.4.54, 5.4.55, 5.4.57, 10.4.2

application of price adjustment clause of the respective contract agreements.⁵

- vi. Overpayments of Rs 3,786.201 million were made by CDA, CAA, NHA, Pak PWD, FGEHF, PHAF, HEC and WWBs due to higher rates, excessive measurements, separate payment of in-built component, non-adherence to specifications, foreign exchange difference, non-adjustment of advances, non-adjustment of rates beyond technical requirement, inadmissible component, insurance premium, non-recoveries of taxes, etc.⁶
- vii. Procurement of works/services valuing Rs 16,992.668 million was made by CDA, CAA and NHA without calling open tenders/in violation of Public Procurement Rules.⁷
- viii. Works valuing Rs 1,861.056 million were awarded by CDA, CAA and PHAF without PC-I in violation of Project Management Guidelines.⁸
- ix. Payments of Rs 1,690.221 million were made by CDA, CAA, Pak. PWD and WWB against the 'work done' without recording mandatory and certified measurements in the respective Measurement Books.⁹
- x. Pay & allowances and other employee related benefits amounting to Rs 177.168 million were paid by CDA and NHA in violation of rules.¹⁰

⁵ Paras 2.4.53, 3.4.30, 4.4.35, 4.4.46, 4.4.53, 4.4.54, 4.4.59, 4.4.60, 4.4.74, 4.4.79, 4.4.81, 5.4.8, 5.4.9, 5.4.23, 5.4.41, 6.4.10, 6.4.14, 9.4.7, 10.4.7

⁶ Paras 2.4.18, 2.4.19, 2.4.28, 2.4.29, 2.4.31, 2.4.43, 2.4.45, 2.4.48, 2.4.52, 2.4.56, 2.4.57, 3.4.13, 3.4.17, 3.4.19, 3.4.21, 3.4.25, 3.4.28, 3.4.29, 4.4.19, 4.4.43, 4.4.45, 4.4.48, 4.4.50, 4.4.61, 4.4.70, 4.4.71, 4.4.73, 4.4.77, 4.4.82, 4.4.84, 5.4.11, 5.4.17, 5.4.19, 5.4.20, 5.4.25, 5.4.27, 5.4.29, 5.4.30, 5.4.32, 5.4.35, 5.4.36, 5.4.37, 5.4.39, 5.4.40, 6.4.9, 6.4.12, 6.4.13, 8.4.5, 8.4.6, 8.4.7, 9.4.9, 9.4.10, 9.4.11, 10.4.6, 10.4.10, 10.4.13, 10.4.14

⁷ Paras 2.4.13.2, 2.4.15, 2.4.20, 2.4.22, 2.4.27, 2.4.54, 3.4.2, 3.4.4, 3.4.8, 4.4.4, 4.4.5, 4.4.8, 4.4.20

⁸ Paras 2.4.10, 2.4.12, 2.4.13.1, 3.4.1, 8.4.1

⁹ Paras 2.4.24, 3.4.12, 5.4.7, 10.4.5

¹⁰ Paras 2.4.2, 2.4.14, 2.4.23, 2.4.59, 4.4.62

A list, indicating number of audit observations, made during the Audit Year 2017-18, which are considered to be materially less significant for reporting to the PAC, is at Annexure-1 (MFDAC).

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 to 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	8	688,637.586*
2.	Total formations in audit jurisdiction	264	
3.	Total Entities(Ministries/PAOs) Audited	8	
4.	Total Formations Audited	85	291,746.809 **
5.	Audit Inspection Reports	85	
6.	Special Audit Reports	01	-
7.	Performance Audit Reports	09	-
8.	Other Reports		
	a. Financial Attest of Pak. PWD Appropriation Accounts***	01	16,191.129
	b. Foreign Aided Projects****	09	60,081.360

* This figure includes budget estimates of respective audited entities (Rs 511,770.109 million) and their estimated revenue receipts (Rs 176,867.477 million) for the year 2016-17. Actual expenditure was Rs 419,483.449 million whereas actual receipts were Rs 142,692.513 million.

**This figure represents total budget allocation (Rs 207,805.337 million) and estimated receipts (Rs 83,941.472 million) of the formations audited. The actual expenditure of the formations audited was Rs 118,445.660 million and actual receipts were Rs 54,480.201 million.

*** Actual expenditure against final grants of Appropriation Accounts of Pak PWD is Rs 15,095.610 million.

**** Actual expenditure on account of 09 Foreign-Aided Projects is Rs 120,057.855 million which includes Rs 5,444.996 million local component and Rs 119,612.889 million foreign component.

Table 2: Audit Observations classified by Categories**(Rs in million)**

S. No.	Description	Monetary Value of Audit Observations
1.	Unsound asset management	48.40
2.	Weak financial management	3,396.35
3.	Weak internal controls relating to financial management	115,000.37
Total		118,445.12

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	2,151.96	178,605.89	83,941.47	27,047.49	291,746.81	291,084.08
2.	Monetary Value of Audit Observations	668.34	70,428.02	42,921.15	4,427.61	118,445.12	165,453.81
3.	Recoveries pointed out at the instance of Audit	32.50	6,705.97	4,532.87	32.19	11,303.53	18,329.98
4.	Recoveries Accepted/ Established at the instance of Audit	-	2,416.87	3,221.75	-	5,638.62	3,975.17
5.	Recoveries Realized at the instance of Audit	-	594.34	426.86	-	1,021.20	2,782.60

Note: Recovery realized includes total recovery verified from July 2017 to January 2018.

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	11,828.42
2.	Reported cases of fraud, embezzlement, theft and misuse of public resources	31.41
3.	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances)	1,776.38
4.	Quantification of weaknesses of internal control systems	99,170.29
5.	Recoveries and overpayments, representing cases of established overpayment or misappropriation of public monies	5,638.62

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

S. No.	Description	Current Year	Last Year
1.	Outlays audited	291,746.81	291,084.08
2.	Expenditure on Audit	160.35	149.69
3.	Recoveries realized at the instance of Audit	1,021.20	2,782.60
	Cost-Benefit Ratio	1:6.37	1:18

Note: Current year's figures are upto January 2018 while previous year's figures are for whole year from 1st July, 2016 to 30th June, 2017.

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 Appropriation Accounts of Pak. PWD 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 on budget utilization and accounting procedures is as follows:

1.1 AUDIT PARA

1.1.1 Unauthorized transfer of funds from lapsable PLA-I to non-lapsable PLA-IV - Rs 1,776.376 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 four (4) Personal Ledger Accounts (PLAs) in Pakistan Public Works Department (Pak. PWD) with zero balances operative from 1st July, 1997, as detailed below:

PLA No.	Description	Nature
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 Fund receipts, etc.	Non-lapsable

Audit noticed that the Executive Engineers of fifteen (15) divisions of Pak. PWD transferred a sum of Rs 1,776.376 million from PLA-I (lapsable) to PLA-IV (non-lapsable) on account of withheld amounts of contractor's claims, retention of excess security deposit, etc., as detailed in

Annexure-A and booked the expenditure against work done during the financial year 2016-17.

Audit was of the view that these transactions not only violated the PLA system in a planned manner but also casts serious doubts on the system of internal controls. By converting the lapsable nature of funds into non-lapsable funds, the mandate of the Parliament was infringed upon by Executive Engineers.

Audit pointed out the irregularity during certification audit of the appropriation accounts of Pak PWD in September-October 2017. The matter was discussed with the Controller General of Accounts in December 2017 wherein it was informed that action had been initiated against Divisional Accounts Officers for such violation. Director General Pak PWD informed that the Executive/Divisional Offices of Pak PWD received the major portion of funds for execution of the development schemes pertaining to Parliamentarians under Sustainable Development Goals (SDGs) Programme during the month of May and June 2017. Therefore, utilization of the same in a very short span of time was not possible as codal formalities were required to be fulfilled before physically taking the schemes in hand. Moreover, on the other side as the release of funds was a cumbersome process, there was always pressure from the Parliamentarians that these funds should not be lapsed in any case and that development schemes be completed.

Audit contended that transfer of funds to non-lapsable account and booking the same as expenditure without physical execution of work was in violation of rules and as a matter of fact it led to qualification of the accounts. Audit, however, endorsed that a proper case be prepared for taking up the issue with Finance Division to regulate the funding and release mechanism.

The matter was also discussed in DAC meeting held in December 2017. Audit apprised that PAC while discussing similar issue had directed that PAO shall be personally responsible for such irregularity.

The DAC directed the department to stop this practice and action be taken against all persons at fault. DAC further decided that the matter may be taken up with Finance Division to sensitize the matter that due to the delayed release of funds, works could not be completed before 30th June which resulted in withholding of amount by the executing department.

Audit recommends that the irregularity be investigated to fix the responsibility against persons at fault.

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 centers, 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).

As per notification vide S.R.O 1(2016) dated 14th June, 2016 by the Government of Pakistan, Ministry of Interior, twenty-three (23) Directorates of CDA were placed under the administrative control of the Mayor of Metropolitan Corporation Islamabad (MCI) along with all rights, assets and liabilities by virtue of Islamabad Capital Territory local Government Act 2015 with immediate effect.

However, due to administrative reasons, financial arrangements are still under CDA and practical distribution of work is yet to be finalized. Therefore, a combined Audit Report comprising CDA and MCI has been prepared.

2.2 Comments on Budget and Accounts (Variance Analysis)

Comments on 'Receipt and Expenditure Account' for the financial year 2016-17, are as under:

(A) Expenditure:

Budget allocation and expenditure for the financial year 2016-17 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	2,197.000	1,483.461	2,183.060	699.599	47.160
Revenue Account	7,081.030	5,821.790	11,828.245	6,006.455	103.172
Sub-Total (A)	9,278.030	7,305.251	14,011.305	6,706.054	91.798
(B) Development					
PSDP	643.660	87.587	88.759	1.172	1.338
Self-Financing	26,895.580	18,765.591	4,377.912	(14,387.679)	(76.671)
Sub-Total (B)	27,539.240	18,853.178	4,466.671	(14,386.507)	(76.308)
Total (A) + (B)	36,817.270	26,158.429	18,477.976	(7,680.453)	(29.361)

Type of Funds	Budget Allocation	Actual Receipt of funds	Actual Expenditure	Variation* Excess/ (Saving)	Excess/ (Saving) in %
(C) Non-Budget					
Other debts and deposits	-	2,652.341	3,178.688	526.347	19.845
Remittance	-	(1,569.205)	-	(1,569.205)	(100)
Sub-Total (C)	-	1,083.136	3,178.688	(1,042.858)	(96.281)
Grand Total (A)+(B)+(C)	36,817.270	27,241.565	21,656.664	(8,723.311)	(32.022)

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

- i. Funds of Rs 9,278.03 million were allocated in Revenue Account (expenditure on establishment and maintenance from CDA's self-generated revenues) against which Rs 7,305.251 million (78.74%) were received during 2016-17. Expenditure of Rs 14,011.305 million was incurred with an excess of Rs 6,706.054 million (47.86%) over the actual revenue.
- ii. Funds of Rs 643.660 million were allocated in the Public Sector Development Programme for the year 2016-17 against which funds of Rs 87.587 million were released and expenditure of Rs 88.759 million was incurred. There was excess expenditure of funds for Rs 1.172 million.
- iii. An allocation of Rs 26,895.580 million was earmarked for the development activities under the head 'Self-Financing' against which, actual funds of Rs 18,765.591 million (69.77%) were realized but an expenditure of Rs 4,377.912 million was incurred. This indicated that CDA could only achieve 16.28% of planned targets/objectives of development activities.
- iv. CDA Board approved development budget for financial year 2016-17 for Rs 27,539.24 million, which was 74.80% of the total budget of Rs 36,817.27 million. Audit observed that key milestones envisaged in the original budget estimates for 2016-17 were not materialized. CDA incurred development expenditure of Rs 4,466.671 million which was 16.22% of the original

development budget estimates of Rs 27,539.24 million. Incurrence of expenditure only 16.22% of the development budget revealed that financial managers of CDA did not conduct proper exercise to review their financial resources keeping in view the quantum of receipts and expenditure.

- v. From the above, it is evident that the development funds were not fully utilized during 2016-17 and there was a saving of 76.67%. On the other hand, there was an excess of 91.80% in non-development budget. This indicated that non-development expenditure was on rise and development activities were not being given priority.
- vi. Balance of Rs 1,896.074 million was shown against Cash Development Loan (CDL) on 1st July, 2016. Nothing was released by the Federal Government during 2016-17 but Authority incurred expenditure of Rs 1,341.281 million, leaving a balance of Rs 554.793 million. This showed that the Authority incurred the expenditure without release of funds.
- vii. Federal Government released fund of Rs 2,645.946 million for Metropolitan Corporation Islamabad (MCI) during financial year 2016-17. An expenditure of Rs 2,645.946 million (100%) was shown incurred but the expenditure was not incorporated in the CDA Consolidated Account for June 2017. Final Account for June 2017 was not provided to Audit.

(B) Receipts:

Receipts of CDA from its own resources are as follows:

(Rs in million)

Description	2015-16	2016-17
Self-Financing Sector		
Estimated Receipts	28,245.950	28,617.210
Actual Receipts	12,377.849	18,765.591
Shortfall	15,868.101	9,851.619
Shortfall in % age	56.178	34.426

Description	2015-16	2016-17
Other Receipts		
Estimated Receipts	6,826.840	3,685.110
Actual Receipts	3,039.394	5,821.790
Shortfall/(Excess)	3,787.446	(2,136.68)
Shortfall/(Excess) in %age	55.478	(57.981)
Total Receipts		
Estimated Receipts	35,072.720	32,302.320
Actual Receipts	15,417.243	24,587.381
Shortfall	19,655.477	7,714.939
Shortfall in %age	56.04	23.88

- i. As per CDA account for the year 2016-17, the estimated receipts under self-financing were Rs 28,617.21 million against which a sum of Rs 18,765.591 million was actually realized (65.57% of the estimates) and estimated ‘other receipts’ were Rs 3,685.11 million while Rs 5,821.79 million were realized (58.198% above of the estimates). This showed an excess of Rs 2,136.68 million (57.981%) in collection of ‘other receipts’.
- ii. There was a shortfall of Rs 7,714.939 million (23.88%) against overall estimated receipts of Rs 32,302.320 million as the Authority could generate a revenue of only Rs 24,587.381 million during 2016-17. 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. According to PC-I of the Project “Metropolitan Water Supply Phase-I” the ECNEC decided that the beneficiaries of the Project i.e. CDA, Federal Government, Rawalpindi Development Authority-Water and Sanitation Agency (RDA-WASA) and Rawalpindi Cantonment Board (RCB) shall repay the loan (PK-P-24) on the following sharing basis:

CDA	= 11%
Federal Government	= 22%

WASA	= 28.80%
RCB	= 38.20%

Audit noted that Deputy Director Khanpur Dam, Directorate of Bulk Water Management CDA, Islamabad being the executing and coordinating agency of the project did not recover the installments of the loan due on 20th September, 2016 and 20th March, 2017 as per amortization schedule during the financial year 2016-17 from the above beneficiaries for onward repayment of foreign loan up to 30th June, 2017.

This resulted into non-recovery of Rs 626.093 million, as detailed below, for repayment to the development partner to avoid levy of interest @ 2.50%.

CDA	Federal Govt.	WASA	RCB	Total (Rs)
11%	22%	28.80%	38.20%	100%
68,870,270	137,740,540	180,314,888	239,167,664	626,093,362

(DP. 29)

Comments on 'Receipt and Expenditure Account' of CDA for the year 2016-17 are as under:

2.2.1 Incurrence of expenditure in excess of budget allocation/ releases by the Federal Government - Rs 11,881.70 million

Para 5(d) of System of Financial Control and Budgeting 2006 provides that the Principal Accounting Officer is responsible for ensuring that the expenditure is not incurred in excess of the budget allocation. He shall ensure that all payments are correctly classified under the appropriate head of account and that departmental accounts are regularly reconciled every month with the figure communicated by the Controller General of Accounts (CGA), Accountant General of Pakistan Revenue (AGPR). 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.

During scrutiny of the consolidated monthly account for June-2017 it was observed that an expenditure amounting to Rs 11,881.70 million as detailed below, was incurred by CDA in excess of the budget allocations/ releases under annual PSDP and Maintenance Grants by the Federal Government.

(Rs. in million)

Particulars	Balance as on 01.07.2016	Receipt up to 06/2017	Expenditure up to 06/2017	Balance as on 30.06.2017
Grant in Aid Capital (PSDP Grant)	(2,307.276)	87.587	88.769	(2,308.448)
Khanpur Dam	(102.054)	0	0	(102.054)
Grant in Aid Revenue (Maintenance Grant)	(8,771.631)	1,483.461	2,183.060	(9,471.230)
Total	(11,180.96)	1,571.048	2,271.829	(11,881.70)

Audit pointed out the irregularity in December 2017 but the management did not reply.

(DP.165)

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 was appearing in the accounts for the financial year 2016-17 under Capital Account (CDA Funds). This amount kept on appearing in the opening balance since financial year 2005-06 and was being carried forward every year. The amount was recoverable from Rawalpindi Cantonment Board as share of expenditure on Khanpur Dam.

2.2.3 Heavy closing balances with DDOs and non-reconciliation of Bank Balance - Rs 11,703.742 million

Audit noted that Director Accounts CDA compiled account for June 2017 in which cash balances of CDA on 30th June, 2017 were shown Rs 11,703.742 million, as detailed below:

i.	Bank balance (including Municipal Treasury bills)	Rs 11,355.264 million
ii.	Balance with D.D.O	<u>Rs 348.478 million</u>
	Total	Rs 11,703.742 million

Audit observed that verification of cash balance and bank balances was not made. Bank balance of Rs 11,355.264 million was posted without giving detailed reconciled figures in each bank account. In absence of reconciled figures against each bank account, cash balance was found un-authentic. This resulted into non-verification and non-reconciliation of cash balance of Rs 11,703.342 million.

(DP.163)

2.2.4 Non-preparation of Proforma Accounts

Para 389 (Chapter-VII) of CDA Procedure Manual Part-III provides that accounts of formations established for departmental purposes should be maintained in such a way as to enable the organization to prepare Proforma Account annually to 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 were not 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 1,483.461 million under head ‘Grant-in-Aid’ and incurred expenditure of Rs 2,183.060 million during the year 2016-17. In this way, an expenditure of Rs 699.599 million was incurred in excess of the actual receipts during the year increasing the overall excess to Rs 9,471.230 million upto 30th June, 2017.

2.2.6 Non-compilation of separate accounts of Metropolitan Corporation Islamabad (MCI) for the financial year 2016-17

Audit noted that accounts of 23 Directorates transferred to MCI were required to be compiled separately. Budget of MCI for Rs 2,645.946 million was released and booked as expenditure.

Audit observed that consolidated account of CDA for June 2017 was prepared including those Directorates since transferred to MCI.

Audit pointed out non-compilation of MCI accounts separately in December 2017 but the Authority did not reply.

(DP. 160)

2.2.7 Compilation of surplus/deficit account and depreciation account without certification - Rs 544.523 million

Para 255 of Procedure Manual Part-III Accounting Procedure CDA provides that registers and schedules relating to the suspense and deposit heads of account, contractor’s ledger, works abstract, register of works, rent register and record of assessment and realization of revenue should be reviewed monthly so that the steps necessary to effect expeditious clearance of outstanding balances be taken.

During audit inspection of the compiled accounts of CDA for June 2017, abstract of CDA’s Account with opening and closing balance at serial No.B-4 Surplus/deficit account balance was shown as Rs 515.218 million, without giving details of this deficit. Similarly, a sum of

Rs 29.305 million was shown as depreciation, without preparation of manufacturing accounts of machinery and equipment.

Audit observed that balances in various accounts heads were being carried forward without verification of actual figures and authenticity of transactions. The accounts of all liabilities and assets awaiting settlement and to effect clearance in the account of June were liable to be cleared. In absence of details and certified figures, Compilation of Surplus Deficit Account and depreciation account amounting to Rs 544.523 million was unauthentic. Audit was of the view that unauthentic compilation of surplus/deficit account and depreciation account without certification was due to weak internal and financial controls of CDA. Audit pointed out the irregularity in December 2017 but the Authority did not reply.

(DP.162)

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
	PAR	01	-	01	-
1997-98	312	312	214	98	68.58
1998-99	79	79	63	16	79.75

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	Percentage of compliance
	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	32	22	59.26
2005-08	94 SAR	94	54	40	57.45
2010-11	77	77	14	63	18.18
	36 *PAR	36	28	08	77.78
	18 *PAR	18	07	11	38.89
	29 *PAR	29	0	0	0
2011-12	59	59	12	47	20.34
2012-13	87	87	5	82	5.75
2013-14	53	53	11	42	20.75

Note: Audit Reports for 1985-86, 1987-88, 2014-15, 2015-16 and 2016-17 have not been discussed by PAC till the finalization of this Audit Report. SAR stands for Special Audit Report, PAR for Performance Audit Report and *PAR for Project Audit Report. Other figures represent Annual Regularity Audit Reports.

2.4 AUDIT PARAS

Fraud/Mis-appropriations

2.4.1 Embezzlement of entry fee in Lake View Park Islamabad - Rs 16.250 million

As per rule 7 of Appendix-2 of General Financial Rules (Vol-I), in all cases of fraud, embezzlement or similar offences, departmental proceedings should be instituted at the earliest possible moment against all the delinquents and conducted with strict adherence to the rules. There is no legal bar to the holding and finalizing of such proceedings even against a Government servant who is being prosecuted in a criminal court also.

As per Human Resource Directorate CDA Office Order issued vide No. CDA-5(47)/HRD-I/2012/4796 dated 17th November, 2015, four (04) CDA Officers were found guilty of misconduct/in-efficiency/corruption and misuse of powers regarding entry fee collection in Lake View Park Islamabad whereby huge loss of Rs 16.250 million was sustained by CDA. The Chairman CDA imposed penalties of stoppage of increment for one year against three (03) defaulting officers and major penalty of time scale demotion by three increments with recurring effect against one officer. In addition to above said penalties, the loss of Rs 16.250 million would be recovered from the defaulting officers in different proportions in case it was not recovered from the contractor through decree passed by the Civil Court, Islamabad, as detailed below:

S. No.	Name	Designation	Share	Amount (Rs in million)
1	Irfan Azeem Khan	Deputy Director (Parks)	50%	8.125
2	Asif Majeed	Director	40%	6.500
3	Muhammad Zubair	Manager Parks	10%	1.625
	Total			16.250

Audit observed from the record of Accounts Directorate, CDA that the recovery of embezzled amount of Rs 16.25 million was neither made from the contractor M/s Fazal-e-Wahab & Co., nor from the officers held responsible. This resulted into non-recovery of Rs 16.25 million.

Audit was of the view that embezzlement occurred due to weak financial controls.

Audit pointed out the non-recovery in April 2017. The Authority replied that HRD Directorate vide letter dated 25th January, 2016 had withdrawn the penalties imposed. However, matter had been transferred to HRD Directorate on 9th May, 2017 for review. The updated position would, therefore, be submitted later on. The reply was not tenable because recovery of Rs 16.25 million either from the contractor or the officers held responsible was not effected.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends recovery of embezzled amount.

(DP. 95)

2.4.2 Non-recovery of advances and salary paid to Ex-official dismissed from service due to fake certificates - Rs 2.145 million

As per HRD Directorate, CDA order vide No.CDA-5(253)/HRD-I/2016/2132 dated 24th October, 2016, Chairman CDA imposed the major penalty of “Dismissal from Service” upon Agha Haroon Nawaz, Senior Auditor (IRMIS Section) Accounts Directorate, CDA with immediate effect, as he submitted fake/bogus certificate of HSSC/Intermediate.

Audit noticed that the official was suspended from service on account of misconduct/corruption vide HRD Office order No. CDA-5(253)HRD-1/2015/262 dated 3rd February, 2016, and subsequently

dismissed from service vide letter dated 24th October, 2016, after establishment of fake/bogus certificates of HSSC/ Intermediate.

Audit observed that the personnel in addition to salary, drew House Building Advance, Motor Car Advance and GP Fund Advance during his service in CDA which was still outstanding against the ex-official. This resulted into non-recovery of Rs 2.145 million, as detailed below:

S. No.	Description	Amount Outstanding (Rs)
1.	Motor Car Advance (MCA)	50,000
2.	House Building Advance (HBA)	561,600
3.	Ex-Gratia	14,800
4.	Salary	1,518,734
	Total	2,145,134

Audit was of the view that non-recovery occurred due to weak financial controls.

Audit pointed out the non-recovery in April 2017. The Authority replied that during service the officer drew advances as a normal course of employment. Later on, the officer was dismissed from service on the basis of submission of fake/bogus certificate of HSSC/Intermediate. The reply was not tenable as the Authority did not reply regarding recovery of the outstanding advances.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends early recovery of the amount from the ex-officer.

(DP. 96)

2.4.3 Non-initiation of disciplinary as well as criminal proceedings against employees having fake degrees

As per provision of CDA Employees Service Regulations, 1992 and condition of offer letter, the regularization of service was subject to checking of original documents, viz. first engagement letter, last extension, letter of service, CNIC, academic certificate/degrees, experience certificates, domicile, etc. at the time of joining. As per condition of the offer letter, later on these documents shall be verified from concerned Boards/Universities/Departments by concerned Directorate, CDA within three months. In case, during their verification these record/documents found counterfeit, a criminal as well as disciplinary proceeding shall be initiated against the individuals under CDA (Employees) Service Regulations, 1992.

Audit observed from the record of Security Directorate that certificates/degrees/experience certificates of forty-eight (48) employees (BPS-1 to 16) were found fake during verification by the Boards/Universities/Educational Institutions concerned but the record of the Directorate produced to Audit was silent about the disciplinary as well criminal proceedings against the individuals concerned under CDA (Employees) Service Regulations, 1992.

Audit was of the view that non-initiation of appropriate departmental/criminal proceedings was due to weak administrative controls.

Audit pointed out the issue in August-September 2017. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends that the matter be investigated and disciplinary action be initiated against the individuals under CDA (Employees) Service Regulations, 1992.

(DP. 142)

Irregularity and Non-Compliance

2.4.4 Non-cancellation of commercial plots due to non-renewal of lease - Rs 40,155.648 million

According to condition No.1 of allotment letters, the land will be leased out for a period of 33 years and may be extended for two subsequent terms of 33 years each on such terms and conditions as may be determined by the Authority at the time of each renewal of the lease. The condition No. 19 stipulates that in case of default/non- conforming use, the allottee of lease will be withdrawn and structure, if any on the plot will be confiscated and no compensation will be paid. The condition No. 29 provides that in case of breach of any one or more of the above cited conditions and non-observance of the obligations, the allotment will be liable to be withdrawn/cancelled after deduction 10% of the total premium of the plot.

Audit observed that 524 commercial plots situated in I&T Centers, Markaz of Sectors G-6 to G -10, Fruit and Vegetable Market I-11/4, Industrial Area I-9, I-10/3 Industrial Triangle Kahuta, Diplomatic Enclave and in Agro farming area were allotted in or before 1983 for a period of 33 years (extendable up to 99 years). As per terms and conditions of leases, the first term of lease period has already expired. After the expiry of lease period of said properties, the CDA was required to force the allottees for extension of lease for another term but no efforts were forthcoming from the record produced. Due to non-pursuance of the extension cases, the Authority was deprived of millions of rupees in shape of extension fee. CDA also failed to cancel the 524 plots valuing Rs 40,155.648 million and re-allot through open auction to safeguard the Authority's interest.

Audit was of the view that non-renewal of leases was due to weak internal controls.

The matter was discussed in DAC meeting held in March 2017. CDA explained that as per terms and conditions of the lease agreement,

initial term of 30/33 years was extendable for two subsequent terms of 30/33 years. CDA Board in its meeting held on 7th August, 2004 decided to extend leases of commercial plots subject to payment of 1% of market price and NOC of Building Control Section and SOP for renewal of lease. Notices were issued to the lessees for renewal of lease. Extension of lease would be decided on case to case basis after fulfillment of codal formalities.

Audit stressed that a pro-active approach be adopted by CDA for best use of its assets and renewal of lease/disposal of commercial plots be expedited.

The DAC directed CDA to adopt a pro-active approach to enhance its revenue and devise a policy regarding expired leases for extension or cancellation, as the case may be, and to furnish details of plots, where first lease expired but neither extension was granted nor recovery effected.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directives regarding formulation of policy for extension or cancellation of the leases.

(Para 2.3 SAR)

2.4.5 Loss due to un-competitive disposal of plot - Rs 10,527.026 million

According to Rule 6 (1) of Islamabad Land Disposal Rules 2005, all commercial and business plots shall be sold or leased out through open auction as commercial plots, or for one of the specific activities mentioned in clause 3 (2). According to Rule 3 (2) of Islamabad Land Disposal Rules 2005, plots for any kind of commercial activity having profit as a primary aim, and include plots earmarked for shops showrooms, markets, departmental stores, hotels, motels, guest houses, marriage halls, restaurants, cafes, banks, insurance companies, petrol/CNG filling and or service stations, sites for multi-storey building meant for shops, offices

and or residential apartments, sites for multi-storey parking and offices connected with industrial and commercial enterprises.

Audit noted that commercial plot No.1-A Sector I-11/4 was not disposed of through open auction by CDA (Estate Management-II) as required under above-mentioned rules. Instead of open auction following three firms out of six were prequalified for disposal of plot.

S. No.	Party/Firm Name
1.	M/s Metro Cash & Carry Pakistan Private Limited
2.	M/s Makro Habib Pakistan Limited
3.	M/s S.G.M Group

Audit further noted that plot No.1-A Sector I-11/4 measuring 8.97 acres (36,300 sq. meters or 43,414 sq. yards) for the development of wholesale super market in Sector I-11/4, Islamabad was allotted to M/s Metro Cash & Carry Pakistan Private Limited (MCCP) @ US\$ 200 per sq. meter (equivalent to Rs 10,020 per sq. yard) for a period of 30 years under lease deed of August 2007 between CDA and M/s Metro Cash & Carry. The full premium of plot amounting to Rs 435.000 million was deposited by the lessee as advance payment on signing of lease deed.

Audit observed that two prequalified firms i.e. M/s MCCP and Makro Habib Pakistan Limited (MHPL) combined their wholesale Cash & Carry business and of the properties of M/s MCCP and M/s MHPL through a scheme of arrangement for the reconstruction of M/s MCCP and M/s MHPL. As such, the scheme of arrangement, inter alia will provide that lease hold rights of plot of land located at survey No.1.A, Sector I-11/4, would transfer to and vest in M/s MHPL by virtue of the orders of Sindh High Court under section 287 of the Companies Ordinance 1984, and upon the scheme of arrangement being sanctioned by the Sindh High Court, M/s MHPL shall become the owner of all lease hold rights in and to the plot aforesaid on same terms and conditions on which the said plot was leased by M/s MCCP being the terms set out in the registered lease deed dated 20th August, 2007, and M/s MHPL will assume full responsibility to discharge all debts, obligations and liabilities relating to said plot.

Audit further observed that during the same period plots bearing No.2-B and 3-B (Fruit and Vegetable) Sector I-11/4 were also auctioned on 13th February, 2007 @ Rs 300,000 and Rs 205,000 per sq yard. Average rate of these two plots was Rs 252,500 per sq yard. Audit was of the view that had the plot disposed of through open auction the CDA would have earned additional amount of Rs 10,527.027 million. Non-transparent and uncompetitive disposal of plot resulted into a loss of Rs 10,527.027 million to Authority, as detailed below:

Plot No.	Area of plot (sq yards)	Rate accepted in August 2007 (Rs per sq yard)	Average Auctioned rate of plot No. 2-B & 3-B sector I-11/4 on 13.02.2007 (Rs per sq yard)	Difference (Rs per sq yard)	Amount (Rs)
1-A, I-11/4	43,414	10,020	252,500	242,480	10,527,026,720

Audit pointed out the irregularity in February 2017. The matter was discussed in DAC meeting held in March 2017. CDA explained that Plot No.1-A, measuring 8.47 acres (34276.9 sq meters) was offered to M/s Metro Cash & Carry Pakistan (Pvt) Ltd on 30th April, 2007, after acceptance of financial proposal for the development of whole sale Super Market I-11, Islamabad. According to Chapter-3 clause-4 of Islamabad Land Disposal Regulation 2005 CDA Board may decide to enter into joint venture with any private or public sector agency regarding property vested into for any specific project. Property in question was leased out @ US\$ 200 per Sq. meter (equivalent to Rs 10,020 per Sq yard) for a period of 30 years after approval of CDA Board and completion of all relevant codal formalities. So far as, the plot No.2-B & 3-B (F&V) Sector 1-11/4, Islamabad are concerned, it was clarified that being a small unit in a most popular area of wholesale (F&V) market, the average rates of two plots was calculated as Rs 252,500 per sq yard however, being a whole sale super market of 36,300 Sq meter area could not be put into auction in order to ensure timely completion of project to facilitate the people of both the cities. It was further submitted that such property was transferred through a scheme of arrangement from the name of Metro Cash & Carry

Pakistan (Pvt) Ltd, to the name of M/s Makro Habib Pakistan Ltd by virtue of the order of the High Court Sindh under section 287 of the Company Ordinance, 1984 which was approved by the CDA Board. Moreover, in cases where lease deeds are executed, transfer through NDC was not permissible.

Audit contended that it was a clear violation of Islamabad Land Disposal Regulations 2005 regarding open auction and no mechanism/reserved price yardstick was followed. Besides, CDA Board approved auction of plot for allotment of 8 acres but possession was given for 9 acres of land. Incomplete list of commercial plots auctioned during 2007 was provided to Audit.

The DAC directed that an inquiry be conducted at CA&DD level for fixing responsibility against the persons at fault and report be shared with Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directive.

(Para 2.6, SAR)

2.4.6 Overpayment to IESCO due to excessive billing of street lights - Rs 5,360.991 million

Director General (EM&C), Pakistan Electric Power Company Limited (PEPCO), Energy Management and Conservation (EM&C) Division, Lahore issued Load Management Plan from time to time for guidance and implementation by all distribution companies including Islamabad Electric Supply Company (IESCO). In compliance thereof, IESCO issued circle-wise Load Management Schedule from time to time. According to which, load shedding was observed for four to seven hours in urban areas of Islamabad during different periods from December 2010 to July 2017.

As per Cabinet Secretariat (Cabinet Division) meeting of the Implementation Committee on Energy Conservation Strategy held on 23rd April 2010, it was decided “Street lights in Islamabad will be illuminated alternately”.

Audit noted that CDA, Islamabad is responsible to maintain the road/street light system in Islamabad since taking over from WAPDA in January 1999. IESCO was billing for electric consumption of street lights on the basis of units consumed per day @ average 12 hours after the energy meters installed became out of order. Despite the fact that CDA made payments of Rs 7.800 million during the period 1996-97, 2006-07 and 2013-14 for installation of energy meters on street light circuits for raising such bills on actual meter readings, meters were never installed. During a meeting held on 07th February, 1998, in the Ministry of Water and Power, it was decided that CDA would start paying current electricity bills of all the street light circuits on the basis of 75% of agreed connected load of the circuits until the meters are installed.

Audit observed during scrutiny of the accounts record that CDA (Street Light Division) made payments of Rs 7,237.914 million to IESCO on account of street/road lights electricity bills for the period from July 2006 to July 2017. Electricity consumption was being billed at average rate per unit including all taxes/charges and meter rent although meters have not been installed.

Audit further observed that the payment worth Rs 5,360.991 million, out of total payment of Rs 7,237.914 million on account of electricity bills, was considered unjustified due to excessive billing of street lights in absence of the circuit-wise electric energy meters, and non-application of following factors, reducing the actual consumption of units.

- i. Load shedding factor as per Load Management Plan of IESCO was not taken into account while making monthly payments of electricity bills. Audit was of the view that reduction factor

up to average 2 to 3-1/2 hours at nights on account of load shedding was to be applied.

- ii. Physical verification of 2,283 street lights selected randomly (6.33% of total 36,050 street lights) in various areas of Islamabad by Joint Team consisting of concerned Assistant Directors and Audit staff at night on 27th January, 2017, revealed that 57% street/road lights were found un-illuminated/non-functional. This load reduction factor was not kept in view while paying the electric bills to IESCO.
- iii. In compliance to the above referred energy conservation strategy, CDA switched off 50% poles and requested the IESCO vide letter dated 26th November, 2012 to reduce the electricity consumption bills for street lights to the extent accordingly but the same was not reduced from the monthly bills.

CDA failed to maintain the street lights as observed during physical verification despite fleet of 235 employees (involving expenditure of Rs 505.247 million on pay and allowances) and procurement of stores/repairs worth Rs 1,363.286 million during 2006-07 to December 2016.

Audit was also of the view that CDA made excess payment of Rs 5,360.991 million to IESCO without considering the reduction factors.

Unjustified payment of Rs 5,360.991 million was made due to non-pursuance of the installation of meters, non-adherence to the rules, regulations and policy for watching the interests of the Authority.

The matter was discussed in DAC meeting held in March 2017. CDA explained that Audit Team had inspected only 6% lights mostly of 125 watts in those areas/sectors which were comparatively in deteriorated condition. Twenty seven thousand (27,000) lights of 250 watts which consumed major portion of electricity and were in good condition were not inspected. It was not justified to attribute and assess position of last ten

and half years to the result of inspection on a particular day, time and limited location. The street light network was scattered and any fault occurred was rectified on regular basis. The matter of installation of meters was pursued at every level.

Audit contended that joint inspection (CDA Staff and Audit Team) was conducted in randomly selected areas and results were extrapolated besides other reduction factors to highlight the most likely financial impact of core issues of incorrect/higher electricity bills and non-installation of energy meters.

The DAC directed CDA that:

- i. Reconciliation be carried out regarding electricity consumption in the light of load adjustment and other reduction factors as pointed out by Audit.
- ii. Efforts may be made to get the electricity meters installed and matter also be taken up with Ministry of Water and Power.
- iii. Responsibility be fixed for not following up the matter actively despite making payment of Rs 7.8 million to IESCO in 2005 on account of installation of meters.

Audit recommends early compliance to the DAC's directive.

(Para 1.1, SAR, DP.138)

2.4.7 Non-realization of long outstanding dues of commercial plots - Rs 5,831.043 million

According to condition No.2 (mode of payment) in case the bid is finally accepted by the CDA Board, the successful bidder will be informed accordingly requiring him to pay the remaining 60% of the premium in two equal quarterly installments, first of which would be payable within three months from the date of issuance of acceptance of bid letter. The bidder will be required to submit undertaking regarding payment of Capital Value

Tax (CVT) to the Government in case imposition of said tax by the Government at any later stage, other duties i.e. advance tax and/or charges, if any levied and payable on such transactions will be deposited in Government treasury or authorized branches of Banks and submit receipts to CDA within 45 days. In case of non-payment of the premium and taxes, etc., by him/her after acceptance of the bid, the acceptance of the bid will stand withdrawn and 10% of total price of the plot shall be forfeited.

CDA (Estate Management-II) auctioned 35 commercial plots/agro farms in Blue Area, Sectors G-11, G-9, G-5, F-7, F-11, F-10, E-12, I-8, I-12, I-16, D-12, Fruit and Vegetable Market I-11/4, Orchard Schemes and Park Enclave of different sizes on lease basis through auction held during the period from 2007 to 2016 subject to terms and conditions contained in the respective allotment letters and brochures of different auctions.

Audit observed during scrutiny of allotment files, auction ledger accounts and decision of the Board in meetings regarding acceptance or rejection of auction results that an amount of Rs 5,831.043 million was outstanding on account of premium against the lessee who failed to deposit the installment of plots as per payment schedule. Fruitful efforts for early recovery by the Authority were not on record. A sufficient period elapsed after the auction held but the Authority did not cancel the lease agreement due to non-payment of premium of plots by the lessee.

The matter was discussed in DAC meeting held in March 2017. CDA explained that out of 34 auctioned plots with remaining premium, 04 plots were pending due to court case/stay order. Two (02) plots were cancelled due to non-payment of premium. Payments of 04 plots had been completely recovered, whereas payment of six plots was not due yet. Rest of the cases, were being processed for acceptance of part payment/sectoral development issues.

The DAC directed CDA:

- i. to provide detail of cases with amount involved by bifurcating into two categories, i.e. first where CDA has

developed the area and plots are available for possession and second where area has not been developed as yet.

- ii. to adopt a pro-active approach and devise a policy regarding cancellation of plots in case of non-payment of dues in respect of developed area, determination of delayed payment charges, follow up of court cases, etc.

Audit recommends early compliance to DAC's directive.

(Para 2.2, SAR)

2.4.8 Unauthentic approval of Layout Plan of Housing Scheme on the basis of fake and fictitious documents - Rs 8,198.60 million

Rule 2 (a) & (b) iii & iv, of ICT Zoning Regulations, 1992 provides that in Zone-2, private sector will be allowed to purchase/acquire land and develop residential schemes on the pattern of residential sectors planned in Zone-1. The boundaries of the schemes shall conform to the configuration of a standard sector inclusive of right-of-way (ROW) of principal inter-sector roads as per provision of Master Plan of Islamabad and permission for such schemes (Zone-2 and 5) shall be granted by the Authority subject to the condition that development of the scheme shall be in accordance with the layout plan, services plan and building plan as approved by the Authority.

Clause 21 of Modalities and Procedures framed under ICT (Zoning) Regulations, 1992 provides that the CDA shall assume the control of scheme, if the sponsor is incapable of completing the scheme after expiry of the extended period of completion.

During scrutiny of record of private housing societies following irregularities were noted:

- i. Layout Plan of Paradise City Housing Scheme in Sector F-16 and F-17 in Zone-2 Islamabad over an area 2,453.43 kanals was approved by CDA on 22nd December, 2006. After approval of the Layout Plan, the sponsor was required to fulfill the legal

formalities i.e. Mortgage deed of saleable plots, transfer deed, ROW/open area of land and engineering design etc. within 90 days up to 21st March, 2007 but the same were not submitted. The Layout Plan was withdrawn by the CDA. The sponsor failed to prove the land ownership of 2,399 kanals within the boundary even after 8 years of issuance of the Layout Plan. After issuance of Layout Plan the sponsor could not complete the legal formalities and started sale of 2,137 plots to general public without developing the land and collected a sum of Rs 5,243.40 million.

- ii. Layout Plan of M/s RP Corporation (Pvt.) Ltd. (a private housing scheme) was approved on land measuring 1,619 kanals for 931 residential plots and NOC was issued on 11th March, 2006 with completion period of 60 months. The sponsor could not start development work after issuance of NOC. An analysis of Fard Jamabandi and other Revenue documents was carried out after 8 years and it was noticed that the society had the ownership/possession of only 861 kanals of scattered land which could not be developed until its conversion into the compact/consolidated ownership and possession and revision of Layout Plan. After issuance of NOC and approval of Layout Plan, the sponsor was authorized to advertise the scheme comprising 931 plots over an area measuring 1,619 kanals with 30% mortgage of saleable plots in favour of CDA. The sponsor sold all 931 plots for Rs 2,955.20 million. The developer could not develop the Scheme despite lapse of nine (09) years.

This resulted in unauthentic approval of Housing Schemes based on fake and fictitious documents of land for Rs 8,198.60 million.

Audit was of the view that irregularity occurred due to weak internal controls.

The matter was discussed in DAC meeting held in March 2017. CDA explained that improved administrative and internal controls had been introduced to avoid irregularities in future. An inquiry was under

process to investigate the approval of layout plan of Roshan Pakistan Housing Scheme. Layout Plan of Paradise City was cancelled but the sponsor had applied for restoration, which was being examined.

The DAC observed with concern that layout plans were initially approved which were exploited by housing societies to attract the people to purchase plots. The DAC directed CDA to complete the inquiry and take action to safeguard public interest.

Audit recommends early compliance to the DAC's directive.

(Para 2.26, SAR)

2.4.9 Non-imposition of penalty/non-recovery of ground rent from marquees / wedding halls - Rs 1,032.000 million

According to Section 46-A 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."

Section 46-B of the ibid Ordinance states that whoever, without lawful excuse, fails or refuses to comply with any direction or order issued by the Authority was punishable under Section-46.

Audit noted from the record of the Directorate of Housing Societies Planning Wing, CDA Islamabad that near the Khyaban-e-Iqbal Road (Northern Strip Blue Area) in Sector E-11, Islamabad, there were many marquees/wedding halls/event management service professionals running their business without any approval of competent authority. All the event management service providers were using the Northern strip 156 feet wide and Khyaban-e-Iqbal road for their access / approach and car parking but did not pay any kind of ground rent or service charges to CDA. This resulted into loss of Rs 1,032.000 million.

Audit was of the view that CDA failed to implement the CDA Ordinance, 1960 and allowed unauthorized occupation of CDA land. The irregularity occurred due to lack of oversight mechanism for implementation of internal controls.

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

The matter could not be discussed in the DAC meeting despite best efforts by Audit.

Audit recommends that measures be taken to evict unauthorized occupation.

(DP 166/2016-17)

2.4.10 Irregular execution of works without approval by the competent authority - Rs 341.543 million

As per clause 1-(b) of CDA Delegation of Financial Powers, 2007 administrative approval of CDA's all self-financing schemes will be obtained from the CDA Development Working Party. Clause 2 states that Member concerned had full power to sanction Technical Estimates and clause 3 provides that acceptance of tenders having value above Rs 50 million will be granted by the Chairman CDA.

Audit noticed that Sanitation Directorate (Metropolitan Corporation Islamabad) awarded work "Privatization/provision of sanitation services, cleaning, sweeping, collection and transportation of solid waste/ garbage from Sectors G-6, G-7, G-8, G-9, G-10, I-10 and I-11 including Vegetable Market of Islamabad in July 2015 at 28% above the T.S estimates for Rs 341.543 million against estimated cost of Rs 266.870 million.

Audit observed that the Directorate executed the works without Admin Approval from CDA-DWP and Technical Sanction by the Member

concerned. The works, having cost above Rs 50 million, were awarded without approval of acceptance of tenders from Chairman CDA.

Audit was of the view that award of the works costing Rs 341.543 million without observing codal formalities was due to weak internal controls.

Audit pointed out the irregular execution of works in July 2017. The Authority replied that the works were awarded after acceptance of tenders above Rs 50.00 million from Chairman CDA. The reply was not accepted because due process of administrative approval and technical sanction of estimates was not followed.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends that matter be investigated and action be taken against persons responsible.

(DP 74)

2.4.11 Non-mutation/non-taking over possession of land besides payments to selective land owners - Rs 261.781 million

As per Awards announced by the Deputy Commissioner, CDA, Islamabad, Tehsildar Islamabad, was required that awarded land be mutated in the name of Capital Development Authority. The copies of mutation duly attested were to be sent to the office of the Director Land and Rehabilitation, CDA for record at the earliest.

Further, section 28 of CDA Ordinance, 1960, provides that immediately on the making of the award under section 28, the land shall vest in the Authority free from all encumbrances (and thereupon the Deputy Commissioner may, after giving reasonable notice to the occupier, enter upon and take possession of the same).

Section 25 of CDA Ordinance, 1960, provides that subject to the other provisions of this Ordinance, the rules made there-under, and the directions of the Authority, the Deputy Commissioner may, by order in writing acquire any land for the further purposes of this Ordinance. No order under sub-section (1) shall be issued except on the receipt by the Deputy Commissioner of specific directions from the Authority.

Section 26 of CDA Ordinance, 1960, provides that Where any land is proposed to be acquired under section 25, the Deputy Commissioner shall cause the land (unless it has been already marked out) to be marked out and measured, and if no plan has been made thereof, a plan to be made of the same.

Building Control Rules, 2005 (Chapter-II Zoning of ICT Section-3 Delineation of Zones) provides that the entire Islamabad Capital Territory shall be divided into five zones as delineated in the Master Plan wherein Zone-1 constitutes sectors up to the existing alignment of the G.T. Road from the point of intersection of G.T. Road with Shahrah-e-Kashmir to the point of the Nicolson Monument inclusive of Sector H-14, H-15, H-16, H-17, I-14, I-15, I-16, I-17. Building Control Rules, 2005, Chapter-III, Section- Development Strategies of Zones provides that the development of land in the zones shall be subject to the following conditions:

- A. Un-acquired Sectoral Areas: In these areas of Zone-1,
 - (i) Land shall be acquired under a phased program and developed by the Authority in accordance with the land use pattern spelled out in the Master plan;
 - (ii) No sale/ purchase of land which entails change in land use shall be allowed.

This provision was inserted with the intention to acquire the land directly from the original affectees by avoiding heavy cost in case of admissibility of sale/purchase of land of Zone-1.

Audit observed that payments to certain housing societies as detailed below were made by issuing 30 cheques on the same day to M/s Elite Estate Housing Society for Rs 124.500 million and 37 cheques to M/s Global Utopia Housing Society for Rs 137.281 million on different dates to keep the compensation within 05 kanals. CDA manipulated the circumstances and made payment to big land owners by splitting acquired land giving impression that the payment was made to small land owners up to 5 kanals. This resulted in irregular payments of Rs 261.781 million.

(Amount Rs in million)

Name of Payee	Cheque No	Amount of cheque x No. of cheque	Amount
Elite Estate Housing Society (I-17)	114338 to 114367 (30 cheques) dated 25.09.2015	Rs 4,150,000 x 30 Cheques.	124.500
Global Utopia Housing Society (I-17 and H-16)	114301 to 114337 (37 cheques) November-December 2015	Rs 4,150,000 x 36 Cheques.	137.281
		Rs 744,257 x 1 cheque	
		Rs 1,035,893 x 1 Cheque	
		Rs 1,845,902 x 1 Cheque	
		Rs 2,904,908 x 1 Cheque	
		Rs 655,410 x 1 Cheque	
Total			261.781

Audit was of the view that influential middlemen/housing societies were able to get payment @ Rs 830,000 per kanal against purchase cost of Rs 100,000 and Rs 200,000 per kanal. On the other hand the original land affectees were still in the possession of the said land. These middlemen managed to get the payment of compensation on priority basis and real affectees/owners up to 5 kanal were not paid till date.

The irregularity occurred due to weak internal controls.

The matter was discussed in DAC meeting held in March 2017. CDA explained that CDA had requested the Revenue Department for mutation. As regard possession and payment to selective affectees was concerned, it was decided only to acquire land for Sectors H-16 and I-17 due to pressing need of land reserved for District Prison Islamabad in Sector H-16 and Industrial Sector in I-17. However, BUP could not be acquired due to financial constraints and non-survey. BUP would be paid as existed at the time of acquisition. Any subsequent addition to BUP will not be compensated. The Deputy Commissioner CDA announced the award on 15th January, 2009 at flat rate of Rs 830,000 per kanal. After Award, some land owners having major share were pressing hard for either payment or to de-notify the Award and accordingly, it was decided to release payment. Further, payment was released on the orders of Islamabad High Court to owners having land up to 2 kanals and later on up to 5 kanals.

Audit contended that payments were made to the influential parties. Piecemeal payments on the same day to the same party were made in some cases to keep the payment of compensation in single case up to 5 kanals under the cover of orders of the Islamabad High Court (as per CDA response).

The DAC was not satisfied with the explanation given by CDA and directed to conduct inquiry at CA&DD level for fixing responsibility against persons at fault.

Audit recommends that:

- Early mutation of land be made in the name of CDA and possession be taken over immediately besides responsibility be fixed for negligence against those responsible.
- A proper Standard Operating Procedure be devised to streamline system of payment to the land affectees. Survey of built up property be conducted at the time of land

acquisition. Compensation to the affectees may be fixed at the rates prevailing at the time of land acquisition.

- Matter of out of the way/irregular payments to influential parties be investigated for fixing responsibility against those responsible.
- Measures be taken to ensure that no sale and transfer of land especially phased out program spelled out in the CDA Master Plan, is executed.

(Para 3.1.1, SAR)

2.4.12 Execution of project without PC-I - Rs 228.431 million

The Guidelines for Project Management issued by the Planning Commission of Pakistan denotes that 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 member each from Planning Commission and Finance Division for approval of self-financed projects. Further, Para 10.1(v) of the guidelines 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.

Audit noticed that Deputy Director, Works Directorate (Division-I), CDA Islamabad, undertook the project, “Construction of additional rooms in 22 Federal Government Educational Institutes under Prime Minister Education Reforms Program Islamabad” at estimated cost of Rs 228.431 million. Eight contracts valuing Rs 95.915 million were awarded during 2016-17 and expenditure of Rs 31.597 million incurred up to 30th June, 2017. Non-adherence to rules resulted in execution of project costing of Rs 228.431 million without PC-I & II.

Audit was of the view that non-preparation/approval of PC-I occurred due to weak internal controls.

Audit pointed out the irregularity in October 2017. The Authority replied that works relating to repair/maintenance, equipment and

construction of new rooms with furnishing were taken up by CDA in the 22 Educational Institutions upon the demand of Federal Directorate of Education under directive issued from the Prime Minister's Office vide letter No. D-3611/ASPM/ 2015 dated 16th October, 2015. The funds were pursued at different tiers of CDA and also at Ministry and a letter was issued by the Secretary, Capital Administration and Development Division, vide letter No. F.1-6/2016-Secy (CA&DD) dated 14th June, 2016, wherein, funds for additional rooms with furnishing amounting to Rs 228.431 million were also demanded from Planning Development and Reforms Division.

The reply was not tenable as preparation and approval of PC-I was mandatory under the rules. Further, Buildings of Educational Institutes were not on charge of CDA.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends that matter be got regularized from competent forum besides recoupment of funds.

(DP 147)

2.4.13 Replacement of existing road lights with LED lights without PC-I and award of work to non-responsive bidder - Rs 363.242 million

As per para 3.8 of Project Management Guidelines issued by the Planning Commission, Government of Pakistan, all the projects irrespective of the cost are to be considered by the DDWP. The Project costing up-to Rs 60 million are approved by the DDWP, while project costing more than Rs 60 million are submitted to the CDWP for their approval.

Para 3.11 of the guidelines states that the autonomous organizations having Board are competent to sanction their development schemes with 100% self-financing with no government guarantee and

involving less than 25% foreign exchange/foreign assistance, subject to fulfillment of prescribed conditions.

As per clause 1.2.1(ii) of PEC guidelines for evaluation of bids for procurement of works, the bidders must have a current valid license to practice as constructor. Clause 2.2.1 (i) (a) requires that the bidder should fall within the category allowed to participate for the size of the project. As per clause 3.4 (f) (xvi), a bid is likely not to be considered if the bidder is not valid license holder of PEC.

2.4.13.1 Audit noticed that Deputy Director Street Light Division, Directorate of E&M (Maintenance), CDA, Islamabad prepared rate analysis of LED Lights on the basis of single quotation collected from M/s Philips. The detailed estimate of the work, “Providing/Replacement with LED road light fixture at various major roads in Islamabad” was prepared for Rs 146.946 million and work was awarded to M/s Philips at contract cost of Rs 106.817 million i.e. 27.30% below the NIT cost.

Audit observed that the work was awarded to the contractor M/s Philips without preparation of PC-I and approval of the competent forum in violation of above referred guidelines issued by the Planning Commission. Further, the replacement of existing lights, in good working condition with expensive LED lights without analyzing all the parameters including benefit-cost ratio, energy saving from LED lights, maintenance cost, comparison of existing and replaced LED light, net financial benefit or loss and financial & economic benefits was unjustified. This resulted into unauthorized replacement of existing road lights, functional in all respect, with LED lights without approval of PC-I for Rs 146.946 million.

Audit was of the view that irregularity occurred due to inadequate mechanism for enforcing relevant rules and weak administrative/internal and financial controls.

Audit pointed out the irregularity in January 2017. The Authority replied that in order to minimize the energy consumption through installation of energy efficient and environmental friendly LED lights on

various major roads. The subject work was maintenance work for which PC-I approval was not mandatory as per prevailing rules. Moreover, the work was awarded after obtaining approval in principle by the Chairman CDA. The reply was not accepted being against Planning Commission Instructions.

(DP 109)

2.4.13.2 Audit noticed that Director E&M (Maintenance) CDA Islamabad invited tenders through press for a work “Providing/Replacement with Light Emitting Diodes (LED) road light fixtures at various major roads in Islamabad”. In response to the Notice Inviting Tender (NIT), nine (09) firms submitted tenders. Five (05) firms, including M/s Philips and M/s Al-Karam International were declared responsive in preliminary evaluation of bids.

Audit observed that M/s Philips, whose bid was declared responsive, had no valid license at the time of bidding as the same was issued by PEC on 7th June, 2016, whereas tenders were opened on 12th January, 2016. Similarly, M/s Al-Karam International had license of C-5 Category eligible for project up-to Rs 50.00 million only and also was not registered under specialized filed of EE-06 (Specialized Lighting System) having only one Engineer but his bid was also declared responsive. On the other hand, a firm M/s CCS Pvt. Ltd. having license of PEC of C-1 category and vast experience in LED lighting was declared non-responsive. After detailed evaluation, the remaining three (03) firms i.e. M/s Evershine, M/s Northern Engineering and M/s HSM (all three registered with PEC as C-1 Category and EE-06), having vast experience were also declared non-responsive.

Financial bids of M/s Philips and M/s Al-Karam International, declared responsive in detailed evaluation in violation of PEC Bye-laws, were opened and work was awarded to M/s Philips being the lowest bidders @ 27.31% below the Engineer’s Estimates which was prepared on the basis of single quotation obtained from M/s Philips instead of obtaining at least three (03) quotations from different firms/makers/manufacturers.

This state of affair indicated a correlation between preparation of engineer's estimates on the basis of single quotation obtained from M/s Philips and then awarding the same work to the same firm M/s Philips. This resulted into irregular award of work for Rs 106.817 million to a non-responsive bidder in violation of PEC Bye-laws and on the basis of defective estimate that deprived the entity of benefits of fair and transparent competition.

Audit was of the view that irregular award of work occurred due to inadequate mechanism for enforcing relevant rules.

Audit pointed out the irregular award of work to non-responsive bidder in January 2017. The Authority replied that the tender for the subject works was invited through national press and uploaded on PPRA as well as CDA's Websites after fulfilling all codal formalities. Moreover, the PEC license of M/s Philips Pakistan was valid upto 31st March, 2017. Further, nine (09) bidders were participated who submitted their technical and financial bids. During scrutiny of the technical bids seven firms were found dis-qualified/non-responsive by Scrutiny Committee due to non-fulfilling the basic criteria as per terms and conditions. Only two firms were technically qualified. M/s Philips were the lowest bidder with their quoted rates 27.31% below the NIT cost. The reply was not accepted being against the P.E.C guidelines for evaluation of bids.

(DP 110)

2.4.13.3 Audit observed that Deputy Director General (DDG) NESCOM Foundation approached CDA high ups with the idea that the Foundation designs, develops and produces LED Lights and also possesses expertise to convert conventional streetlights into LED lights by utilizing available fixtures, ensuring conformance to required standards. DDG NESCOM Foundation requested CDA that some conventional street lights fixture may be provided to NESCOM Foundation for retrofitting of LED kit for subsequent installation and testing. Three (03) street light fixtures were handed over to M/s NESCOM, which were retrofitted with LED Kits of 70 Watt and 60 Watt and installed on Street Light Poles at CDA Chairman

Office on 26.03.2014. No adverse point was noted on the basis of which Deputy Director, Street Light Division recommended that contract for provision of 125 lights of 70 Watt and 60 Watt each retrofitted with the LED kits be awarded to M/s NESCOM Foundation with two years replacement guarantee and five years repair service at nominal cost of 70 watt and 60 watt LED lights @ Rs 9,500 and Rs 9,000 each respectively. The contract was awarded and executed by M/s NESCOM.

Audit observed that without approaching/negotiation with NESCOM Foundation for converting the required conventional lights with LED by retrofitting the existing fixture at low cost the work “Providing/replacement of existing street light with LED road lights” was awarded to M/s Philips at an agreed cost of Rs 106.817 million i.e. 180 watt @ Rs 73,700 and 150 watt @ Rs 62,700 each less 27.30% which resulted into loss of Rs 87.335 million.

Audit was of the view that loss occurred due to weak financial controls.

Audit pointed out the loss in January 2017. The Authority replied that a pilot project of retrofitting/modification of existing lights into 60 watts and 70 watts Margallah Road F-6, F-7 portion was carried out. These modified lights could not be compared with latest efficient, smart lights. It was further added that 60 to 70 watts retrofitted lights did not fulfill the requirements of main highways/avenues in replacement of 250 watts of conventional lights. The reply was not accepted as retrofitting of existing street lights with LED lights by the NESCOM Foundation at economical rates was agreed and accepted by the CDA authorities.

(DP 112)

2.4.13.4 Audit noted that Director, E&M (Maintenance) CDA, Islamabad awarded a work, “Providing/ Replacement with LED road light fixture at various major roads in Islamabad”, to M/s Philips at an agreed cost of Rs 106.817 million on 22nd March, 2016.

Audit observed that light fixtures on existing street light infrastructure, being replaced with LED light fixture, were in

operational/working condition. Further, the existing lights having capacity of 150 watts were being replaced with LED lights of the same capacity of 150 watts. Thus, there would be no saving of energy, if the purpose of replacement was energy saving. The cost-benefit analysis of LED lights of the same capacity was not carried out before award and execution of the work as the work was being executed without preparation and approval of PC-I from competent forum. This resulted into unjustified replacement of existing and operational 150 watt road lights with 150 watt LED lights valuing Rs 22.144 million.

Audit was of the view that the irregularity occurred due to weak internal controls.

Audit pointed out the unjustified replacement of existing operational road lights with LED lights in January 2017. The Authority did not reply.

(DP 111)

The matter was discussed in DAC meeting held in November 2017. The DAC directed CDA to get the relevant record verified from Audit within three weeks.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directive.

2.4.14 Deployment of staff in excess of sanctioned strength resulting in excess expenditure - Rs 73.085 million

As per CDA Service Regulations, all appointments in CDA shall be made against sanctioned posts only and appointments to all the posts shall be made with the approval of the competent authority.

As per Para 2.03 of Central Public Works Department 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 Labourer as their name denotes, are meant for casual labour to be engaged as per requirement.

2.4.14.1 Audit noticed that certain posts of different categories / trades from BPS-1 to BPS-17 were sanctioned by the competent authority and accordingly, allocation for salary was made in the budget.

Audit observed that the Environment Directorates (East & West) CDA, 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 Rs 66.000 million (approximate) during the year 2016-17, as detailed in Annexure-B.

Audit was of the view that excess employment was made due to non-adherence to the sanctioned strength, weak administrative and financial controls.

Audit pointed out the irregularity during July-August 2017. The Authority replied that during the last few years the Capital city had expanded and new sectors/locations, major roads, service roads, avenues, roundabouts, green belts, and VVIP routes were developed and regularly maintained by the Environment Wing. The sanctioned strength of the CDA was insufficient to meet the actual requirements of environmental / horticultural activities. The reply was not accepted because different posts were filled in bulk without sanctioned posts and budget in the relevant head of account.

(DP 24)

2.4.14.2 As per sanctioned strength 155 posts of security guards had been approved for Parks in different Sectors of Islamabad.

Audit noticed that Director, Parks, CDA Islamabad deployed 185 security guards during 2016-17 and incurred expenditure of Rs 7.085

million on account of salary of 32 employees excessive than the sanctioned strength during the financial year 2016-17. This resulted in unauthorized expenditure on staff excessive than the sanctioned strength for Rs 7.085 million. (185 – 155 x 30 x 12 x Rs 656).

Audit was of the view that irregularity was due to inadequate mechanism for enforcing relevant rules and weak administrative/internal controls.

Audit pointed out the unauthorized payment in November 2017. The Authority replied that that the staff engaged on Muster Roll was purely on need basis not necessarily against the sanctioned strength. However, as the services of these Muster Roll employees were needed regularly to safeguard the safety and security of the park equipment. Therefore, the competent authority was being requested to sanction more posts of security guards in Parks Directorate. The reply was not tenable as the deployment of staff in excess of approved posts was unauthorized.

(DP 155)

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends that matter be investigated and responsibility be fixed against persons at fault.

2.4.15 Enhancement of work beyond the original scope - Rs 58.113 million

Rule 42 (c) (iv) of Public Procurement Rules, 2004 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.

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 Director Roads (South), CDA, Islamabad awarded a work, “Rehabilitation of MR-II NESCOM to IJP Road Sector I-11, Islamabad” to M/s Zaffar & Co. for Rs 199.769 million.

Audit observed that the scope of work was enhanced upto Rs 257.882 million which constituted an excess of 29.09% over and above the original scope of work without calling open tenders. Award of work costing Rs 58.113 million without open competitive bidding was unjustified. In the absence of open competition, CDA compromised the transparency, depriving the entity of the advantage of competitive rates, and denied a fair opportunity to other prospective bidders of participation in the bidding process.

Audit was of the view that the violation occurred due to weak internal controls.

Audit pointed out the irregularity in July 2017. The Authority replied that while carrying out the work, design was raised by 6 inch to 1 foot from the existing level of all approach link roads, so to give proper i.e. adjoining roads with the rigid pavement of MR-II the level was to be synchronized for ensuring safety and ease of the traffic flow. This additional work was urgently required otherwise the benefits of rehabilitation could not be achieved. The contract agreement clause 51.1 empowered the engineer to increase, alter quantities as deemed necessary for the smooth execution of the project and enhanced work was executed after approval by the employer / Chairman, CDA. However, it was worth mentioning that the contract agreement had been based on PEC documents duly approved by ECNEC and PPRA rules also provides that the procuring agency shall use the PEC documents for executing construction contracts. The work was executed at the lowest bidder rates i.e. 32% below, which were very competitive and was in the best interest of the Authority. Tendering for this portion of work may have invited rates

higher than the existing bid and subsequent loss would have been faced by the Authority.

The reply was not tenable because entirely new work, not included in the original scope of work was executed in violation of PPRA Rules and directions of the Public Accounts Committee as well. The contention regarding competitive rates on 32% below was also not justified as in another work of the same division; the received rebate was 40.20% on NHA Composite Schedule of Rates, 50% on MES Schedule of Rates and 70% on non-scheduled item (Construction of external infrastructure in H-10, Islamabad).

The matter was discussed in the DAC meeting held in November 2017. The Authority reiterated its earlier stance. The contention of the Authority was not agreed by the DAC. The DAC directed the Authority to provide detailed justification within three weeks.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit stresses for fixing of responsibility for the irregularity against the person(s) at fault.

(DP 20)

2.4.16 Non-remittance of Government receipt in Federal Treasury - Rs 104.465 million

According to Government of Pakistan, Cabinet Secretariat (Cabinet Division) letter No. 4/16/2012-CDA-III dated 11th June, 2014, it has been decided by FA's Organization, Finance Division that CDA should deposit all earnings from Pak-China Friendship Center (PCFC) in Government Treasury. After that, Finance Division will release the amount against operational expenditure of PCFC.

Audit noted that Director (Coordination) Parliament House, CDA Islamabad collected receipt of Rs 104.465 million, as detailed below:

Name of Centre	2016-17 (DP-118/16-17)	2017-18 (DP-129)
Jinnah Convention Centre	Rs. 21,835,000	Rs 13,595,000
Pak-China Friendship Centre	Rs. 31,020,000	Rs 38,015,500
Total	Rs. 52,855,000	Rs 51,610,500
Grand total	Rs 104.465 million	

Audit observed that the amount collected on behalf of the Government was not deposited in the Government Treasury as required under the Finance Division, Government of Pakistan decision. This resulted in non-remittance of the Government receipt of Rs 104.465 million.

Audit pointed out the non-remittance of dues in August 2016 and September 2017. The Authority did not reply.

Audit was of the view that government receipt was not remitted due to non-adherence to the instructions of the Finance Division, Government of Pakistan.

The matter was discussed in the DAC meeting held in February 2017, wherein, the CDA representative explained that receipt of Pak-China Friendship Centre was deposited in the CDA Treasury. However, an amount of Rs 45.800 million was deposited in government treasury in 2013-14. DAC was not satisfied with the explanation and directed CDA to remit due receipt in Federal Government Treasury and get it verified from Audit.

Compliance to DAC's directive was not reported despite lapse of a period of one year.

Audit recommends early compliance to the DAC's directive regarding remittance of dues.

(DP 118 /2016-17 & DP 129/17-18)

2.4.17 Appointment of consultant without registration with PEC and payment of consultancy fee without proper performance - Rs 46.825 million

According to Clause 2.71 of the consultancy agreement, the consultant will undertake detailed supervision of various stages of the project construction. The consultant will appoint following registered Professional Graduate Engineers/Graduate Professionals/Diploma Engineers (For site inspection only after approval of the client).

Article 11(iv) of the consultancy agreement provides that the consultant will ensure presence of required staff and implementation of proper documentation for the supervision process and later on the same record shall be transferred to the client. Proper targets/goals and monthly progress reports must be submitted regularly during construction phase.

Audit noticed that Deputy Director, Works Division-I, CDA Islamabad, made payment of Rs 46.825 million vide 28th running bill, on 18th April, 2017 for the period upto December 2016. The payment was held irregular in the light of following observations:

- i. Name of the consultant was not available in the approved list of registered consultants with PEC (List placed on www.verification.pec.org.pk).
- ii. Prior approval of the client (CDA) for appointment of staff of the consultant was not available on record.
- iii. The project authorities had not certified availability/ attendance of staff for which salary was claimed.
- iv. Quality assurance certificate issued by the consultant for payment to the contractor was not available on the record in compliance to clause 2.7.3 (d).
- v. Consultancy fee beyond 30 months was paid without extension in time.

- vi. Submission of monthly progress report was not ensured to release payment in terms of clause 2.7.3(a-vi).
- vii. Salary of HVAC Engineer was paid for three months against approval of two months.

Audit was of the view that excess payment of consultancy fee was made due to weak administrative and financial controls.

Audit pointed out the irregularity in October 2017. The Authority replied that approval was obtained and attendance of staff and monthly progress reports were submitted by the consultants. The consultancy contract period was linked with construction period.

The reply was not tenable because approval for appointment of staff from CDA and their attendance was not attached with the invoices. Formal time extension in consultancy contract was not obtained from the competent authority. Quality assurance certificates were not attached with the contractor's bills. Moreover, award of contract to a consultant not registered with PEC was irregular.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends that matter be investigated and appropriate corrective action be taken.

(DP 148)

2.4.18 Execution of work without insurance guarantee saving inbuilt cost of premium - Rs 40.018 million

As per clause 21.1 of the contract agreement, the contractor shall insure:

- (a) the works, together with materials and plant to the full replacement cost,

- (b) An additional sum of 15 per cent of such replacement cost, to cover any additional costs of and incidental to the rectification of loss or damage and
- (c) The contractor's equipment for a sum sufficient to provide for their replacement at the site.

As per clause 25.3, if the contractor fails to provide the policies to the employer, then the employer may effect and keep in force any such insurance and pay premium and recover the same from the contractor.

Audit noticed that Deputy Director, Sector Development, and Works Directorate, CDA, Islamabad awarded four works, as detailed below:

S. No.	Name of Work	Agreement Cost (Rs in million)
1	Construction of Additional (104) Family Suites for the Members of the Parliament Including Servant Quarters Block for 500 Persons. (M/s Habib Rfique (Pvt) Ltd)	2,728.451
2	Construction/Up-Gradation of Mosque at Pak. Secretariat, Islamabad. (M/s Zarif Khan Hussain Zai & Brothers)	400.446
3	Construction of Major Roads in Sector I-12, Islamabad	248.486
4	Development of Markaz in Sector D-12 at Islamabad - Construction of Parking Area, Drainage, Sewerage & Water Supply System	102.446
	Total	3,479.829
	Additional sum of 15%	521.974
	Sum to be insured	4,001.803

Audit observed that work insurance policies were neither obtained from the contractors nor effected by the Authority itself. The contract clauses regarding insurances were not invoked which not only tantamounts to undue benefit to the contractors but also put the entire works, equipment, property and labour at risk.

This resulted into non-obtaining of insurance policies for the works worth Rs 4,001.803 million and extension of benefit of Rs 40.018 million (1% of the cost) to the contractors as they saved inbuilt charges to maintain the insurance cover.

Audit was of the view that non-obtaining of insurance guarantee occurred due to weak contract administration.

Audit pointed out the non-obtaining of insurance guarantee in August 2017. The Authority replied the contractor had been instructed to arrange insurance as per contract agreement. The Authority replied in other case that matter was sub-judice. The reply was not accepted as insurance guarantee was not obtained, which was violation of the contract agreement.

The matter was discussed in the DAC meeting held in November 2017 wherein CDA explained that insurance policy had been obtained in one case and in other case it was being pursued. DAC directed CDA to get the insurance verified from Audit and recover the premium cost for un-insured period within one-week.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends compliance to DAC's directive at the earliest.
(DP 01 & DP 146)

2.4.19 Non-recovery of expenditure incurred in excess of the deposits received from sponsors - Rs 35.956 million

Para 410 of CPWA Code provides that a consolidated record of the transactions of the month related to all deposit work of the division should be prepared in Form-65 (schedules of deposit works). This schedule shows in respect of each work, the amount of deposit received and the expenditure incurred, both during the month and up to date. Refund of unspent balances of completed works should be taken as reduction of the

deposits and, therefore, shown in the schedule of minus realization and not as expenditure.

Audit noticed from scrutiny of the Consolidated Account of CDA for the month of June 2016 maintained in Accounts Directorate that CDA being engineering and executing department executed 30 deposit works. The sponsoring departments deposited sum of Rs 534.219 million as an advance for execution of the deposit works.

Audit observed that CDA incurred an expenditure of Rs 570.175 million on the execution of deposit works. The expenditure incurred was Rs 35.956 million in excess than the sum deposited by the sponsoring departments but the record produced to Audit showed nothing about the reconciliation and recovery of the excess expenditure. The accounts of deposits works since completed were not finalized by the executing CDA divisions since long. This resulted in non-recovery of Rs 35.956 million.

Audit was of the view that incurring of expenditure in excess of deposit received and non-recovery thereof was due to weak financial controls.

Audit pointed out the non-recovery in April 2017. The Authority replied that expenditure incurred over and above the allocated budget against one project was adjusted against the other project of the same sponsoring agency. In reply the Authority admitted that the excess expenditure incurred over and above the deposits of the projects. The adjustment claimed to be made against deposit of other projects of the same sponsoring agency was without lawful authority and following proper accounting procedures.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends early recovery and reconciliation/finalization of accounts of the completed deposit works.

(DP. 97)

2.4.20 Award of work without technical evaluation - Rs 30.408 million

Job description/specifications of the work require garbage compacting vehicle, 4 x 2, right-hand drive model 2005 or above, minimum GVW 18000 Kg, having minimum loading capacity of 10 tons of solid waste, equipped with hydraulic operated mechanism comprising of lifting arms and others related attachments for lifting of DIN type garbage trolleys, including 01 driver and 02 loaders with each vehicle”.

Audit noticed that Sanitation Directorate (MCI) awarded the work “Hiring of four garbage compactors for collection and transportation of solid waste from Islamabad” to M/s M. Maqsood & Co amounting to Rs 30.408 million which was 40.70% above the estimated cost Rs 21.612 million. Audit also noted that the management during technical evaluation declared the bidder qualified for financial bidding in violation of bid evaluation criteria. The Authority allowed all those bidders to participate in financial bidding who possessed vehicles of below Gross Vehicles Mass (GVM) i.e. 10,000 kg instead of 18,000 kg (The gross vehicle weight rating (GVWR), or gross vehicle mass was the maximum operating weight/mass of a vehicle as specified by the manufacturers including the vehicle’s chassis, body, engine, engine fluids, fuel, accessories, driver, passengers and cargo but excluding that of any trailers) and loading capacity in accordance with job description / bidding documents.

Audit observed that the Authority awarded the work to the contractor without technical evaluation because the contractor possessed below specification vehicles. The award of the work by setting aside the eligibility criteria was an act of favoritism. This resulted in irregular award of work worth Rs 30.408 million.

Audit was of the view that irregularity occurred due to weak internal controls.

Audit pointed out irregularity in July 2017. The Authority replied that the tender for subject work was called as per PPRA rules and work awarded after scrutiny by the Technical Evaluation Committee. It was

clarified that garbage compactors were not commonly available / used in the market. The contractors used the available chassis by up-grading them for fabrication of superstructure of garbage compacting system. The reply was not accepted as specifications i.e. minimum loading capacity of garbage vehicle 18,000 kg was not fulfilled, instead 10,000 kg (GVM) vehicle was purchased, which did not fulfill the required standard.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends investigation and action against the persons at fault.

(DP 70)

2.4.21 Non-accounting of excavated rock material - Rs 27.835 million

According to NHA General Specification 106.2, 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 noticed that Directorate Sector Development CDA, Islamabad paid an item of work “excavate surplus hard rock material” for a quantity of 37,113 Cu.m.

Audit observed that excavated rock material was neither accounted for in stock nor its disposal was recorded. This resulted in non-accounting/disposal of hard rock material valuing Rs 27.835 million (37,113 cu.m x Rs 750).

Audit was of the view that non-accounting of rock material was due to weak financial controls.

Audit pointed out the non-accounting in August 2017. The Authority replied that the excavated surplus hard rock material had been stacked, measured and taken on Stock Register. The same was being

handed over to the Environment Directorate for subsequent utilization in departmental work and record would be got verified from Audit. The reply was not tenable as adjustment/disposal of serviceable material was not shown to Audit.

The matter was discussed in the DAC meeting held in November 2017. CDA explained that excavated surplus hard rock had been taken on stock and handed over to Environment Directorate. DAC directed CDA to get the further utilization of the surplus material verified from Audit within one week.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends proper utilization of serviceable material.

(DP 04)

2.4.22 Award of works without open competition - Rs 24.834 million

Rule 12(2) &(3) 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 by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency: 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. In cases where the procuring agency has its own website it may also post all advertisements concerning procurement on that website as well.

Audit noted that Deputy Director, Mechanical Divisions-II, CDA, Islamabad awarded several works during financial year 2015-16 to different contractors at total cost of Rs 24.834 million without advertisement on the Authority's website as well as in other print media or

newspapers having wide circulation. Tender forms were issued to the selected contractors. Due to non-circulation of tenders on CDA/PPRA website open competition was negated. This resulted into irregular award of works without open tendering.

Audit was of the view that the irregularity occurred due to weak internal controls.

Audit pointed out the irregularity in October 2017. The Authority replied that works were awarded through quotations on the directions of the Ministries to meet the emergency, by obtaining approval from the competent authority (Director General / Member) after completing all the codal formalities. The reply was not tenable, as approval was not obtained from the Principal Accounting Officer for emergency works and award of work without open competition was in violation of PPRA-2004.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends that matter be investigated and appropriate corrective action be taken.

(DP 141)

2.4.23 Payment of President's House Allowance, Fuel and Electricity Subsidy to non-entitled officers - Rs 24.474 million

As per Finance Division (Regulation Wing) Office Memorandum No.F.2(1)-R.3/84-1037 dated 18th January, 1992 the employees of President's Secretariat (Public) were given House Allowance and Utility Services benefits over and above the other allowances admissible to them under the normal rules. Finance Division Regulation Wing vide U.O. No.1(1)Rg./2007-Pt 132-2013 dated 18th March, 2013 uncap the President's House Allowance for the President's Secretariat (Public & Personal) equal to one month's basic pay with immediate effect which was frozen at the level of its admissibility as on 30th June, 2011.

Audit noted that Finance Wing (General) CDA issued a notification vide No. CDA/FW(G)-44(28)(Pay & Allowances) /2018/2411 dated 10th May, 2016 for grant of President's House Allowance @ 100% and Fuel & Electricity Subsidy @ 15% of their running basic pay to all Officers (BPS-16 & above) of Maintenance Directorate (Aiwan-e-Sadr) working under administrative control of Member Engineering/Director General Services, CDA with effect from 6th June, 2014. Further, according to the notification the expenditure involved was to be met out from pay and allowances allocated in the assignment account of Maintenance Grant of Aiwan-e-Sadr building, instead of CDA's Head of Account.

Audit observed that Director Accounts, CDA Islamabad paid President's House Allowance and Fuel & Electricity Subsidy to the Officers not existed on the sanctioned/working strength of the Maintenance Directorate Aiwan-e-Sadr and also not actually working in the Aiwan-e-Sadr, CDA and charged the expenditure to the Maintenance Grant of Aiwan-e-Sadr Building without the approval of Finance Division, Government of Pakistan. This resulted in irregular payment of Rs 24.474 million.

Audit was of the view that the irregularity was due to weak financial controls.

Audit pointed out unauthorized payment in April 2017. The Authority replied that the allowance was paid in accordance with Finance Division CDA Notification dated 10th May, 2016. However, detailed reply would be submitted after receipt of position form Finance Wing CDA. The reply was not accepted as the allowances were paid to non-entitled CDA employees.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends stoppage of the irregular payment of allowances besides recovery.

(DP 94)

2.4.24 Payment without recording detailed measurement in log/work books - Rs 22.113 million

Clause 8 of the terms & conditions of the contract agreement describes, (i) the work shall be done in accordance with the schedule, which will be assigned on daily basis by the Assistant Director, Transport Officer sanitation, foreman or the other authorized representative of the Authority. For the purpose, an authenticated log / work book will be maintained in respect of each garbage compacting vehicle, showing detail of work assigned. (ii) Each area inspector should deploy a sanitary supervisor with garbage compacting vehicle to accomplish the assignment and at the end sign log / work book with date & time. Incharge, waste containment site will also record on log / work book with counter sign along with date and time, on each trip made by vehicle and (iii) Each garbage compacting vehicle should at-least empty 80 garbage trolleys and make two trips of waste containment site, daily. Quantity will be increased based on the size of compactor.

Audit noted that a sum of Rs 22.113 million was paid to contractors against the work “Hiring of four garbage compactors for collection and transportation of solid waste from Islamabad during the year 2016-17 by Sanitation Directorate, MCI.

Audit observed that bills for payment were prepared without recording detailed measurements of work done of each compactor. The authenticity of payment could not be verified due to non-maintenance of work / log books. The management did not adopt adequate method of work measurement/record keeping as prescribed above. The project authorities adopted an unreliable system by vetting the bill. An irregular deviation by the project authorities was also a compromise on mandatory oversight and internal controls of 100% work done certified by the Assistant Director and 10% test check by the supervisory officer which resulted in unauthentic payment of Rs 22.113 million.

Audit was of the view that the irregularity occurred due to weak internal controls.

Audit pointed out unauthentic payment in July 2017. The Authority replied that work / log book had been maintained in respect of all four garbage compactors. Said work/ log book had been signed by the each area Inspector upon completion of work in the sector by mentioning total number of garbage trolleys emptied. The reply was not accepted as certified log books of machinery were not shown to Audit.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit stresses for investigation and appropriate corrective action.

(DP 69)

2.4.25 Non-auction of advertisement sites/non-maintenance of record of open spaces for licenses - Rs 20.350 million

Rule 26 of General Financial Rules (Volume-I) provides that it was 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.

Audit noted that Director Municipal Administration CDA failed to auction several sites for advertisement panels, bridge panels, etc. during the process of auction held on 20th November, 2015 and 4th December, 2015. Chairman CDA while approving license of open spaces for Pappasallis in F-7 Markaz Islamabad dated 11th February, 2014 gave certain directions to Director Staff to Chairman CDA that Director Municipal Administration to put up factual position vis-a-vis details of all cases where permission to use open spaces was granted and reasons of subsequent cancelation. It was also noted by the Chairman CDA that at a numbers of places in Islamabad were available in front of restaurants which can be used without causing hindrance by them at specific time and for specific purpose.

Audit observed that eight (8) bids of various bridges were either rejected or with-drawn without recorded reasons for rejection or with drawl of bids. Since December 2015, no effort was made by the DMA authorities to re-advertise these sites not previously finalized for auction. Details of open spaces where permission to use these open spaces were previously granted by the Directorate of Municipal Administration CDA and cancelled afterwards was not maintained. Proper record of licenses issued for use of open space was not maintained by the DMA staff. In absence of inventories, revenue ledgers, watch and ward of license fee was not made. This resulted into loss of Rs 20.350 million due to non-auction of sites and non-maintenance of record / inventory of open spaces, which was a serious lapse on the part of Directorate of Municipal Administration.

Audit was of the view that the loss was due to weak internal controls.

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

The matter could not be discussed in the DAC meeting despite best efforts by Audit.

Audit recommends that sites be re-auctioned after proper evaluation and assessment of rates and record/inventory of open spaces be maintained besides fixing responsibility for non-maintenance of receipt record.

(DP 73/2016-17)

2.4.26 Theft of electric transformers, electric cable, street light poles, etc. - Rs 15.165 million

Para-55 of CDA Procedure Manual Part-II 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 noted during scrutiny of record of Street Light Division that 413 transformers for street lights were installed at various sites. However, Asset Register/Inventory showing accountal and monitoring/physical verification of transformers regularly was not maintained as evident from the produced record. Audit further noted that the payment amounting to Rs 34.148 million was made to the IESCO against Demand Notices for replacement/installation of 66 transformers during the period from July 2006 to December 2016.

Audit observed that three (03) transformers (having capacity of 63KVA, 25KVA & 100KVA) along with other electric items like electric cable, light fixtures, street light poles, circuit breakers, copper conductors, Distribution Boards, solar panels, miscellaneous parts, etc. valuing Rs 15.165 million were found misplaced/stolen from the sites and matter was referred to the Police Department for lodging FIRs, however, FIRs were not got lodged so far despite lapse of a period of more than six years in most of the cases. Audit further observed that in a case, the responsibility for replacement of the stolen material/items rested with the concerned contractor of the “Zero Point Interchange Construction Project” as theft occurred during the currency of defect liability period. Moreover, there was no proper watch and ward mechanism at sites and its continuous absence might warrant further misplacement of the electric items in future.

Audit was of the view that loss occurred due to weak internal controls.

Audit pointed out the irregularity in February 2017. The matter was discussed in DAC meeting held in March 2017. CDA explained that location-wise detail of 413 transformers was provided to Audit, and these transformers were fully operational. Material stolen from zero point was brought to the notice of SHO Police Station Aabpara for lodging FIR and investigation which was still under process. Moreover, applications regarding theft of street light equipment at 21 different locations were

submitted to respective Police Stations for lodging of FIR and recovery of stolen material in addition to tightening of field staff to eliminate the stealing of Government Property. The case was being perused persistently with the ICT authorities to find out the culprits and to eliminate such practices in future.

The DAC directed CDA to:

- i. pursue the matter with ICT to ensure safeguard of assets and improve watch and ward system,
- ii. pursue FIRs lodged with Police for recovery of stolen material
- iii. maintain inventory of all installations/equipment relating to street lights
- iv. make recovery/adjustment from contractor concerned in case of theft of cable/installation occurred within the defect liability period.

Audit recommends early compliance to the DAC's directive.

(Para 1.2, SAR)

2.4.27 Award of work in violation of procurement rules - Rs 17.536 million

As per Rule 40 of PPRA 2004 (Limitation on negotiations) 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.

2.4.27.1 Audit noted that Director, Parliament Lodges and Hostels, CDA accepted tenders for procurement of "Janitorial/cleaning services at Parliament Lodges for the year 2016-17" at 47.40% above the estimated cost based on prevailing market prices.

Audit observed that the acceptance of tenders by allowing premium on market rates was unjustified and caused a loss of Rs 8.629 million to the Authority because during the year 2014-15 the work was awarded at 5% below the estimated cost and for the year 2015-16 it was awarded at 9% below the engineering estimates based on market rates.

Audit further observed that tenders were called for initially in December 2016 and M/s The Maintainers quoted the rates at 56.31% above the engineering estimates but was rejected due to higher rates. 2nd time the tenders were opened on 11th April, 2017 wherein the existing contractor M/s Maqsood & Sons was allowed to participate in tendering despite his poor performance and proposed to be penalized under terms & conditions of the contract agreement. The existing contractor stood 1st lowest by quoting the rates 56% above the engineering estimates and reduced the rates through negotiation from 56% to 53% to 47.40% on NIT in violation of PPRA Rule 42.

Audit was of the view that the irregularity occurred due to inadequate mechanism for enforcing relevant rules and weak administrative controls.

Audit pointed out loss in October 2017. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends action against person(s) responsible for violation of rules.

(DP 120)

2.4.27.2 During scrutiny of accounts record of Market and Roads Maintenance Directorate CDA Islamabad, audit noted that that a work, "Rehabilitation of Street No.94 alongwith Improvement of Drainage

System in Sector I-8/4 Islamabad was put to tender on 07th May, 2015 against TS Estimated cost of Rs 4.865 million.

Audit observed that the contractor M/s BSK Engineers quoted 37.99% above the NHA CSR 2014, 65.99% above the MES 2009 and 2.99% above the non-schedule items. The total bid cost was worked out as Rs 7.135 million. After opening of bid, it was shown on record that the contractor reduced their rates voluntarily as 16.99% above on NHA CSR 2014, 49.99% above on MES 2009 and 2.99% above on non-schedule items.

Audit further observed that as per recorded reasons, the lowest bidder further reduced the rates and offered to execute work at 11.99% above on NHA CSR 2014, 49.99% above on MES 2009 and 2.99% above on non-schedule items and the work was awarded to M/s BSK Engineers for an agreement amount of Rs 6.056 million.

Audit was of the view that only the lowest bidder was given the opportunity to reduce bid and other participant bidders were not informed of such happenings. There appears to be an under hand negotiation in violation of PPRA Rule 2004 which tantamount to collusive practice with in the definition of PPRA Rules. This had not only hampered the sanctity of tendering process but also raise a question mark on the estimation. This resulted in irregular award of work of Rs 6.056 million to the contractor through negotiation.

Audit pointed out the irregularity in August 2016. The Authority replied that open bids were invited and the lowest bidder voluntarily offered rebate on his quoted rate which was accepted by the competent authority. Therefore, question of negotiation does not arise.

The reply was not accepted because only the lowest bidder was given the opportunity to offer reduced bid and other participant bidders were not informed of such proceedings.

The matter was discussed in DAC meeting held in February 2017, wherein, the Authority reiterated its previous stance. The DAC was not convinced and directed to conduct an inquiry into the matter and submit report to Ministry/Audit within 30 days. DAC further directed CDA to stop such practice in future.

Compliance to the DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP 38 /2016-17)

2.4.27.3 Audit noted that Deputy Director, Maintenance Division (E&M), Aiwan-e-Sadr, Islamabad invited tenders for the work, "Provision of Main, Sub-main electric supply of horse shed at nursery and allied electric work at Aiwan-e-Sadr Islamabad" and opened on 15th March, 2016. M/s AR Engineers was the first lowest bidder with his quoted rates of 95% above on MES Schedule of Rates 2014 and 55% above on market rates.

Audit observed that after opening the bids the lowest bidder offered voluntary rebate as stated by the Divisional authorities and the work was awarded to the lowest bidder M/s AR Engineers at his reduced rates of 90% above on MES Schedule of Rates-2014 and 49.90% above on Market Rates. There was no proof in black and white that somebody from the Division asked for it, but it was evident that negotiation with the lowest bidder was held and the lowest bidder was persuaded to lower the quoted rates. This state of affairs led to irregular award of works for Rs 2.851 million.

Audit pointed out irregularity in August 2017. The Authority replied that the lowest bidder offered voluntary rebate at its own perhaps to establish goodwill in the department which was accepted in the interest of public exchequer. No negotiation whatsoever was made with the 1st lowest bidder.

The reply was not tenable because voluntary rebate of first lowest bidder without negotiation was irrational. Despite rebate the accepted rates were on too much higher side as compared to estimate technically sanctioned.

The matter was discussed in DAC meeting held in November 2017. The DAC observed that it is serious issue and decided to place it before PAC for deliberation and decision.

Audit stresses to investigate the matter and fix responsibility for acceptance of higher premium on market and schedule items.

(DP 88)

2.4.28 Non-recovery of mobilization advance - Rs 7.723 million

According to clause 60.12(b), mobilization advance shall be recovered in equal installments; first installment at the expiry of 3rd month after the date of payment of first part of Advance and the last installment two months before the date of completion of the work.

Audit noted that the contractor was paid mobilization advance for electrical and mechanical works amounting to Rs 12.843 million on 28th June, 2012.

Audit observed that mobilization advance of Rs 5.120 million could only be recovered upto 9th December, 2013 due to poor performance of the contractor while the whole work was to be completed upto 23rd November, 2013. This resulted in non-recovery of mobilization advance of Rs 7.723 million.

Audit was of the view that payment of Mobilization Advance on account of electrical and mechanical works in advance stage without execution of civil works by the contractor was in violation of the contract agreement and non-recovery thereof occurred due to non-adherence to agreement clauses and weak internal controls.

Audit pointed the matter in March 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held in January and June 2015. CDA explained that the work remained stalled due to closure of site as a result of political turmoil. The balance mobilization advance will be recovered from the forthcoming IPCs. DAC directed CDA to watch the recovery of balance amount of mobilization advance, vigorously.

Audit stresses for recovery of mobilization advance besides fixation of responsibility against the person(s) responsible of the poor performance.

(DP 40 /2014-15)

2.4.29 Extra payment due to incorrect rate - Rs 6.531 million

According to Approval of CDA Board in its meeting held on 9th December 2016 circulated vide CDA Finance Wing letter No.CDA/CA/C-132/2016/40 dated 28th December, 2016 revised rate of daily wages was approved as under:

BPS	Rate for Six Working Days a Week	Rate for Five Working Days a Week
1-12	546 Days	656 Days

Audit noted that Deputy Director (Landscape) CDA Islamabad made a payment Rs 38.947 million to daily wages employees on account of wages for the period from January 2017 to June 2017.

Audit observed that all the daily wages employees were working for the whole month (30 or 31 Days) and wages had been paid @ Rs 656 per day applicable five working days a week, whereas wages were payable @ Rs 546 per day (Six working days a week) as approved by the CDA Board. This resulted in extra payment of Rs 6.531 million.

Audit was of the view that irregularity was due to inadequate mechanism for enforcing relevant rules and weak internal controls.

Audit pointed out the extra payment in November 2017. The Authority replied that the working hours for the employees falling in the category of 05 days a week are 08 hours daily (08:00 a.m to 04:00 p.m) whereas the working hours for the employees falling in the category of 06 days in a week is 07 hours (08:00 am to 03:00 pm). The CDA observed five working days for its offices, therefore, the rate of daily wages was also calculated on 05 working days basis. The daily wage staff of Environment Wing works for 08 hours daily, therefore, fell in the category of wage rate for five working days a week. However, keeping in view the work load in their respective areas of duty and non-availability of regular staff during 02 weekly holidays these daily wages workers were engaged on gazetted holidays with prior approval of the competent authority. The reply was not tenable as the staff work throughout month without any break (30 days), therefore, rate approved for 06 working days was applicable whereas higher rate was allowed which caused extra expenditure. Further, working of daily labour on gazetted holidays was not understood.

The matter could not be discussed in DAC meeting despite requests made by Audit in December 2017.

Audit recommends regularization of the excess expenditure from the competent authority.

(DP 156)

2.4.30 Procurement of vehicles and equipment without provision in TS Estimate - Rs 9.600 million

As per Special Provisions of the Contract, Clause SP-1 (Facilities to be provided) provides that the contractor will provide the following facilities within one month of letter of start without any additional cost to the employer. Cost of these facilities is to include in the bid price and no separate/extra payment shall be made by the Employer against these facilities.

- 1) One (01) Hyundai Shahzore Pickup 2600 CC
- 2) One (01) Tractor Fiat with Trolley (Jack attached)
- 3) One (01) Suzuki Cultus (1000 CC)
- 4) One (01) Suzuki Pickup
- 5) Four (04) Desktop Computer 1.7 Generation with accessories
- 6) Four (04) HP Laser Jet Printers (Three in One) latest model

All above items /facilities shall be transferred to the Authority.

2.4.30.1 Audit noted during examination of the accounts record of Deputy Director Market & Roads Maintenance (South) CDA Islamabad that procurement of the above vehicles and T&P articles was not provided for and approved in the TS Estimate/PC-I.

Audit observed that employer's facilities as provided in the contract provisions were not provided by the contractor as required. The Deputy Director neither received the employer facilities nor recovery effected from the contractor on account of inbuilt cost of Rs 6.00 million.

Audit was of the view that irregularity occurred due to weak contract administration.

Audit pointed out irregular procurement in July 2017. The Authority replied that the facilities as per special clause (SP-1) of the contract were provided by the contractor. The reply was not tenable as evidence in support thereof was not produced. Further, the procurement of the above vehicles and T&P articles was not provided for and approved in the TS Estimate/PC-I which was also irregular.

The matter was discussed in the DAC meeting held in November 2017. The Authority explained that the facilities had been provided by the contractor as per contract agreement. The DAC directed CDA to get the original record verified from Audit within three weeks.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 48)

2.4.30.2 Audit noted that employer's facilities were included in the contract agreement of the work "Rehabilitation and Re-carpeting of various roads in Sectors of F&G Series, Islamabad" awarded to M/s ZKB at a contract cost of Rs 845.232 million as detailed below:

- Four (04) sets of personal computers
- Two (02) sets of HP Laser Jet Enterprise P3015DN or Pro M706N (B6SO2A) Single function or equivalent.
- Two (02) sets of HP Laser Jet Pro MFP M225DW Printers or equivalent.
- One (01) Suzuki Pickup (1000cc) vehicle included all taxes, duties and registration fee in the name of CDA.
- One (01) 480 HP Tractor with Trolley and attachments (Front Blade, Front Loading Bucket) included all taxes, duties and registration fee in the name of CDA.
- One (01) Hyundai Pickup (Shahzore) vehicle included all taxes, duties and registration fee in the name of CDA.

Audit observed that the contractor neither provided 480 HP tractor with trolley and Hyundai Pickup (Shahzore) nor the cost of the facilities was recovered from the contractor. This resulted into non-recovery of Rs 3.600 million.

Audit was of the view that irregularity occurred due to non-adherence to the provisions of agreement, weak internal and financial controls.

Audit pointed out the non-recovery in July 2017. The Authority replied that since the manufacturing of Shahzore Hyundai Pickup was discontinued by the manufacturer. Therefore, the same could not be provided by the contractor. However, as an alternate to the Shahzore Pickup, the contractor was directed to provide two Suzuki Pickups. In reply the Authority admitted that Shahzore Hyundai Pickup was not provided by the contractor.

The matter was discussed in the DAC meeting held in November 2017. DAC directed the management to either get verify the relevant record from Audit or the amount in question by got recovered in two weeks' time.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends for early recovery.

(DP 52)

2.4.31 Overpayment due to non-deduction of earth available from roadway excavation - Rs 4.855 million

According to NHA General Specification item 108-C "Formation of embankment from borrow excavation, measurement shall be made minus roadway excavation quantity and minus structural excavation quantity.

NHA specification No.105.4.2 provides that no payment for roadway or borrow excavation shall be made under this item as the same is deemed to be included under relative item of formation of embankment. Specification No. 108.4.2 (b) - formation of embankment from structural excavation describe that payment for this item include cost of excavation, haulage, dumping, spreading, watering rolling, labour, equipment, tools and incidental necessary to complete the item.

During scrutiny of the accounts record of Roads Directorate South (Road-III) CDA Audit noted that CDA measured and paid an item formation of embankment from borrow excavation in common material for the works “Construction of interchange at Karal intersection of Islamabad Expressway and Development of signal free and controlled access corridor of Islamabad Highway from Zero Point to Faizabad Interchange and Construction of interchange at I-8 intersection Islamabad”.

Audit observed that the earth obtained from structural excavation of underpasses for a total quantity of 7,044.15 Cu.m was not deducted as required under the specification referred above. Moreover, cost of structural excavation was included in the item of formation of embankment, hence was not payable separately.

Non-adherence to the technical specifications resulted in overpayment of Rs 4.855 million.

Audit pointed out the overpayment in July 2016. The Authority replied that the quantity of earth obtained from structural excavation was declared unsuitable and was stacked at site. The unsuitable earth was utilized in landscaping works and filling of ditches along the road and also in horticulture works. The reply was not accepted because test reports showing the earth obtained from structural excavation as unsuitable were not on record. It was an afterthought to avoid recovery.

The matter was discussed in DAC meeting held in February 2017, wherein, the Authority explained that the excavated earth was declared unsuitable after laboratory testing. The DAC directed CDA to get the record and lab test reports in support of reply verified from Audit.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit stresses for early compliance to the DAC’s directives.

(DP 23 /2016-17)

2.4.32 Award of works at higher rates - Rs 2.852 million

According to MES Schedule of Rates 2014, ruling percentage @ 2% was allowed to be added while preparing the Estimate of the work bring the cost of the work equivalent to prevailing market rates.

Audit noted that Deputy Director Maintenance Division (Civil), Aiwan-e-Sadr Islamabad prepared estimates of maintenance works and got technically sanctioned by allowing 2% ruling premium on BOQ items based on MES Schedule of Rates-2014 and non-scheduled items at par for Rs 3.069 million and Rs 3.045 million including 3% contingencies for the works. The tenders were called and opened on 13th June, 2016. The works were awarded to M/s Guidelines vide acceptance letter No.CDA/DDMAS/ Accts/ 2016/1025 & 1024 dated 28th March, 2016.

Audit observed that the management invited tenders for the maintenance works at Aiwan-e-Sadr. Participant contractors quoted their rates on NIT based on Schedule of rates and non-scheduled items. M/s Guidelines stood first lowest by quoting 61% and 66% above the BOQ items based on scheduled items. Acceptance of higher premium resulted in loss to Authority and undue burden on the public exchequer for Rs 2.852 million.

Audit was of the view that the irregularity occurred due to inadequate mechanism for enforcing relevant rules and weak internal controls.

Audit pointed out the irregularity in August 2017. The Authority replied that ruling percentage @ 2% was added while preparing estimates and the works were awarded after fair competition. Further, the site of work Aiwan-e-Sadr is in red zone and transportation of labour and material was much expensive as compared to other areas of the capital due to involvement of security agencies and movement of VVIPs.

The reply was not tenable because application of ruling percentage in estimate and technical sanction was a proven fact that rates were

considered at prevailing market rates. Scheduled rates along-with ruling percentage were for all areas of country irrespective of the capital areas.

The matter was discussed in DAC meeting held in November 2017. DAC observed that it is serious issue and decided to place it before PAC for deliberation and decision.

Audit stresses for investigation and fixing responsibility against the person (s) responsible for award of work at higher rates.

(DP 87)

Performance

2.4.33 Non-development of sectors despite receipt of funds from allottees - Rs 63,413.335 million

CDA was 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. The main objective/ services entrusted to CDA include Development of new sectors.

Audit noted from the compiled accounts of CDA for the month of June 2017 that funds of Rs 49,025.656 million were shown as balance on 1st July 2016 for self-finance sectors. Receipt of Rs 18,765.591 million was provided in the budget of 2016-17 and progressive receipt was Rs 67,791.247 million for the financial year 2016-17 and expenditure of Rs 4,377.912 million was incurred on development activities leaving unspent balance of Rs 63,413.335 million on 30th June 2017. CDA sectors D-12 and E-12 were launched in 1982 where as Sector I-16 was launched in 1992 but all three sectors have not been developed despite lapse of thirty years. Money deposited by the allottees was blocked and value for money was not achieved by the depositors/allottees. This resulted into undue blockage of allottees money of Rs 63,413.335 million due to non-development of CDA Sectors.

Audit was of the view that undue blockade of development funds was due to weak internal controls.

Audit pointed out the irregularity in December 2017 but the management did not reply.

The matter could not be discussed in the DAC meeting.

Audit recommends early development of CDA sectors opened for residential purposes at the earliest to facilitate the allottees.

(DP.164)

2.4.34 Inordinate delay in completion of project despite sufficient funds

As per para 18 of (II Implementation stage) of Project Management Guidelines every activity should be time based and chased vigorously.

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 original contract agreement, the work “Construction of Additional (104) Family Suites for the Members of the Parliament Including Servant Quarters Block for 500 persons” Islamabad” was to be completed in 728 calendar days from 23rd May, 2011.

Audit noted that Deputy Director, Works Directorate (Division-I), CDA Islamabad awarded the said work at agreement cost Rs 2,728.451 million to M/s Habib Rafique (Pvt) Ltd and made payment Rs 823.652 million upto June 2017.

Audit observed that the work was not completed despite time overrun of four years since 19th November 2013 as financial progress was

Rs 1,292.898 million upto 30th June 2017 against original contract cost of Rs 2,728.451 million. This indicates that contractor achieved 47% progress with 160% time overrun. Audit further observed that sufficient funds Rs 3,251.117 million were released upto 30th June 2011 but could not be utilized in full.

Audit was of the view that contractor/consultant did not perform the job as per approved schedule which caused inordinate delay in completion of project despite availability of funds and expended amount Rs 1,292.898 million was blocked as the project had been facing litigation which would further delay the completion.

Audit was of the view that irregularity was due to weak administrative/internal controls.

Audit pointed out the delay in completion of work in October 2017. The Authority replied that the matter was sub-judice and CDA was also defending its stance during arbitration for the inordinate delay caused by the contractor.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends to take appropriate action by invoking contract clauses for early completion of the project.

(DP 145)

2.4.35 Procurement of sub-standard alum sulphate - Rs 1.287 million

According to specification and nomenclature of the item, supply of Alum Sulphate including cost of loading/unloading and stacking at plant (well packed in bags weighing 50 kg each) as per specification and instruction of Engineer in-charge, as under.

- | | | | |
|------|---|---|-----------|
| i. | Alumina as Al ₂ O ₃ | = | 17% (Min) |
| ii. | Iron as Fe | = | 0.5%(Max) |
| iii. | Insoluble matter | = | 0.5%(Max) |

- iv. Toxic Impurities
 - a. Arsenic = 3.0 ppm (Max)
 - b. Lead = 6.0 ppm (Max)
 - c. Other = Almost NIL with no toxic effects
 - d. Moisture = 20% (Max)

Audit noted that Deputy Director, Khanpur Dam Division, CDA awarded a Rate Running Contract for Procurement of Alum Sulphate for Water Treatment Plant Sangjani Islamabad to M/s Waqar Const. & Developers at his quoted rates of 10.11% below the NIT cost of Rs 8.580 million on 6th March, 2017.

Audit observed that Khanpur Dam Division received a quantity of 55 Metric Ton of Alum Sulphate up-to 12th June, 2017 and made payment Rs 1.287 million to the contractor. Water Quality Control Cell, Central Engineering Lab, Metropolitan Corporation Islamabad (MCI) reported with the description that insoluble matter, iron and toxic matter did not analyze due to non-availability of equipment in the lab. This showed that alum sulphate received and being used in the treatment of water was sub-standard. The existence of toxic material in alum sulphate was hazardous for health of human being using the water. This resulted in procurement of sub-standard alum sulphate worth Rs 1.287 million.

Audit was of the view that irregularity was due to weak administrative/internal controls.

Audit pointed out the matter in July-August 2017. The Authority provided a test report issued by CDA Lab on 10th August, 2017 which also supported the audit contention that toxic impurities in alum sulphate were not analyzed due to non-availability of equipment in the Lab.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends that alum sulphate may be got tested from some reputable laboratory equipped with the facilities of testing toxic material to ensure the provision of alum sulphate of standard specification.

(DP 31)

2.4.36 Non-taking of remedial measures for the treatment of polluted water

Environmental Protection Cell, Environment Directorate (Regional) CDA is responsible for collecting and analyzing of data of water, solid waste and air pollution, suggest remedial measures to CDA formations, preparation of Environmental Impact Assessment (EIA), Initial Environmental Examination (IEE) for the development projects, provide technical assistance in the field of environment to Directorates of CDA, in coordination with environmental institutions especially with Pak-EPA and Ministry of Environment, promulgation of Environment Protection Regulation and enlistment of Environmental Consultants.

Audit noted during examination of the record of Environmental Protection Cell, (R) CDA that the existing sewerage system in Islamabad was designed as a separate system from the storm water which was collected in a different system. The sewage disposal system in Islamabad provides disposal from each house through pipes and its conduction to trunk sewers.

Three main sewers were designed in the sewerage system in Islamabad:

- (a) The first one collects sewage from Sectors-5 to 7 of F to G series. The sewage is delivered at the plants called Sewage Treatment Plants Phase-I and II.
- (b) The second one collects sewage from Sectors 8 and 9 of F, G and H series. The sewage was delivered at the plant called Sewage Treatment Plant Phase-III.

- (c) The third one collects sewage from Sectors 10 & 11 of D, E, F, G & H series. The sewage is delivered to the newly constructed plant called Sewage Treatment Plant Phase-IV.

Audit further noted that as per CDA (Environmental Protection Regulation, 2008), no one shall dispose-off unauthorized or untreated affluent of any industrial or commercial concern or contaminated water in any street, stream, sewerage system, open place, park, road drain etc.

Audit observed that the Sewage Treatment Plant was treating only an average of 6 million gallons of sewage per day against the planned quantity of 17 million gallon for the reason that sewage could not reach the plant due to non-linking of the existing sewage network, which was choked and broken down at various places. Sewage of about 11 million gallon was, therefore, flowing in different ravines passing through various sectors of Islamabad, thus causing pollution. The Environmental Protection Cell, CDA could not take corrective measures for restoration and linking of broken sewage lines with main sewage network. This resulted in flowing sewage in different ravines and causing pollution.

Audit was of the view that irregularity was due to weak administrative/internal controls.

Audit pointed out the irregularity during July-August 2017. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends that matter be investigated for violation of rules and action be taken against the person(s) at fault.

(DP 22)

Internal Control Weaknesses

2.4.37 Non-revision of rates of property tax, water and conservancy charges

According to SRO 806 (I)/91, in exercise of the powers conferred by rule 6(I) of the Capital Development Authority (Imposition of Taxes) Rules, 1981, the Federal Government sanctioned levy of property tax in Islamabad with immediate effect vide the Gazette of Pakistan (Extraordinary) dated 20th August, 1991. The rates were operational for a period of three years.

In supersession of SRO 806 (I)/91 dated 20th August, 1991, Cabinet Division pleased to levy tax at the rate of one-twelfth of the annual value of buildings and lands located within the areas specified in Cabinet Division's Notification No. SRO 805(I)/91 dated 20th August, 1991 effective from 28th June, 1995.

Punjab Urban Immovable Property Tax Act 1958 enforced by the Government of Punjab provides that under the provisions of the Act, the property tax is levied on the annual value of buildings and land located in the rating area. It is levied at the rate of 5% of annual value at which the property may be let out from year to year basis.

Property Tax was levied and collected under Sindh Urban Immovable Property Tax Act, 1958. A uniform rate of tax is levied on all categories of properties @ 25% of annual rental value (ARV).w.e.f. 1st July, 2013.

Finance Wing CDA vide its letter dated 28th October, 2016 also conceded that the Authority was facing severe financial crunch with reduced revenue inflows while having huge ongoing routine works and administrative expenditures and an enormous amount of outstanding liabilities.

2.4.37.1 Audit noted that various formations/divisions of CDA (Water Production-I & II, Water Supply South & North, Bulk Water Management) incurred an expenditure of Rs 1,655.955 million for production and supply of water in Islamabad for the year 2015-16. Similarly Sanitations Directorate incurred an expenditure of Rs 466.605 million (for the year 2016-17).

Audit observed that Authority incurred an expenditure of Rs 1,655.955 million for water supply production for the year 2015-16 against which Revenue Directorate CDA collected water charges amounting to Rs 193.101 million. Similarly, Sanitation Directorate CDA incurred an expenditure of Rs 466.205 million for cleaning and municipal services etc. for the year 2016-17 against which Revenue Directorate CDA collected conservancy charges of Rs 78.17 million only. This resulted into loss of Rs 1,851.289 million. The loss sustained by Authority due to non-revision of rates of water and conservancy charges since year 2000.

Audit was of the view that non-revision of rates was due to inadequate mechanism for enforcing relevant rules and weak administrative/internal controls.

Audit pointed out the loss in August 2017. The Authority replied that a summary for revision of the rates of property tax water and allied charges was moved after fulfillment of codal formalities to the Federal Government soliciting approval. As and when summary is got approved and revised rates will be applicable to the consumers audit will be informed accordingly. The reply was not tenable as the rates were not got revised since 2001 and the Authority was facing recurring loss every year which needs corrective action for approving of the summary with presenting facts and figures of expenditure incurring for water supply and municipal services to minimize the loss sustained by Authority annually.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends appropriate measures for recovery of Property Tax and water charges on updated rates.

(DP 64)

2.4.37.2 Audit noted that CDA made last revision of property tax rates in 2001. The revised rates were effective from 1st February, 2001 till further orders. Revenue Directorate CDA Islamabad collected the following Property Tax in last seven years.

(Rs in Million)

Year	Target	Collection	Shortfall
2010-11	1,200.00	617.989	582.011
2011-12	1,200.00	620.721	579.279
2012-13	1,200.00	730.799	469.201
2013-14	1,200.00	752.690	447.31
2014-15	1,200.00	747.568	452.432
2015-16	1,200.00	786.899	413.101
2016-17	1,200.00	813.114	386.886

Audit observed that rates of Property Tax since 2001 were not revised despite increase in the valuation of property manifold in Islamabad. Due to non-revision of rates, there was a financial impact of less recovery of Rs 1,200 million (approx.)

Audit further observed that estimated/budgeted receipts/target for property tax was fixed lump sum and detail working on the number of units along with the long outstanding arrears amount was not given. The target receipt remained constant despite increase in number of units every year.

Audit was of the view that revision of rates of Property Tax and allied charges was not made due to deficient revenue-recognition policies, disregard to the rules/regulations and weak internal controls. The Authority failed to increase due revenue in a climate of financial constraint and declining resource availability.

Audit pointed out the irregularity in July 2017. The Authority replied that a summary for revision of the rates of property tax, water and allied charges was moved after fulfillment of codal formalities to the Federal Government soliciting approval. As and when summary was got approved and revised rates will be applicable to the consumers. The reply was not satisfactory. The matter needs to be brought into the notice of CDA high-ups and revision of rates taken with Federal Government to minimize the huge loss sustained by the Authority annually.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends earlier actions to effect actual recovery of taxes and strengthen the internal control system to improve financial health of CDA.

(DP 65)

2.4.38 Non-recovery of outstanding property tax - Rs 1,901.553 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. Rule-26 of General Financial Rules Vol-I provides that it is the duty of departmental officer to see that all sums due to Government are regularly assessed, demanded, realized and remitted into Treasury.

According to S.R.O. 806(1)/91 dated 20th August, 1991, the Federal Government, in exercise of the powers conferred by rule 6(1) of the Capital Development Authority (Imposition of Taxes), Rules, 1981, has sanctioned levy of property tax in Islamabad, with immediate effect at the rate and on the conditions given in the SRO.

Audit observed that Revenue Directorate CDA did not recover outstanding dues of Rs 1,901.553 million on account of property tax, water and allied charges from various residential buildings, commercial buildings, educational institutions, offices, etc., as detailed below:

DP. No.	Description	Amount (Rs in million)	Remarks
54	Property tax	21.667	Workers Welfare Fund, residential houses/offices of F6-G6, F6-G5, Emigration Tower G-8/1 and FPCCI G-8/1 Islamabad
55	Property Tax	6.169	Benevolent Fund Building
55	Property Tax	5.091	Printing Corporation Press
56	Property Tax	828.003	801 Residential building and 459 commercial buildings
102	Property Tax	111.839	E, F, G and I Sectors
103	Property, water and allied charges	36.882	Commercial buildings
57 & 58	Property, water and allied charges	52.978	Media groups
61	Property Tax	32.175	Zarai Taraqati Bank
66	Property Tax	53.066	Gun and Country Club
104	Property Tax	678.430	Educational institutions
105	Property Tax	42.716	PTV
107	Property tax	5.872	Millennium Heights and Golden Heights, Economy flats, F-11
59	Water and conservancy charges	11.806	US Embassy (less billing)
60	Water and conservancy charges	3.580	Pak China Friendship Centre
62	Water and conservancy charges	11.279	US Embassy (Rs 4.578 million) and Centaurus Mall (Rs 7.151 million)
Total		1,901.553	

Audit was of the view that non-recovery of outstanding dues was due to inadequate mechanism for enforcing relevant rules and weak administrative/internal controls.

Audit pointed out non-recovery in April and August 2017. The Authority replied that notices had been served. As and when recovery is effected Audit would be informed accordingly. The reply was not accepted as property tax was not recovered in violation of the CDA Ordinance 1960. Early action was required to be taken against the defaulters including referring the case to Assistant District Collector for legal proceeding for effecting recovery along with arrears and surcharges besides taking corrective measures for identification of the non-tax payer, devising of concrete policy/procedure to safeguard the revenue sources of CDA.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit stresses for early recovery.

2.4.39 Carpeting of roads without obtaining NOC from MPO - Rs 845.232 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 Market & Roads Maintenance CDA Islamabad awarded a work of re-carpeting of various roads in Sectors of F&G Series, Islamabad. The work was started on 10th Novembr, 2015 and to be completed in six (06) months upto 9th May, 2016. The work was still in progress.

Audit observed that carpeting work was got executed mostly in various streets of Sector F&G not included in the detailed estimates. On

the other hand MPO Directorate was also executing carpeting work in the same localities and Sectors of Islamabad. The NOC from MPO Directorate was required to be obtained before estimation and execution of carpeting work to avoid any overlapping/duplication of the streets but the same was not obtained. This resulted into execution of carpeting work for Rs 845.232 million without obtaining NOC from MPO.

Audit was of the view that irregularity was due to inadequate mechanism for enforcing relevant rules and weak administrative/internal controls.

Audit pointed out the irregularity in July 2017. The Authority replied that the re-carpeting was executed as per scope of work/estimation in F&G Series, however, some streets of different sectors were got executed on the special directions of high-ups. In reply, the Authority admitted that some streets of different sectors were got re-carpeted on the special directions without provision in the approved estimates and reconciliation with the MPO which was also doing carpeting work in the same Sectors, so chances of overlapping cannot be overruled.

The matter was discussed in the DAC meeting held in November 2017. The Authority reiterated its previous stance. The DAC directed to obtain NOC from MPO that there was no duplication between the works carried out by them and Market and Road Directorate.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit stresses to reconcile the position of carpeting with MPO to avoid any overlapping/duplication.

(DP 50)

2.4.40 Non-completion of work despite incurring expenditure of Rs 295.00 million

According to Rule 23 GFR, every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence. Detailed instructions for regulating the enforcement of such responsibility are embodied in Appendix 2.

Audit noted that CDA Development Working Party in its meeting held in May 2006 approved PC-I for “Recreation Facilities of Ladies Club Markaz G-10, Islamabad” to provide recreational facilities in Islamabad for Rs 335.69 million. Audit further noted that the Authority awarded the work in December 2006 to the contractor M/s Expertise (Pvt.) Ltd at a cost of Rs 182.85 million. The work was started on 19th January, 2007 with a completion period of 18 months and an expenditure of Rs 295.00 million incurred up to May 2009 including a sum of Rs 247.629 million on civil works (upto 27th running bill).

Audit observed that the work could not be completed despite lapse of a period of eight years. The work at site was stopped in May 2009 and still not resumed due to the reasons best known to the Authority. This resulted in wasteful expenditure of Rs 295.00 million.

Audit was of the view that expenditure already incurred has gone waste due to stoppage of work since 2009.

Audit pointed out the matter in August 2017. The Authority replied that delay in project was due to delay in administrative approvals, change of design and overall financial constrains in CDA, furthermore, it was explained that the Revised PC-I was duly approved by CDA DWP. As soon as the work will restart on the said facility, the progress report will be

shared with the audit. The reply was not accepted as stoppage of work was due to ill planning and weak technical supervision.

The matter was discussed in the DAC meeting held in November 2017, DAC observed that it was a serious issue and decided to place it before PAC for deliberation and decision.

(DP 81)

2.4.41 Non-recovery on account of Operation & Maintenance Charges of Water Treatment Plant from beneficiaries - Rs 195.327 million

Rule 8 of General Financial Rules (Vol.-I) provides that a departmental controlling officer is required to promptly assess, realize and deposit the Government revenue into Government funds.

Audit noted that Deputy Director, Khanpur Dam Division, Directorate of Bulk Water Management, CDA, Islamabad operates and maintains water treatment plant at Sangjani and supplied treated water to Rawalpindi Cantonment Board (RCB), WASA Rawalpindi and CDA Islamabad as per their approved share.

Audit observed that Operating and Maintenance Charges incurred on the plant during financial year 2016-17, as per share of the treated water supplied to the beneficiaries i.e. RCB and WASA Rawalpindi were not recovered from the beneficiaries. This resulted into non-recovery of Rs 195.327 million as detailed below:

(Rs in million)

Period	RCB	WASA	Total
Amount outstanding upto June 2017	771.902	260.427	1,032.329
Less arrears upto June 2016	656.306	180.696	837.002
Total amount due for FY 2016-17	115.596	79.731	195.327
Less received during FY 2016-17	0	0	0
Amount outstanding for FY 2016-17	115.596	79.731	195.327

Audit was of the view that the non-recovery was due to non-implementation of relevant rules and weak administrative/internal controls.

Audit pointed out non-recovery in July-August 2017. The Authority replied that recovery of O&M charges from beneficiaries was being pursued and in a meeting with Additional Secretary Cabinet Division, it was decided that RCB will arrange funds for payment to CDA. The Authority in its reply admitted that RCB and WASA Rawalpindi were not paying their shares on account of Operation & Maintenance (O&M) Charges of Water Treatment Plant. Non-recovery/non-repayment of loan was in violation of the approved PC-I.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends early recovery of the outstanding amount from the beneficiaries.

(DP 30)

2.4.42 Non-adjustment of advance payment - Rs 94.902 million

According to Federal Treasury Rules (Responsibility for the money withdrawn (Rules 205 to 216) "Every Government officer entrusted with the payment of money should obtain for every payment he makes a voucher setting forth the full and clear particulars regarding the claims and all relevant information necessary for its proper identification and classification in accounts.

Audit noted that the Directorate Sector Development CDA, Islamabad made an advance payment of Rs 5.00 million to Deputy Director MPO (Maintenance) in November 2016 on account of 1½ inches thick carpeting of roads in Sector D-12. Audit further noted that previously payment of Rs 94.902 million was also made on this account.

Audit observed that vouched account on the basis of actual work done was not obtained to adjust the advance payments. This resulted into non-adjustment of advance payment of Rs 94.902 million.

Audit was of the view that the non-adjustment was due to weak financial controls.

Audit pointed out the issue in August 2017. The Authority replied that adjustment of the advance payment will be obtained from MPO and record will be got verified by Audit. The reply was not accepted as adjustment of advance payment was not made, which was in violation of Treasury rules.

The matter was discussed in the DAC meeting held in November 2017. DAC directed CDA to provide the area wise details to Audit and adjustment of amount be got verified from Audit within one week.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit stresses for early adjustment of advance payments.

(DP 07)

2.4.43 Overpayment to the contractors due to higher estimation - Rs 30.253 million

Clause 9 (a) of SOP for management of Sanitation services in Islamabad describes the Sector Team as under:-

There shall be a team for every Sector, consisting of:

- One Sanitary Inspector
- Five Sanitary Supervisors
- 10 Mates
- 150 Cleaners.

Audit noted that Sanitation Directorate (MCI) awarded the work “Privatization/ Provision of Sanitation Services, Cleaning, Sweeping, Collection & Transportation of Solid Waste/ Garbage for Sectors G-6, G-7, G-8, G-9, G-10, I-10 & I-11 to seven (07) contractors 28% above the estimated rates.

Audit further noted that following components were included in the estimate of work:

S. No.	Particulars	Quantity	Cost per annum
1.	Driver	01	Rs 154,800
2.	Truck loaders	02	Rs 288,000
3.	POL charges	-	Rs 672,000
4.	Repair & maintenance charges of tractor towed with mechanical sweeper	-	Rs 420,000
5.	Contractor’s profit		10% of each component

Audit observed that the estimates were prepared and got approved from the competent authority on the basis of SOP adopted by the Sanitation Directorate, wherein provision of the tractor towed with mechanical sweeper was not available. Hence, the inclusion of this machinery without reduction in number of cleaners, resulted in overpayment to the contractor for Rs 15.127 million. Audit further observed that the log/work books were also not maintained by the authority to verify actual area covered by the mechanical sweeper.

Audit was of the view that overpayment was due to weak financial controls.

Audit pointed out the overpayment in July 2017. The Authority/MCI did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit stresses for recovery and corrective measures.

(DP 73)

2.4.44 Delay in completion of water supply scheme due to non-removal of encroachment - Rs 27.274 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 Deputy Director (Zone-A) awarded the work “Providing & Laying Water Supply System in Sector I-14/2&3 Islamabad at a cost of Rs 84.828 million”. The work was started on 24th May, 2012 and was to be completed on or before 23rd August, 2013. Monthly Progress Report of Annual Work Plan for June 2017 indicates that an expenditure of Rs 27.274 million was incurred on the work.

Audit observed that the work was not completed for last five years due to non-availability of land which reflects mismanagement.

Audit was of the view that award of work without availability of land was contrary to codal provisions and expenditure on incomplete work termed as wasteful.

Audit pointed out the mismanagement in August 2017. The Authority replied that expenditure of Rs 27.274 million was incurred against work done at site. However, despite numerous letters issued to Land & Rehabilitation Directorate, CDA for safe land possession in order to complete the remaining works timely at site but possession of land was not given yet causing delay in completion of work and upon this hope the account of the contractor was not yet been finalized. Balance work shall be taken in hand upon provision of safe land possession. The Authority agreed in its reply that work was not completed due to non-availability of

land. This indicates that work executed for Rs 27.274 million has no utilization over years which tantamounts to loss to the Authority. Award of work without availability of site was in violation of standing rules.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit stresses upon investigation and appropriate corrective action.
(DP 32)

2.4.45 Non-recovery of secured advance - Rs 15.109 million

As per clause 60.11-a (Particular Conditions of Contract) the contractor shall be entitled to receive from the Employer Secured Advance against 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 but not yet incorporated in the payment works provided that (b) the recovery of the secured advance paid to the contractor under the provisions shall be effected from the monthly payment on actual consumption basis.

Audit noted that Deputy Director, Works Division-I, CDA Islamabad awarded the work "Construction of Additional (104) Family Suites for the Members of the Parliament Including Servant Quarters Block for 500 Persons" Islamabad at agreement cost of Rs 2,728.451 million to M/s Habib Rafique (Pvt) Ltd and made payment of Rs 823.652 million upto June 2017.

Audit observed that secured advance of Rs 189.494 million was paid to the contractor upto 14th running bill out of which Rs 174.385 million was recovered upto 16th running bill. Balance secured advance of Rs 15.109 million was recoverable since May 2016. This resulted in non-recovery of secured advance amounting to Rs 15.109 million.

Audit was of the view that the non-recovery of secured advance was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-recovery in October 2017. The Authority replied that recovery of the secured advance had been adjusted in subsequent IPC. The reply was not tenable as the recovery of the secured advance was not made and shown to Audit.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends early recovery of long outstanding secured advance besides interest thereon.

(DP 150)

2.4.46 Non-recovery of room rent and utility charges of hostels/lodges - Rs 11.097 million

Para-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 Authority could not recover dues on account of room rent/utility charges from the allottees of rooms/space in parliament lodges, family suites, government & officers hostels during the year 2016-17. This resulted in non-recovery of rent of Rs 11.097 million, as detailed below:

S No	Detail of outstanding Dues	Amount (Rs in million)
1	Family suites: Government Hostels	0.738
2	Single room: Government Hostels	0.942
3	CDA Officer hostels	1.900
4	Arrears of utilities of Parliament Lodges	2.900

S No	Detail of outstanding Dues	Amount (Rs in million)
5	Outstanding Dues of Parliament Lodges	0.492
6	Arrears of utilities of Cafeteria of Parliament Lodges	2.262
7	Rent of Cafeteria (Government Hostel)	1.863
Total		11.097

Audit was of the view that non-recovery occurred due to weak internal controls.

Audit pointed out non-recovery in October 2017. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends early recovery.

(DP 118)

2.4.47 Award of work at higher rates without assessment of reasonability of rates - Rs 7.115 million

Rule 36(b)(ix) of Public Procurement Rules, 2004 regarding procedures of open competitive bidding provides that the bid found to be the lowest evaluated bid shall be accepted.

Audit noted that Director, Parliament Lodges & Hostels Directorate CDA, Islamabad floated advertisement and opened tenders on 9th May, 2017 for the work “Renovation/Up gradation of 07 Passenger lifts at Parliament Lodges Islamabad”. The estimates of the work were prepared on market rates basis for an amount of Rs 4.365 million.

Audit observed that only a single bidder M/s Abdul Wahab Enterprises participated in the bidding process by quoting bid 65% higher than the estimated cost involving Rs 7.202 million which was further

negotiated for Rs 7.115 million (63% above on the engineering estimates) and contract was awarded to single bidder M/s Abdul Wahab Enterprises. Award of works at higher rates i.e. 63% above the market based estimates stood irregular for Rs 7.115 million.

Audit was of the view that irregular award of work occurred due to weak internal/financial controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in October 2017. The Authority replied that the work was of specific nature and the firms having specified code of ME-03 (lifts & escalators) as per registration category and specialization codes issued by Pakistan Engineering Council, Islamabad were eligible for issuance of tender documents. The applications were scrutinized and only one firm i.e. M/s Abdul Wahab Enterprises was of specialized code of ME-03 and accordingly tender documents were issued to the said firm and as per Clause 4(b)(b) of BOI the next higher authority i.e. Member (Engineering) CDA accepted the lowest bid and work was awarded. The reply was not tenable as acceptance of single tender @ 63% above the engineer's estimates was not competitive. It was required to be re-tendered through wide publicity to obtain competitive rates through open bidding.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends investigation for fixing responsibility.

(DP 123)

2.4.48 Payment of overtime allowance over and above the approved rates - Rs 6.602 million

According to Government of Pakistan, Finance Division (Regulation Wing) OM No.F.4 (1) R-5/2010 dated 6th July, 2015, overtime allowance admissible to Staff Car Drivers / Dispatch Riders was enhanced from Rs 25 per hour to Rs 40 per hour subject to a maximum

limit of Rs 240 per day with effect from 1st July, 2015. The allowance was payable only after verification of the officer concerned.

Audit noted that Director, Environment (Regional & Transport), CDA allowed overtime allowance at the rate of 150% of the pay to the Drivers and OGMs.

Audit observed that the rate of overtime allowance was paid in excess of the notified rates of the Finance Division, Government of Pakistan which resulted in overpayment of Rs 6.602 million.

Audit was of the view that overpayment was due to weak internal and financial controls.

Audit pointed out the irregularity in July-August 2017. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends early recovery of the overpaid amount of overtime.

(DP 23)

2.4.49 Procurement of imported electrical items without ensuring genuineness of the items supplied - Rs 6.069 million

As per Para 6 of instructions contained in MB (with reference to Paras 209 to 211 of CPWA Code), the measurement should be recorded only by Executive, Assistant Executive or Assistant Engineers or by executive subordinates in-charge of work to whom MBs were supplied for the purpose. All such measurements (i.e. those 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 Deputy Director, Street Light Division-I, CDA, Islamabad awarded a work procurement of Store Material for repair & maintenance of Street Light System in Islamabad to M/s Hunjra Auto & Engineering on 27th February, 2017. Supply order was to be completed in 45 days upto 13th April, 2017.

Review of the case file and measurement book No.16557 revealed that supplies of material was not completed in stipulated time. Total supply made and recorded in MB upto 30th June, 2017 was for Rs 6.069 million against agreed amount of Rs 14.609 million.

Audit observed that supplies were not made on time and only supplies worth Rs 6.069 million were provided to date. Audit further observed that supplies contained mostly imported electric items. Payment of supply for Rs 6.069 million was released without ensuring and confirming genuineness of the imported items. Following documents were not found attached with the claim/payment record: -

1. Supplier Indents/Requisitions to manufacturer of electrical items as per TS estimate.
2. Invoices, Inspection note duly authenticated by the responsible officers.
3. Landing documents, Sales Tax Custom Duties, if paid by the supplier.

This resulted in un-authentic payment Rs 6.069 million in violation of the codal provisions.

Audit was of the view that the un-authentic payment was due to inadequate mechanism for enforcing relevant rules and weak administrative/internal controls.

Audit pointed out the un-authentic payment in October 2017. The Authority replied that invoices and other essential documents will be obtained before finalization of the account of the subject work as per terms and conditions of the contract.

The reply was not tenable because for payment of imported items, necessary landing documents were required. Further paid receipts and pre shipment inspection were mandatory to be obtained before releasing payment. Almost 50% payment of imported E/M items was released without submission of necessary document.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit stresses for investigation and appropriate corrective action.

(DP 136)

2.4.50 Non-imposition of penalty for non-compliance of Fire Prevention and Life Safety Regulations - Rs 5.210 million

As per Director Emergency Disaster Management CDA letter issued on 12th November, 2015, penalty @ Rs 500,000 each was imposed against the owners of multistory buildings for non-compliance of Fire Prevention & Life Safety Regulations, 2010. Last notices were issued to the owners during September to November 2015, with the warning that in case of non-implementation to the requisite regulations a sum of Rs 3,000 shall be charged (every passing day) until complete adoption of CDA Building Standards 2010.

Audit noted that certain multi-storey buildings/towers were constructed in Islamabad but the owners of the buildings/towers did not install required equipment within the meaning of the CDA Building Standards for Fire Protection & Life Safety 2010, which was a serious negligence on the part of the owners of the Building/Towers, which may result in serious disaster at any time and loss to precious human lives.

Audit observed that neither the fire safety systems were installed nor any recovery was made on account of penalty from the owners of the buildings. This resulted into non-compliance of Fire Prevention and Life Safety Regulations, 2010 and non-recovery of the penalty for Rs 5.210 million.

(Rs in million)

Name of building	No. of days (12.11.15 to 31.03.17)	Penalty @ Rs 300 per day	Lump-sum penalty imposed	Total
Millennium Heights, F-11/1	504 days	0.151	0.500	0.651
Tariq Heights, F-11/1	504 days	0.151	0.500	0.651
Sughra Tower, F-11/1	504 days	0.151	0.500	0.651
Al- Safa Heights, F-11/1	504 days	0.151	0.500	0.651
Hamza Tower, F-11/1	504 days	0.151	0.500	0.651
Golden Heights, F-11/1	504 days	0.151	0.500	0.651
Al Mustafa Tower, F-10/3	504 days	0.151	0.500	0.651
UBL Tower, Jinnah Avenue	504 days	0.151	0.500	0.651
	Total	1.210	4.000	5.210

Audit was of the view that non-recovery was due to inadequate mechanism for enforcing relevant rules and weak administrative/internal controls.

Audit pointed out the matter in April 2017. The Authority replied that concerned formation would be conveyed audit observation. Interim reply was submitted. Non-installation of fire prevention & life safety system in the high-rise buildings was a public importance issue which should have been addressed accordingly.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends to investigate the matter at appropriate level and ensure installation of fire prevention system in high rise buildings besides recovery of the penalty.

(DP 108)

2.4.51 Non-auction of kiosks and non-revision of license fee - Rs 5.040 million

According to Licenses for Kiosks in Lake View Park awarded by the CDA in 2007-08, the license fee was required to be revised as and when approved by the Authority from time to time.

Audit noted that Deputy Director Parks (Landscape) awarded twenty-one (21) licenses of kiosks of different sizes in 2007-08 to different contractors/vendors in Lake View Park Islamabad. Licenses for these kiosks were awarded with the approval of Chairman/Member (Env) without open bidding @ Rs 2,000 per month without mentioning period of license.

Audit observed that license fee of these kiosks was not revised for last 10 Years, whereas rent prevailing in market was not less than Rs 25,000 per month approx.

Audit was of the view that award of licenses without open bidding for indefinite period was irregular and non-revision of fee is recurring loss to CDA. This resulted in recurring loss of CDA revenue for Rs 5.040 million.

Audit was of the view that loss occurred due to inadequate mechanism for enforcing relevant rules and weak administrative/internal controls.

Audit pointed out the loss in November 2017. The Authority replied that during 2007-08, 21 kiosks of different sizes were licensed out to the vendors belonging to poor / lower middle class of society. These

kiosks were awarded at the monthly rent of Rs 2,000 per month with annual increase of 10% as per approved rental rate of DMA in accordance with municipal by-laws. Presently this rate has increased Rs 4,600 per month which was 130% more than the initial rate. To address the query raised by the audit, Costing Section, CDA and DMA was being requested to re-evaluate the rental rates of Kiosks which would be got approved from the competent forum as per municipal by-laws. The reply was not tenable because the rates should have been revised from time to time as per prevalent market rates.

The matter could not be discussed in DAC meeting despite requests made by Audit in December 2017 and January 2018.

Audit recommends corrective measures and observance of Public Procurement Rules in its true spirit.

(DP 158)

2.4.52 Non-recovery of advance income tax - Rs 4.436 million

According to Clause 236A (Advance Tax at the Time of Sale by Auction with Explanation) Any person making sale by public auction or auction by a tender], of any property or goods including property or goods confiscated or attached) either belonging to or not belonging to the Government, local Government, any authority, a company, a foreign association declared to be a company under sub-clause (vi) of clause (b) of sub-section (2) of section 80, or a foreign contractor or a consultant or a consortium or Collector of Customs or Commissioner of Inland Revenue 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 Part IV of the First Schedule, from the person to whom such property or goods are being sold. For the purposes of this section, sale of any property includes the awarding of any lease to any person, including a lease of the right to collect tolls, fees or other levies, by whatever name called.

Further as per Clause 15 of the lease agreement, the lessee will pay to any local authority all taxes, rates, royalties (if any be payable)

assessments, charges and imposition of every description which now are or during the said term shall be charged, assessed or imposed upon by any lawful authority or be payable thereon only on the business conducted at the site/structure therein under any law, rule or order for the time being and from time to time in force.

Audit noted that the Director Parks, CDA Islamabad leased out various sites in parks for collection of Entry Tickets, Car Parking and KIOSK etc. and received fee Rs 30.138 million during the year 2016-17. Audit further noted that CDA Leased out old Traditional House Shakarparian for a period of 20 Years to M/s Al-Hamdo-Lillah since 2008 @ monthly rent Rs 500,000 per month with 10% increase per annum.

Audit observed that CDA received leased money Rs 44.358 million during the year 2016-17 but advance tax @ 10% was not collected. This resulted in non-recovery of income tax amounting to Rs 4.436 million.

Audit was of the view that non-recovery of advance income tax occurred due to inadequate mechanism for enforcing relevant rules and weak administrative/internal controls.

Audit pointed out the non-recovery of advance income tax in November 2017. The Authority replied that Additional Commissioner (Inland Revenue) East Zone-II Regional Tax Office Islamabad has been conveyed for taking necessary action as per relevant tax rules. The reply was not tenable because collection of advance tax from the licensee was the responsibility of the Authority. Audit stresses for collection of advance tax at the earliest.

The matter could not be discussed in DAC meeting despite requests made by Audit in December 2017 and January 2018.

Audit stresses for early recovery of the Income Tax.

(DP 157)

2.4.53 Overpayment due to non-adjustment of prices of specified material - Rs 8.521 million

According to Clause 70.1 of agreement and Appendix-C, the amounts payable to the contractor, pursuant to Sub-Clause 60.1 shall be adjusted in respect of the rise or fall in the cost of bitumen (80/100) by applying to such amount as prescribed in the adjustment formula.

Audit noted that during the years 2015-16 and 2016-17 there was a constant decrease in the prices of HSD and bitumen.

Audit observed that neither the Authority processed the de-escalation on account of rise or falls in prices nor the contractors claimed any escalation/de-escalation. Audit worked out the de-escalation on account of HSD bitumen and other decreased rate items and found that an overpayment of Rs 8.521 million has been made to the contractors on three (03) projects. Project-wise detail of de-escalation is as under:

(Rs in million)

DP No.	Name of Project	Amount of De-escalation
05	Construction of Major Roads in Sector I-12, Islamabad	4.107
89	Dualization of Service Roads (East & North) Sector E-11 to Sector D-12, Islamabad	2.263
90	Construction of 2 nd Carriageway from roundabout of service road (west) Sector G-10 to Khayaban-e-Iqbal, Islamabad	2.151
Total		8.521

Audit was of the view that overpayment was due to weak internal/financial controls.

Audit pointed out the overpayment in August 2017. The Authority admitted the overpayment and promised to recover the same from the contractors. However, no recovery was reported to Audit.

The matter was discussed in DAC meeting held in November 2017. Audit contended that price adjustment claims to cater downward trend were to be obtained and processed to watch the public interest which was not done. DAC directed CDA that recovery in this regard be made in one month time and got verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit stresses for early recovery.

(DP 05,89,90)

2.4.54 Award of licenses of kiosks without open auction - Rs 3.636 million

According to Para 6 of the Land Disposal Regulations, 2005, all commercial and business plots shall be sold or leased out through open auction as commercial plots. As per Paragraphs 72-76 of CDA Procedure Manual Part-III, every officer of the Authority will be held personally responsible for any loss sustained by the Authority through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud or negligence on the part of any other employee of the Authority to the extent to which it may prove that he contributed to the loss by his own action or negligence.

Audit noted from the record maintained by Environment Directorate (Regional), CDA, Islamabad that temporary licenses for operating tuck shops / various kiosks/ stalls at Daman-e-Koh and Monkey Point were issued to the licensees.

Audit observed that the licenses were issued on simple applications at a very nominal license fee of Rs 3,000 to Rs 6,000 per year. The temporary licenses were issued for one year from 2009 and were being extended without any increase in rates or advertisement in press. It was also noted that licenses have since been expired in 2014 and 2015 but the

licensees were running kiosks without any extension or deposit of license fee. This resulted in loss due to award of licenses without open auction of Rs 3.636 million.

Audit was of the view that in absence of open competition, the Authority compromised the transparency, deprived the entity of the advantage of competitive rates and denied a fair opportunity to other prospective bidders for participation in the bidding process.

Audit pointed out the irregularity in July-August 2017. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends that responsibility be fixed for violation of rules.

(DP 25)

2.4.55 Non-acceptance of highest bid of car parking license - Rs 3.506 million

As per Paragraphs 72-76 of CDA Procedure Manual Part-III, every officer of the Authority will be held personally responsible for any loss sustained by the Authority through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud or negligence on the part of any other employee of the Authority to the extent to which it may prove that he contributed to the loss by his own action or negligence.

Audit noted that auction of Daman-e-Koh Car Parking was held on 13th May, 2014 and awarded to M/s Naeem Khan S/o Abdul Rehman at the rate of Rs 10.610 million for two years. The licence was expired on 25th July, 2016. After expiry, the Authority started collection of parking fee through deployment of its seven employees. (Three for morning and four for evening shift).

Audit further noted that case for re-auction of the public car parking was initiated on 24th June, 2016 which could not be finalized due to revision of auction TORs till 30th December, 2016. Auction was held on 17th January, 2017. Three bidders participated in the auction process. M/s Sher Zaman (Pvt.) Ltd offered highest bid of Rs 7.013 million for two years which was 38% below the reserve price of Rs 11.353 million. The highest bid was rejected being lower than the reserve price.

Auction was again held on 28th March, 2017 wherein, M/s Maqsood General Store offered highest bid of Rs 8.200 million which was Rs 3.052 million (28%) less than the already awarded contract.

This auction was also cancelled being lower than the already awarded contract. Auction was held third time on 21st July, 2017. Despite expiry of one year period, the car parking was not awarded due to slackness on the part of the management.

Audit also noted that the Authority collected a sum of Rs 3.161 million from 27th July, 2016 to 30th June, 2017 through departmental employees.

Audit observed the following irregularities in processing of auction for award of Car Parking at Damn-e-Koh:

- (i) Previous contract was expired on 25th July, 2016. Case for re-auction of the public car parking was initiated on 24th June, 2016. The Authority did not finalize TORs till 30th December, 2016. Auction was held on 17th January, 2017. This slackness on the part of the management resulted in delay about six month in auction.
- (ii) The Authority did not accept the highest bids Rs 7.013 million offered on 17th January, 2017 and Rs 8.200 million received in auction held on 28th March, 2017. Offers were also called on 21st July, 2017. The auction was not finalized which resulted in delay.

(iii) Due to non-acceptance of the bids, seven employees were deployed for collection of car parking fee. The Authority could only collect Rs 3.161 million from 27th July, 2016 to 30th June, 2017 through seven departmental employees which costs approximately equal to the collection made by the employees of CDA. This resulted into loss of Rs 3.506 million (Rs 7.013 *1/2) in one year of the offer received in January, 2017.

Audit was of the view that loss was sustained due to deficient revenue-recognition policies, disregard to the rules/regulations and weak internal controls.

Audit pointed out the irregularity in July-August 2017. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends investigation to fix responsibility against the person(s) at fault.

(DP 26)

2.4.56 Overpayment due to duplication and calculation mistake - Rs 3.42 million

NHA specification provides that the aggregate and asphaltic material measured shall be paid for at the contract unit price per square meter for a particular item Triple surface treatment shown on the bill of quantities, which payment shall be full compensation for furnishing all labour, materials, tools equipment and incidental for performing all the work in the construction of bituminous surface treatment or seal coat complete in place and according to specification, including priming of surface.

According to CPWA Code Para 220, before the bill of a contractor is prepared, the entries in the measurement hook relating to the description and

quantities of work or supplies should be scrutinized by the Sub-Divisional Officer and the calculations of "Contents or area" should be checked arithmetically under his supervision.

2.4.56.1 Audit noted that Deputy Director, Road & Market (Maint.), CDA Islamabad called and opened tenders of the work "Rehabilitation of IJP Road from Pindora Chowk to GT Road Link Islamabad" on 22nd March, 2016. The lowest quoted rates were 27.92% below on NHA schedule of Rates, 5% below on MES & 10% on Non-scheduled items at NIT cost of Rs 226.019. The work was awarded at agreement cost of Rs 165.136 million to M/s Zarif Khan Hussainzai & Brothers on 26th May, 2016 with completion period of six (06) months from the date of issuance of letter of start.

Audit observed that an item of work Triple Surface Treatment (TST) including the cost of priming of surface was allowed for execution and payment, whereas separate item of prime coat was got executed and measured for the same area/reaches for a quantity of 22,415 square meters. The Triple Surface Treatment (TST) was got executed and paid to the contractor simultaneously. Execution of duplicate items of work resulted in overpayment of Rs 1.965 million to the contractor.

Audit was of the view that the overpayment was due to non-adherence to nomenclature of pay item, weak internal and financial controls.

Audit pointed out overpayment in July 2017. The Authority replied that TST & Prime Coat were executed and paid as per approved agreement, design and specification. The reply was not tenable because as per specification of item TST including priming of surface was inbuilt in the rate of the said item. Thus separate payment of prim coat was not required.

The matter was discussed in DAC meeting held in November 2017. The Authority explained that prior to application of TST prime coat was taken for new layer of Base Course material for complete and uniform

penetration and effective bonding. The contention of Authority was not agreed by Audit because specification does not allow execution of prime coat and TST at same location. The DAC directed to effect recovery from the contractor and verification of recovered amount from Audit

Compliance to the DAC's directive was not made till the finalization of this report.

Audit stresses for early recovery of overpayment.

(DP 45)

2.4.56.2 Audit noted that Deputy Director-II, Sector Development Division, CDA, Islamabad made a payment of Rs 38.318 million to M/s M. Ayub & Brothers on account of 41st running bill for the work "Development of Sector D-12, Islamabad".

Audit observed that a payment Rs 1.792 million was made against the sub-head "hard landscaping" whereas actual amount payable comes to Rs 336,955. This resulted in overpayment of Rs 1.455 million.

Audit was of the view that the overpayment due to calculation mistake occurred due to non-adherence to nomenclature of pay item, weak internal and financial controls.

Audit pointed out the overpayment in August 2017. The Authority replied that overpayment was made inadvertently and same will be adjusted in forthcoming payment of IPC. However, no recovery was effected.

The matter was discussed in the DAC meeting held in November 2017. CDA explained that recovery had been made in IPC-42 dated 29th August, 2017. DAC directed CDA to get the recovery verified within one week.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early verification of recovery.

(DP 08)

2.4.57 Non-deduction of General Sales Tax - Rs 2.250 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.

According to Clause-02 (Additional Terms and Conditions) of agreement the tender %age over rates or amounts should be inclusive of all taxes, income, and sales taxes, etc. payable to the Central and Provincial Governments or Local Bodies and no claims on this account shall be entertained by the CDA.

As per para 2 (sub para 2) of SRO No. 660(1)/2007 dated 30th June, 2007, a withholding agent shall deduct an amount equal to 1/5th of total sales tax shown in sales invoice issued by the supplier and make payment of the balance amount to him.

Audit noted that the Deputy Director, Maintenance (Civil) Parliament House, CDA Islamabad, made payment for Rs 12.745 million for Janitorial and Security Services at different locations in Islamabad during the year 2016-17.

Audit observed that ICT sales tax as required under the above referred Ordinance was not deducted. This resulted in non-deduction of ICT sales tax for Rs 2.039 million.

Audit further observed in another case that the Authority made payment Rs 8.135 million on account of supply of LED lights to contractors but did not deduct 1/5th of sales tax of total value of General Sales Tax. This resulted in non-recovery of General Sales Tax Amounting to Rs 212,229.

Audit was of the view that non-deduction of ICT/General Sales Tax occurred due to inadequate mechanism for enforcing relevant rules and weak administrative/internal controls.

Audit pointed out the non-recovery in September 2017. The authority replied that mentioned works were awarded prior to the implementation of ordinance. The contractor supported their rates accordingly. Furthermore, while making payment, tax section CDA also not deducted this tax. The reply was not tenable, as the deduction of sales tax was due at the time of payment.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends for early recovery.

(DP 127)

2.4.58 Non-cancellation/ vacation of Government accommodation allotted to ineligible employees

Rule-3 Eligibility: (5) of Accommodation Allocation Rules, 2002 adopted by the CDA, a FGS/CDA employee who owns a house in his own name or in the name of his spouse or dependent children, at the station of his posting shall not be allowed Government accommodation and shall be allowed self-hiring of the house. Such FGS shall be entitled to six months grace period from the date of completion of his house. All the FGSs/CDA employees who are already in possession of government accommodation shall also be allowed period of six months to shift to their own houses.

Audit noted that Director Administration, CDA allotted accommodation from CDA pool to various CDA's employees. Seventy four (74) CDA allottees of CDA's pool accommodation have their own houses in Islamabad but the allotments of these employees were neither cancelled nor the government accommodation got vacated which was irregular. Non-cancellation/vacation of government accommodation was

depriving the entitled CDA's employees standing on the General Waiting List.

Audit was of the view that the irregularity occurred due to weak internal and administrative controls.

Audit pointed out the irregularity in August-September 2017. The Authority replied that all these houses were cancelled and notices for vacation of their houses had been issued. But due to the Stay Orders granted by the honourable courts, the houses could not be vacated forcibly. These houses had also been allotted or to be allotted to the eligible employees on the basis of General Waiting List. The Authority admitted that the government houses were still in the possession of the illegal occupants.

The matter could not be discussed in DAC meeting despite best efforts by Audit.

Audit stresses to get vacate the government residence/houses from illegal occupants and allot them to the deserving employees.

(DP 143)

2.4.59 Payment of Capital Allowance, Special Allowance and Danger Allowance etc. without approval of Finance Division

As per SRO 180(1)/2013 notified vide statutory notification dated 8th March, 2013 through which public sector companies (Corporate Government) rules, 2013 were introduced to bring clarity in the guidelines and notified the same as "Public Sector Companies (Corporate Government) rules 2013 prepared in consultation with SECP to protect the interest of Government.

During Audit of Directorate of Accounts CDA Islamabad for the financial year 2016-17 it was noted that CDA is allowing various types of allowances stated to have approved only by the CDA Board without getting approval of the Ministry of Finance Division Government of

Pakistan. The guidelines were prepared and notified in the Gazette of Pakistan to improve the governance, frame work and bring transparency.

Code Particulars/details of allowances

225-13	Capital Allowance
120-05	Special Allowance
024-01	Danger Allowance
248-16	Emergency Allowance (E&DM)
241-5	Special Allowance Services

Audit observed that approval of for grant/payment of special allowances was not obtained from the Finance Division Government of Pakistan. This resulted into un-authorized/ inadmissible payment of various types of allowances being paid by CDA to its employees.

Audit was of the view that unauthorized/inadmissible payment was made due to weak financial controls.

Audit pointed out irregularity in December 2017 but the Authority did not reply.

The matter could not be discussed in the DAC meeting.

Audit recommends regularization of the allowances from the Finance Division Government of Pakistan.

(DP.166)

2.4.60 Non-imposition of fine - Rs 2.405 million

Clause 49 of term and conditions of the agreement states that in case of any failure by the contractor in cleaning / lifting of garbage / debris green waste/garden waste, etc. or any other work described above, fine will be imposed on per point/complaint/inspection @ agreed rates.

Audit noted that Sanitation Directorate (MCI) awarded the work “Privatization/Provision of Sanitation Services, Cleaning, Sweeping, Collection & Transportation of Solid Waste/Garbage from Sectors G-6,

G-7, G-8, G-9, G-10, I-10 & I-11 including vegetable Market of Islamabad in July 2015.

Audit further noted that in the complaint register, a number of complaints regarding non-emptying of garbage trolley/skips, non-collection of garbage from residential areas etc., no-lifting of green/garden waste/cuttings of trees, debris/unclaimed building material and burning of Garbage into streets etc. were lodged by the resident of the sectors privatized by the MCI.

Audit observed that the contractors failed to perform their contractual obligations in accordance to agreement and made them liable to imposition of fine of Rs 2.405 million.

Audit was of the view that the irregularity occurred due to weak internal and financial controls.

Audit pointed out the non- recovery in July 2017. The Authority replied that fines/penalties were regularly imposed in accordance with contract agreement on contractors of privatized sectors on violation/short-comings. Same was deducted from their monthly bills. The reply was not accepted as complaints record was neither maintained nor recoveries against complaints were effected from the contractors.

The matter could not be discussed in DAC meeting despite requests made by Audit in November, December 2017 and January 2018.

Audit recommends inquiry and action against the responsible(s).

(DP 75)

CHAPTER 3

CIVIL AVIATION AUTHORITY

(AVIATION DIVISION)

3.1 Introduction

Pakistan Civil Aviation Authority (CAA) is a public sector autonomous body working under the administrative control of Aviation Division, Cabinet Secretariat, Government of Pakistan. It 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 Aviation 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 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)

- i. Audited Financial Statements of Civil Aviation Authority for the financial year 2016-17 were not provided to Audit till the finalization of this report.
- ii. Unaudited financial statements disclosed the figures of budget and expenditure as under:

a. Budget and Expenditure

(Rs in million)

Description	Budget	Revised Budget	Actual Expense (Un-audited)	Excess/ (Saving)	Excess/ (Saving) %
Establishment	18,910	19,066	14,300	(4,766)	(25.00)
Administrative Expenditure	4,021	3,787	3,601	(186)	(4.91)
Repair & maintenance	1,014	1,247	765	(482)	(38.65)
Provision for doubtful receivables	10,197	10,803	10,719	(84)	(0.78)
Depreciation	5,635	5,011	4,786	(225)	(4.49)
Financial charges	4	4	3	(1)	(25.00)
Sub-Total	39,781	39,918	34,174	(5,744)	(14.39)
Annual Development Programme	35,821	27,972	24,348	(3,624)	(12.96)
Total	75,602	67,890	58,522	(9,368)	(13.80)

The total revised budget allocation for the year 2016-17 in non-development and annual development programme was Rs 67,890 million. An expenditure of Rs 58,522 million was incurred out of the revised budget allocation. This resulted in a saving of Rs 9,368 million representing 13.80% of total budget allocation.

Audit noticed that:

- The non-development expenditure of the Authority was 14.39 % saving than the approved revised budget.
- In Annual Development Programme (ADP) budget, there was a saving of Rs 3,624 million representing 12.96% 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.

b. Revenue

(Rs in million)

Description	Target	2016-17		
		Realized	Excess/ (Shortfall)	Excess/ (Shortfall)
Aeronautical	63,660	63,607	(53.00)	(0.083%)
Non-Aeronautical	7,858	9,252	1,394.00	17.73%
Total	71,518	72,859	1,341.00	1.87%

- The aeronautical revenue realized was 0.083% less than the target. This suggests that the Authority was not able to achieve its targets resulting shortfall in the aeronautical revenue.
- Non-aeronautical revenue was 17.73% more than the targeted revenue due to increased commercial activities. The overall revenue realized was Rs 72,859 million for the financial year 2016-17 representing 1.87% more than the targeted revenue.

Revenue realized during the year is higher than the revenue realized for the previous year which was Rs 66,088 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, 2017.

(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	2016-17	2015-16
A	Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{53,698}{8,094}$	$\frac{44,489}{7,615}$
			6.63: 1	5.91: 1
B	Quick Ratio	$\frac{\text{Cash} + \text{Bank} + \text{Short Term Investments}}{\text{Current Liabilities}}$	$\frac{23,334}{8,094}$	$\frac{20,612}{7,615}$
			2.88: 1	2.71: 1
C	Net Working Capital	(Current Assets – Current Liabilities)	53,698- 8,094 =45,604	44,489- 7,615 =36,874

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 6.63:1 for the Financial Year 2016-17 was satisfactory, and increased from 5.91:1 for Financial Year 2015-16.

B. Quick Ratio

As per generally accepted guidelines, the ratio of 1:1 is considered satisfactory. By this standard, the Authority's Quick Ratio 2.88:1 is also satisfactory. As compared to the previous Financial Year 2015-16, this ratio has increased from 2.71:1.

C. Net Working Capital

Positive Working Capital of Rs 45,604 million shows that the Authority can 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	2016- 17	2015- 16
A	Net Profit Margin	$\frac{\text{Net Profit after Taxes}}{\text{Net Revenue}}$	$\frac{25,527}{71,419}$ = 35.72 %	$\frac{16,946}{64,519}$ = 26.26 %
B	Return on Investment	$\frac{\text{Net Profit after Taxes}}{\text{Total Assets}}$	$\frac{25,527}{413,530}$ = 6.17%	$\frac{16,946}{372,427}$ = 4.55%
C	Total Assets Turnover	$\frac{\text{Revenue}}{\text{Total Assets}}$	$\frac{71,419}{413,530}$ = 17.27%	$\frac{64,519}{372,427}$ = 17.32%

It was noticed that during Financial Year 2016-17, the revenue of the Authority increased by Rs 6,900 million and the net profit also increased by Rs 8,581 million as compared to the previous year. Net Profit Margin ratio increased to 35.72% (Financial Year 2015-16: 26.26%).

Return on Investment for the year increased to 6.17% (Financial Year 2015-16: 4.55 %),

Total Asset Turnover decreased to 17.27% (Financial Year 2015-16: 17.32%).

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	09 CAA + 3 Ex- ADA + 1 PAR (10)	12	09	3 Ex ADA+ 1 PAR	75.0
1991-92	26	26	05	21	19.23
1992-93	33 CAA + 5 Ex- ADA + 1 PAR (14)	38	26	07 + Ex- ADA+01 PAR	68.42
1993-94	49	49	15	34	30.61
1994-95	08	08	05	03	62.50
1995-96	14	14	07	07	50.0
1996-97	20	20	16	04	80.0
1997-98	91	91	75	16	82.41
	2 SAR	2	-	2	-
1998-99	46	46	35	11	76.09
1999-00	63	63	32	31	51.00
2000-01	83	83	60	23	72.00

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
2001-02	14	14	10	04	71.42
2003-04	21	21	16	5	76.19
2004-05	10	10	07	03	70.0
2005-06	13	13	10	03	76.92
2006-07	09	09	05	04	55.55
2007-08	06	06	03	03	50.0
2008-09	17	17	09	08	52.94
2009-10	14	14	12	02	85.71
2010-11	56	56	30	26	53.57
	25 PAR	25	19	6	76.0
	16 PAR	16	11	5	68.75
	33 PAR	33	17	16	51.52
2016-17	20	20	12	8	40.00

Note: Audit Reports for 1985-86, 1986-87, 1988-89, 2002-03, 2011-12, 2012-13, 2013-14, 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 Procurement without approval of ECNEC - Rs 1,144.068 million

Para-3.3 Guidelines for Project Management denotes that it is mandatory that the projects of Infrastructure Sector and Production Sector costing Rs 300.00 million and above should undertake proper feasibility studies before the submission of PC-I. For mega projects, where huge amount for feasibility studies is involved, a spirit proposal on PC-II Proforma is to be submitted for approval. Para 3.5 provides that after preparation of PC-I/PC-II, the Principal Accounting Officer must certify that “the project proposal has been prepared on the basis of instructions provided by the Planning Commission for the preparation of PC-I of the concerned projects”. Thereafter, PC-I/PC-II is to be submitted to the relevant forum for approval.

As per Planning and Development Division letter dated 18th December, 2004, the autonomous organizations whether commercial or non-commercial having board by whatever name called, are competent to sanction their development schemes with 100% self-financing with no government guarantee and involving less than 25% foreign exchange/foreign assistance.

Audit noticed that a contract was executed by Director, CNS Engineering with M/s ELDIS Pardubice S.R.O CZECH Republic for provision, installation and commissioning of one co-mounted PSR/MSSR (MODS) at New Islamabad International Airport and one MSSR (MODS) each at Pasni, Lakpass and Rojhan on turnkey basis of US\$ 7.504 million on 4th November, 2016.

Audit observed that the procurement involved foreign exchange component of US\$ 7,504,096 which was more than 25% of FOR (Free on Rail) contract cost. Hence, approval of the ECNEC was required. Audit

further observed that the Authority got approved the procurement from CAA Board / Development Working Party (DWP) which was not a competent forum in this regard. Non-observance of project guidelines resulted in irregular procurement of Rs 1,144.068 million.

Audit was of the view that non-approval of project was an act of non-compliance with laid down procedures and Planning Commission directives governing approval of projects.

Audit pointed out the irregularity in September 2017. The management replied that PC-I and working paper for obtaining necessary approval were put up for consideration by DWP. The DWP cleared the radars replacement plan with the remarks that the said project being a replacement and non-development activity, the PCAA Board was a competent forum for approval of the said procurement. The reply was not tenable because procurements involved foreign exchange more than 25% of the total cost, hence, CAA Board was not competent in this regard and approval of ECNEC was required as per Planning Commission's Guidelines.

The matter was discussed in DAC meeting held in January 2018. The Authority reiterated its previous stance. Chairman of DAC was agreed to the CAA stance. However, Audit was of the view that replacement of equipment was of capital nature as allocation of budget was made in Annual Development Programme. Radar for new Islamabad International airport was also included in the procurement which was entirely a new installation. Thus whole procurement was against the Planning Commission's guidelines.

Audit recommends that approval of the ECNEC be obtained.
(DP.71)

3.4.2 Award of work to an ineligible contractor - Rs 842.145 million

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.

As per registration categories and specialization of Pakistani contractor by Pakistan Engineering Council (PEC), category EE-06 relates to specialized lighting system, category ME-01 relates to the specialized field heating, ventilation, air conditioning (HVAC) and ME-02 fire prevention and protection system.

Audit noted that a project “Expansion and renovation of terminal building and rehabilitation of existing Fokker apron and alpha taxiway at Faisalabad Airport” was awarded to a contractor on 18th December, 2015 at contract cost of Rs 537.716 million. Additional work of Rs 304.429 million was awarded to the contractor through Variation Orders (VO) No.1&2 and contract cost was enhanced to Rs 842.145 million. The contractor was paid a sum of Rs 343.014 million upto 14th running bill.

Audit observed that as per licence issued by the PEC, the contractor has not the specialization in the fields Heating, Ventilation, Air Conditioning (ME-01) and Fire Prevention and Protection System (ME-02) as per requirement mentioned in the notice for pre-qualification of contractors but the work was awarded to the contractor by ignoring the specified bid evaluation criteria. Audit further observed that additional works of E&M and HVAC of Rs 138.189 million and Rs 166.240 million were also awarded to the contractor through VO-1 & 2 increasing the cost of the work to Rs 842.145 million.

Audit was of the view that basic requirement regarding specialization in the relevant field was not observed which resulted in irregular award of work to ineligible contractor.

Audit pointed out the irregularity in August 2017. The Authority replied that as per Clause 4.3 of PEC Engineering bylaws, the constructor or operator enlisted in a particular field or discipline shall be allowed to undertake work of other disciplines up to twenty-five per cent of the

amount of limit of category in which he is entitled. The reply was not acceptable because work was awarded to an ineligible contractor who had not specialization in the fields as per requirement mentioned in the notice for pre-qualification. Further, the contractor executed more than 50% Electrical & Mechanical and HVAC work.

Audit maintains that violation of cited rule occurred due to non-adherence to PEC Bye-Laws and weak internal controls.

The matter was discussed in DAC meeting held in January 2018. The DAC directed CAA to get the matter regularized from competent authority within one week.

Compliance to DAC's directive was not made till the finalization of this report.

Audit recommends early regularization from the competent authority.

(DP. 70)

3.4.3 Irregular acquisition of land for airport without feasibility study - Rs 450.389 million

As per paras 3.1 and 3.3 of Guidelines for Project Management, project identification and its formulation is the most important segment of the project cycle in which the sectoral priorities must be followed. It is mandatory that projects of infrastructure sector costing Rs 300 million and above should undertake proper feasibility studies before submission of PC-I. Based on the data and positive findings of the feasibility studies, PC-I is prepared and submitted for approval by the forum concerned.

As per Para 72 of Central Public Works Department 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.

Audit noted that Senior Joint Director Works (North) CAA, Islamabad made payment of Rs 450.389 million to Deputy Collector, Mansehra for land acquisition of Mansehra Airport on 1st August, 2016.

Audit observed that a period more than one year had elapsed but the Deputy Collector, Mansehra had neither reported announcement of Awards / mutation of land in the name of CAA nor had submitted vouched account for the payment made by CAA. This resulted in unauthentic expenditure of Rs 450.389 million. The Authority was also asked to provide the feasibility study report of Mansehra Airport but the same was not produced.

Audit pointed out the irregularity in September 2017. The management replied that initial codal formalities as per Land Acquisition Act 1894 had been completed and the Section 4 of Land Acquisition Act 1894 had been issued in favour of CAA. The amount would be adjusted after issuance of Acquaintance Roll. The reply was not acceptable. Mandatory feasibility study was not conducted before acquisition of land. The Authority could also not obtain mutation of the land in the name of CAA despite a lapse of one year.

The matter was discussed in DAC meeting held in January 2018 wherein CAA explained that process of acquisition of land for establishment of Mansehra Airport was started on the instructions of Federal Government for which funds were provided through PSDP. Feasibility study of the project is underway. Audit contended that on the announcement of the establishment of airport at Mansehra by the Prime Minister, feasibility study of the scheme was required to be conducted before release of funds and commencement of process of land acquisition. Further, due process of initiation/appraisal of the project through feasibility study was not followed by CAA. Audit further contended that PSDP funds were required to be deposited in CAA account at headquarters and then transferred to the respective project management. Instead, the funds were transferred directly to Director, Works (North) CAA, Islamabad. DAC decided that audit observation may be transferred

to Project Management Unit for furnishing detailed reply giving status of feasibility study and process.

Compliance to DAC's directive was not made till the finalization of this report.

Audit recommends investigation for fixing responsibility of execution of the project prior to mandatory requirement of feasibility study

(DP.157)

3.4.4 Irregular award of additional works in violation of procurement rules - Rs 304.429 million

Rules 20 and 21 of Public Procurement Rules, 2004 provide that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 12(2) of *ibid* rules also 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 other in Urdu.

Rule 42 (c) (iv) of Public Procurement Rules, 2004 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 a project "Expansion and renovation of terminal building and rehabilitation of existing Fokker apron and alpha taxiway at Faisalabad Airport" was awarded to a contractor on 18th December, 2015 at cost of Rs 537.716 million. Audit further noted that additional work of Rs 138.189 million and Rs 166.240 million was awarded through VO-I & II respectively increasing cost of the project to Rs 842.145 million.

Audit observed that additional work of HVAC, Lifts & Escalators of Rs 138.189 million and Rs 166.240 million was awarded to the contractor through V.O No.1 and 2. Thus, the scope of work was enhanced by Rs 304.429 million which constituted an excess of 56.61% against the original scope of work without calling open tenders. This resulted in irregular award of additional work of Rs 304.429 million.

In the absence of open competition, CAA compromised the transparency, depriving the entity of the advantage of competitive rates, and denied a fair opportunity to other prospective bidders of participation in the bidding process.

Audit was of the view that award of additional work without tendering was violation of PPRA Rules and weak internal controls governing contract management.

Audit pointed out the irregularity in August 2017. The management replied that at the time of initial design, only minor modification was taken in the scope of work while in revised PC-I, the terminal building design was changed from single storey to one and half level concept. It was not possible to segregate work at that belated stage from already mobilized contractor. The reply was not acceptable because scope of work was enhanced by Rs 304.429 million i.e. 56.61% due to ill planning and poor estimation which resulted enhancement / award of additional work without competition in violation of Public Procurement Rules, 2004.

The matter was discussed in DAC meeting held in January 2018. The DAC observed that the scope of work was increased due to ill planning, poor estimation and change of design at belated stage. The DAC directed the CAA to probe the matter of increase in scope of work due to change of design at belated stage and fix responsibility against the persons at fault.

Compliance to DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP.61)

3.4.5 Procurement of works through different formations instead of project management resulting in understatement of project cost - Rs 237.972 million

According to ECNEC decision dated 24th April, 2000, the Project Director should be delegated full administrative and financial powers and be made accountable for any lapses. This measure would improve management and help fix technical and financial responsibility.

During audit of the accounts record of Additional Director, Logistic (CP&C-APS) CAA (HQ), Karachi and Senior Joint Director (North), Islamabad, it was noticed that thirty-three (33) agreements were executed for procurement of various E&M, Civil Equipment, Medical and IT for New Islamabad International Airport involving Rs 237.972 million (Rs 196.938+Rs 41.034 million).

Audit observed that a Project Director was appointed for the project New Islamabad International Airport under the provision of PC-I who has full administrative and financial powers and be made accountable for any lapses and to improve management and help fix technical and financial responsibility. Whereas, the procurements were made under the approval of Director, Engineering Services, etc. Audit was of the view that the expenditure should be charged to the Project against PC-I provision and under approval of the Project Director instead of Annual Development Programme. This resulted in irregular procurements of Rs 237.972 million.

Audit was of the view that the irregular procurements were made due to inadequate oversight mechanism in the Authority for ensuring effective exercise of the PEC guidelines, financial and budgetary controls.

Audit pointed out the irregularity in September 2017. The management replied that the referred equipment could not be planned at the inception of the project i.e. PC-I stage due to essential design changes during execution of the project.

The matter was discussed in DAC meeting held in January 2018 wherein Authority explained that procurement was made to cater operational requirement. Audit contended that the cost was to be charged to the project. The DAC decided to refer the Para to PAC for deliberation and decision.

Audit recommends that corrective measure be taken to ensure correct charge of capital cost of the project.

(DP.81 & 158)

3.4.6 Non-utilization of residential building - Rs 144.633 million

Para D 3.14.2 of Policy and Procedure for grant of business licence at Civil Aviation Authority's Airports states, there are still many open space/land parcels which are not the part of main area that came under master planning. It also includes space which are not only out of main master plan, but also distantly located and do not have the facility of infrastructure. Such types of space and land parcels are not only under constant threat of encroachment, but also cause extra maintenance expenditure. Therefore, such space / land parcels shall be utilized for viable commercial utilization on CAAs prescribed commercial charges.

Audit noticed that seventeen (17) houses (Category-B 01 house, Category C- 03 floor apartment, Category D- 04 floor apartment and Category E-09 flat apartment and flats were constructed in Jameelabad residential colony at cost of Rs 144.633 million from the amount allocated for the project "Up-gradation of Multan International Airport, Multan".

Audit observed that the residential accommodations were lying vacant since its construction in March 2015. CAA was paying fixed utility

charges without their use. The accommodation was meant for allotment to CAA officers/staff, but they were not availing the facility due to high rates of House Rent Allowance and prefer to reside in the CAA messes constructed in airport premises. Audit was of the view that due to non-availing of the residential facility by the employees of CAA, the expenditure incurred on construction of these residences was wasteful and CAA is suffering recurring loss on account of monthly utility charges being paid without its use.

Audit pointed out the issue in August 2017. The Authority replied that since the house rent allowance of officers had been revised manifolds and by occupying the CAA accommodation, the individual did not prefer to forgo his handsome house rent allowance, the officers, therefore, prefer to stay outside rather than occupying CAA residences. The reply of Authority was not tenable because officers residing in mess are paying nominal charges and on the other hand, drew a huge amount as a house rent allowance. Rates of mess charges were not increased from the date of enhancement of house rent.

The matter was discussed in DAC meeting held in January 2018. CAA explained that a policy to attract officers to reside in already constructed houses is under process. DAC pended the para till finalization of policy by CAAHQ.

Compliance to DAC's directive was not made till the finalization of this report.

Audit recommends that house rent allowance and mess charges be reviewed and rationalized.

(DP.169)

3.4.7 Award of contract on doubtful bidding documents - Rs 17.387 million

Rule 22 (1) and (2) of PPRA Rules, 2004 provides that "the bids shall be submitted in a sealed package or packages in such manner that the

contents are fully enclosed and cannot be known until duly opened. A procuring agency shall specify the manner and method of submission and receipt of bids in an unambiguous and clear manner in the bidding documents.

Rule 23 (1) of PPRA Rules, 2004 regarding bidding documents also relates that “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”

Audit noted that the General Manager Works (North), CAA BBIAP, Islamabad awarded a contract to M/s Modern Generation at cost of Rs 17.387 million.

Audit observed that the contract was awarded without fulfilling the codal formalities as the tender documents were not clear. There was overwriting and cutting in the tendered rates. Even, frequent overwriting and cutting was noticed in the rejected tenders. The tender of the contractor to whom the work was awarded was also ambiguous. Cutting in rates / discount was made with different ink/pen and with different handwriting. Moreover, 5% discount was changed to 6%. The figure 7 in the first line was different than recorded at other line. This resulted in award of contract based on doubtful bidding documents of Rs 17.387 million.

Audit pointed out the irregularity in November 2016. The Authority replied that tender proceedings have been made exactly in compliance to the PPRA rules. However, certain over-writing/addition-deletions/calculation mistakes were made by contractors. Tender acceptance was arranged keeping in view the urgency of work. Furthermore, M/s Modern Refrigeration was the lowest bidder even without any discount on the quoted rates. No loss occurred to Authority. The Authority admitted stance of Audit regarding lot of overwriting and cutting in the bidding documents which made the documents doubtful. This proves the negligence on the part of the Authority and favouritism to the contractor.

The matter was discussed in the DAC meeting held in February 2017 wherein, after detailed discussion, the DAC directed the CAA to constitute a fact-finding committee under the Chairmanship of Deputy Secretary (Admin) to probe in the matter and submit its report to Aviation Division/Audit within three months.

Compliance to the DAC's directive was not made despite lapse of a period of one year.

Audit recommends early completion of fact finding report
(DP.135/2016-17)

3.4.8 Mis-procurement due to award of work on quotation basis - Rs 15.198 million

According to Rule 20 of PPRA Rules, 2004 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.

As per PPRA-2004 rule-9, "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".

During scrutiny of accounts of Principal Civil Aviation Training Institute Hyderabad, (E/M Section) it was noted that expenditure of Rs 6.092 million on repair & maintenance of electrical and mechanical works was incurred through quotations during the financial year 2015-16 and 2016-17. Audit further noted that the Logistic Section incurred

expenditure of Rs 9.106 million on printing & stationary, consumable store, spares, training material, horticulture and repair / maintenance of building, road, pavements etc.

Audit observed that during the year 2015-16, forty-nine (49) and during 2016-17, thirty-seven (37) works of repair and maintenance of electrical and mechanical works were awarded through quotations. It was further noted that only three (03) bidders i.e. M/s Care Engineer, M/s C.R Ahmed & Co, and M/s Shafique Electrical Services participated in process of bidding through quotation. Repetition of same bidders in all bidding process indicates unfair competition for award of works for Rs 6.092 million. Audit further observed that the procurements made by Logistic Section were made in piece meal on quotation basis instead of consolidated annual requirement. Audit was of the view that the method of procurement was against the PPRA Rules. This resulted in mis-procurement of Rs 15.198 million.

Audit was of the view that mismanagement and the absence of effective oversight mechanism deprived the public of the benefit of free and open competition and compromised on principles of transparency.

Audit pointed out the irregularity in July 2017. The Authority replied that petty R/M works of E/M section were carried out through laid down procedure of PPRA for quotation works. The quotations were duly posted on tender notice board. Due to petty nature of works, the participation of contractors was very limited. Further, procurement was made against demands raised by concerned schools and sections on as and when required basis. The reply was not tenable because PPRA Rule was not followed and procurements were made through quotations in piece meal to avoid approval of competent authority and open competition to achieve most competitive rates.

The matter was discussed in DAC meeting held in January 2018. The Authority explained that purchases were made to cater day to day requirement. However, in future rate running contracts will be executed

through open tenders. The DAC was not satisfied and decided to refer the para to PAC.

Audit recommends fixing of responsibility for violation of rules.

(DP. 30)

Performance

3.4.9 Loss of revenue due to non-completion of the project within stipulated period - Rs 9,675 million

According to the provision of revised PC-I of Islamabad International Airport Project, approved by the CAA Board in its 148th meeting held on 15th April, 2014, for Rs 81,171 million, the project was stipulated to be completed in the year 2015-16. The revenue during the project life of 20 years (from 2016-17 to 2035-36) was forecasted Rs 454,205 million including Rs 9,675 million for the year 2016-17.

Audit observed that the Project Management remained unable to get completed the project within stipulated period. Audit further observed that grant of extensions of time limit and imposition of liquidated damages on the contractors was also not forthcoming from the record due to which responsibility of delay could not be ascertained. Non-completion of the project timely, deprived the CAA from revenue worth Rs 9,675 million besides bearing additional burden in shape of consultancy payments and price escalation.

Audit was of the view that the loss occurred due to non-adherence to the provision of revised PC-I, interest of the Authority and lack of administrative, financial and internal controls.

Audit pointed out the loss in August 2017. The management replied that the project could not be completed due to frequent changes in design and scope of work, delay in tendering process and lack of PSDP funds, etc.

The matter was discussed in DAC meeting held in January 2018. The DAC directed the CAA to submit revised reply with justification for delay in completion of work to Audit for verification. The DAC also directed the Authority to get the recoveries of Rs 134 million and Rs 3.992 million effected on account of liquidated damages in two cases, verified from Audit within three days.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC's directive.

(DP. 134)

Internal Control Weaknesses

3.4.10 Procurement of imported equipment and materials without authentication of the authorized manufacturers / from other than approved manufacturer - Rs 6,508.716 million

3.4.10.1 Minutes of meeting dated 7th April, 2011 (part of Contract Documents) provide a list of country/origin wise names of manufactures as per Annex-A to contract documents Vol-I. Equipment pertaining to Heating, ventilation and air-conditioning (HVAC) and electrical and mechanical system was to be imported from United States/United Kingdom from the authorized manufacturers.

Audit noted that the work "Construction of Passenger Terminal Building (Package-3)" including all associated utilities and electro-mechanical works at Islamabad International Airport (IIAP) was awarded to M/s CSCECL-FWO (JV) at agreed cost of Rs 20,286.041 million in April 2011.

Audit observed that the equipment/material valuing Rs 4,449.25 million was not procured from the approved countries/origins/manufacturers, as its substantiation with reference to Bill of Lading/Bill of Entry was not forthcoming from the record. Available record showed that

Air Handling Unit was procured from Italy instead of USA. Audit further observed that Granite for flooring valuing Rs 775.451 million was procured from “M/s Shanghai Kie Yun New Stone Co Ltd.” instead of authorized dealer/supplier “M/s Fujian Quanzhou Stone/Xiamen Wanli Stone Co. China”. Thus, authenticity of the procured equipment/material worth Rs 5,224.70 million could not be ascertained.

Audit was of the view that irregularity occurred due to weak internal controls.

Audit pointed out the irregularity in August 2017. The management replied that the minutes of meeting held on 7th April, 2011 which referred to a list of manufacturers along-with countries of origin, was a post-bid document and provides a guideline for sourcing equipment but does not supersede the specifications to the contract. No deviation from the specifications had taken place as it was formulated by Design Consultant.

The matter was also discussed in DAC meeting held in January 2018. The DAC directed CAA to provide item-wise justification in tabular form to Audit for verification within one week.

Compliance to the DAC’s directive was not reported till finalization of the report.

Audit recommends early compliance to DAC’s directive regarding item-wise justification.

(DP.132)

3.4.10.2 Clause 3.1 & 3.2 of Instructions to Bidders provides that all goods and ancillary services to be supplied under this contract shall have their origin in eligible countries listed in Appendix ‘A’ to the Instructions to Bidders, and all expenditures made under the contract will be limited to such goods and services. For this Clause “origin” means the place where the goods are mined, grown or produced or from where the ancillary services are supplied. Goods are produced when, through manufacturing,

processing of substantial and major assembling of components, a commercially recognized product results that is substantially different in basic characteristics or in purpose or utility from its components.

According to the Product Data Sheet containing proposed manufacturers/countries of origin (based on bid documents and material submittals documents), received along with M/s CPG Airport (Design Consultant) letter No. CPG airport/D543.23.2/MMP/0563 dated 29th January, 2016, the components of Baggage Handling System were to be imported from Switzerland, New Zealand, France, Italy, Spain, Netherlands, Germany, USA/UK and USA/Canada.

Audit noted that the work Special System-Baggage Handling for Passenger Terminal Building (Package-4) of Islamabad International Airport Project was awarded to M/s Thales-Selex-Guarantee (JV) at agreed cost of Rs 4,503.957 million. The contractor was paid Rs 2,929.558 million upto IPC-03 dated June 2017.

Audit observed during scrutiny of the record that all 21 components/materials/equipment of Baggage Handling System except 04 components (CT SCAN from USA and EDS, ODD SIZE , ARRIVAL SCREENING & ETD from Germany) were imported from Italy due to which the authenticity/genuineness of the imported material /equipment valuing Rs 1,284.016 million (work done Rs 1,201.933 million + FC difference Rs 82.083 million) equivalent to \$ 13.102 million could not be confirmed as per Designer's proposal. The contractor provided cheaper quality material/equipment against the bid rates quoted by him. For instance, in case of contract No. 8C-1, Air Handling units were imported from Western Europe countries. Rate of the Air Handling unit manufactured by Italy (York) was 22,073 Euro per unit and the rate of AHU manufactured by Holland (Carrier) was \$ 32,308 Euro per unit. There was difference of 10,235 Euro per unit.

Audit was of the view that the irregularity occurred due to non-adherence to the proposal of the design consultant and ineffective implementation of technical, financial and internal controls.

Audit pointed out the irregularity in August 2017. The Authority replied that PMC / Consultant was aware that some of the equipment/materials had not come from the proposed manufacturers / countries of origin provided in the bid documents and the consultant was already working towards resolution of same. The contractor would provide appropriate supporting information to PMC / Consultant for such material along with request to regularize the change of origin. Further, if the material / equipment supplied is superior / more expensive than the specified items, then the BOQ rates would be paid and if the material / equipment supplied is inferior / less expensive than the specified items, then a reduced price would be paid. The Authority admitted Audit point of view.

The matter was discussed in DAC meeting held in January 2018. The DAC directed CAA to provide item-wise cost difference in tabular form and effect recovery if it is established.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC's directive.

(DP.144)

3.4.11 Non-recovery of outstanding dues on account of licence fee, rent and electricity charges - Rs 2,159.481 million

As per Para D 15.1 of policy and procedure regarding grant of business (concession) at Airports (2012) it is personal responsibility of the Airport Manager concerned to ensure that all the dues are realized from the licensee as soon as they become due. In any case, when the dues remain in arrears or commercial space remains unutilized for more than 30 days, a report in prescribed form is to be submitted to General Manager, Commercial giving full particulars of the licence, the amount due and the reason for non-realization of the dues or non-utilization of the spaces as the case may be. According to Director General, Civil Aviation Authority

Directives No.2/201 1 dated 17th January 2011, in case any dues exceed the security deposit, Airport Manager/Sectional Head of commercial section at the airport will be responsible for recovery from them. In addition to above disciplinary action will also be initiated against the responsible officers.

Para D3.12.2 states that no licence fee shall be levied for occupation of space occupied by Government departments where the space is occupied in connection with embarkation of passengers, clearance of their baggage and emplaning, deplaning of air cargo, nevertheless utility charges shall be paid by the Government departments. However, Governments shall pay licence fee and utility charges both for other spaces occupied by them.

Audit noticed during audit of the accounts of Airport Managers, Lahore, Faisalabad, Multan, Islamabad and Peshawar airports that various licencees were not paying their licence fee, rent, electricity charges, etc. regularly and huge dues were accumulated during the period from 1st July, 2016 to 30th June, 2017. This resulted in non-recovery of outstanding dues of Rs 2,159.481 million.

Audit was of the view that non-recovery of outstanding dues occurred due to non-adherence to the policy, agreement clauses and weak financial controls.

Audit pointed out non-recovery in July-September 2017. The management replied that most of the recoveries related to M/s PIAC and Government agencies. Efforts were underway to effect recoveries from the defaulting licencees. The Authority also replied that in accordance with the instructions of DGCAA, a comprehensive and defined policy in this regard is being formulated at HQCAA, which shall be implemented as and when approved. The reply was not accepted because a huge amount was recoverable due to non-implementation of provision of licence agreements. Moreover, no survey to assess actual requirement of the Government Departments in operational and non-operational areas of the

airport was conducted to sign agreements and make recovery accordingly. In absence of the survey, actual recovery cannot be ascertained.

The matter was discussed in DAC meeting held in January 2018 wherein the DAC made following decisions:

- i. CAA explained that the licensee termed the decision to increase rental and security deposit thereof for the extended licence tenure as unilateral, and had requested for review. The matter is currently under process at higher level for decision and further action shall be taken accordingly. DAC pended the para till final action and recovery after resolution of the dispute with the licensee (DP.08)
- ii. CAA explained that actual outstanding dues for the year 2016-17 were Rs 90.57 million. A recovery of Rs 43.378 million has been made leaving a balance of Rs 47.192 million. As a result of verification of recovery of Rs 43.378 million, DAC reduced amount of para to Rs 47.192 million and directed CAA to expedite balance recovery. (DP. 14)
- iii. CAA explained that recovery of Rs 3.272 million has been made. However, dues of Rs 68.794 million against government offices have been written off in accordance with policy. DAC pended the para till recovery of remaining dues and verification of written off amount with justification. (DP. 57)
- iv. DAC directed CAA to pursue recovery actively and get the outcome verified from Audit. (DP. 108, 109, 168)

Compliance to the DAC's directive was not reported till finalization of the report.

Audit stresses for early recovery of outstanding amount.

(DP. 08, 14, 57, 108, 109, 168)

3.4.12 Non-maintenance of Measurement Books - Rs 1,217.443 million

As per Para 208 of Central Public Works Accounts Code, payments for all work done are made based on measurements recorded in the Measurement Book (Form 23) in accordance with the rules in Para 209 of CPWA Code. The Measurement Book (MB) should, therefore, be considered as very important accounts record. Para 209(b) states that all measurements should be neatly taken down in MB.

Audit noted that the Civil Aviation Authority awarded the work “Expansion and Renovation of Quetta International Airport, Quetta” to M/s M/s Ittefaq Construction Co-United Construction Co (JV) on 25th November, 2015 at agreement cost of Rs 1,718.545 million and the work “Expansion and Renovation of Bacha Khan International Airport Peshawar was awarded to M/s Qavi Engineers (Pvt) Ltd on 28th December, 2015 at an agreement of Rs 1,896.006 million.

During audit, it was found that the Project Directors of Expansion & Renovation of Quetta International Airport, Quetta and Bacha Khan International Airport, Peshawar made payments of Rs 449.233 million and Rs 768.210 million respectively without recording detailed measurement of each item of work done in MB. Payment made without recording measurements of work executed in the Measurement Books resulted in irregular payment of Rs 1,217.443 million.

Audit pointed out the irregularity in July-September 2017. The management replied that recording of measurements in the MB is not in vogue in CAA. However, it was agreed that abstract of costs of each and final Interim Payment Certificate (IPC) would be entered in MB. The reply was not acceptable because maintenance of MB as per prescribed format is mandatory.

The matter was discussed in DAC meeting held in January 2018. The DAC directed CAA to prepare MB as per rules.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends that MB be prepared as per codal requirements.
(DP.164, 178)

3.4.13 Non-recovery from the defaulting contractor - Rs 580.786 million

Clause 63 of the contract agreement provides that in any case, the contractor fails to complete the work within stipulated period, the employer may issue notice to measure up the work of contractor and to take such part thereof as shall be unexecuted out of his hand 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 shall be borne and paid by the original contractor.

Clause 63.2 of the contract agreement, valuation at date of termination provides that, the Engineer shall, as soon as may be practicable after any such entry and termination by the Employer, fix and determine ex-parte, or by or after reference to the parties or after such investigation or enquiries as he may think fit to make or institute, and shall certify:

- a) what amount (if any) had, at the time of such entry and termination, been reasonably earned by or would reasonably accrue to the Contractor in respect of work then actually done by him under the Contract, and
- b) the value of any of the said unused or partially used materials, any Contractor's Equipment and any Temporary Works.

Audit noticed that Planning & Development Directorate, CAA Karachi awarded the work "Construction of Thar Airport Project near Islamkot / Mithi" to M/s Reliance Consultancy & Engineering Works (RCEW) for Rs 808.146 million on 15th March, 2011. The contract was terminated due to poor performance. The technical sanction estimate of

Rs 769.318 million for balance work was accorded on 8th July, 2015. It was further noticed that as per valuation statement, the Engineer finalized the Ex-Parte valuation showing recovery of Rs 580.786 million which includes value of work of Rs 72.805 million which was paid without actual execution and defective work of Rs 76.810 million.

Audit observed that recovery of Rs 580.786 million was not effected from the defaulting contractor as per ex-parte valuation. Audit further observed that defective work valuing Rs 76.810 million was not in the BOQ of the contract awarded to another contractor. This resulted in non-recovery of Rs 580.786 million.

Audit was of the view that the non-recovery and non-execution of defective work occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-recovery in July 2017. The Authority replied that recovery of Rs 37.333 million was effected from the retention money of the contractor. A suit was filed in the Sindh High Court for recovery of balance amount of Rs 543.432 million on 8th July, 2017.

The matter was discussed in DAC meeting held in January 2018. The DAC directed the CAA to pursue the court case actively.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC's directive.

(DP.18, 23)

3.4.14 Transfer of funds as deposit work instead award of work through competitive bidding - Rs 260.000 million

Rule 12(2) of PPRA 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.

Further, Para 53 of CPWD Code provides that there are four main stages in the project execution namely, (i) Administrative Approval (ii) Expenditure Sanction (iii) Technical Sanction and (iv) Appropriation / Re-appropriation of funds.

Audit noted during scrutiny of the accounts record of the General Manager, Works (North) that in pursuance of Aviation Division letter No.2696/DS(CAA)/2014 dated 16th June, 2014 and CAA Board's decision in its 156th meeting dated 27th March, 2015 and revised AA No.74 dated 30th April, 2015, an amount of Rs 260.000 million was transferred to NLC for executing the work "Expansion/Renovation of BBIAP, Islamabad" as deposit work without completing pre-requisite formalities like tendering process and preparation of PC-I/Detailed Technically Sanctioned Estimate and Construction Drawings by the competent authority.

Audit observed that the said work should have been awarded through competitive bidding instead of awarding as deposit work because M/s NLC was working in the capacity of contractor instead of executing agency. Furthermore, services of M/s Arshad Shahid Abdullah (Pvt.) Ltd (consultancy cost to be paid by the contractor) were hired by CAA as per decision in the 149th Board meeting dated 29th May, 2014 to undertake the necessary consultancy services for the project without adopting competitive bidding process. Thus, payment of Rs 260.000 million, made in absence of completion of required formalities, was irregular.

Audit was of the view that irregularity occurred due to non-adherence to the above referred rules, regulations and inadequate implementation of internal/financial and technical controls.

Audit pointed out the irregularity in December 2015. The Authority replied on 14th March 2017 that work was awarded as deposit work in compliance with approval of CAA Board. Further, certificate of

Principal Accounting Officer regarding completion of work on urgent basis, as approved by CAA Board was also conveyed.

The reply was not accepted because as per rule 42 (d) of PPRA describes that procuring agency may engage in tendering within one or more contractors due to specific/unavoidable circumstances for award of work, whereas CAA deposited huge amount with NLC termed as “deposit work” and M/s Arshad Shahid Abdulllah was appointed as consultant without adopting negotiated tendering procedure.

The matter could not be discussed in DAC meeting despite request made by Audit.

Audit recommends that responsibility be fixed for violation of rules.

(DP.180/2015-16)

3.4.15 Loss due to non-encashment of bank guarantees - Rs 171.771 million

The contractor M/s Reliance Consultancy & Engineering Works (RCEW) provided Bank Guarantee No. CAPG/1097/120005 issued on 28th June, 2012 of Rs 50.549 million with expiry date 31st December, 2015 and Bank Guarantee No. CPDB/0600/110005 issued on 13th November, 2011 for Rs 121.222 million with last expiry date 31st December, 2015.

Audit noticed that Planning & Development Directorate, CAA Karachi awarded the work “Construction of Thar Airport Project near Islamkot / Mithi” to M/S Reliance Consultancy & Engineering Works (RCEW) for Rs 808.146 million on 15th March, 2011. The contract was terminated due to poor performance of the contractor.

Audit observed that the Bank Guarantee No. CAPG/1097/120005 issued on 28th June, 2012 for Rs 50.549 million and Bank Guarantee No. CPDB/0600/110005 issued on 13th November, 2011 for Rs 121.222

million were not encashed before their expiry dates. This resulted in loss of Rs 171.771 million.

Audit was of the view that the lapse occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the loss in July 2017. The Authority replied that the case had also been filed in Sindh High Court against M/s. Bank Alfalah Ltd. for encashment of bank guarantees. The reply was not tenable because matter was not taken up with the bank for encashment within validity period of the guarantees.

The matter was discussed in DAC meeting held in January 2018. The Authority informed the DAC that the bank refused to encash the guarantee as it expired on 31st December, 2015. The matter is subjudice. The DAC directed CAA to provide evidence that claim was lodged with the bank within the validity period and provide detailed reply with evidence within one week and pended the para till final action.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit stresses for departmental inquiry for fixation of responsibility and active pursuance of the court case.

(DP. 19)

3.4.16 Undue financial aid due to allowing inadmissible secured advance - Rs 85.55 million

Rule-19 (iv) of General Financial Rules (Vol-I) states that no payments to contractors by way of compensation or otherwise outside the strict terms of the contract or more than the contract rates may be authorized without the previous approval of the Ministry of Finance. Clause 60.1(c) of Particular Conditions of Contract provides payment

conditions/stages of imported equipment and materials/components/parts (to be imported for the permanent works) for HVAC Works.

Audit noticed that a Project “Expansion and Renovation of Terminal Building and Rehabilitation of existing Fokker Apron and Alpha Taxiway at Faisalabad Airport” was awarded to a contractor on 18th December, 2015 at cost of Rs 537.716 million. Additional work of Rs 304.429 million was awarded to the contractor through (VO) No.1&2 and contract cost was enhanced to Rs. 842.145 million. Total payment of Rs 343.014 million upto 14th running bill was made to the contractor.

Audit observed that Project Management made amendment in Clause 60.1 through Variation Order No.2 Condition 9(iv) as under: -

In clause 60.1(c) after word HVAC, following is added “Conveyor belts, diesel generator set, FIDS system, Master clock system, Fire alarm system, electrification works, lifts and escalators.”

Audit was of the view that post-bid amendment in the contract documents was made without approval of the Ministry of Finance / competent authority. Audit further observed that advance payment against bank guarantees in respect of the items pertaining to the lifts & escalators, conveyor belt, electrification works, etc. amounting to Rs 34.432 million was allowed to the contractor under the said amended clause. Audit was of the view that issuance of amendment in contract clause was irregular and tantamount to undue financial aid to the contractor of Rs 34.432 million.

Audit further observed that project management made payment on account of secured advance against the material brought at site without any provision in the contract agreement. Secured advance of Rs 51.118 million was still recoverable from the contractor. By not ensuring the compliance with contractual terms and conditions, the management extended undue benefit and favour to the contractor. This also resulted in undue financial aid to the contractor of Rs 51.118 million.

Audit pointed out the inadmissible secured advance/advance payment in August 2017. The management replied that the original contract agreement included secured advance/advance payments clause 60.1(c) for HVAC work being major equipment to be imported. At the time of variation order, lifts and escalators and other items were included in scope of work. These items are also imported and not available in the original scope of work thus, same condition was applied on these items after approval of Director, Finance. Payment was made against bank guarantee. Further, it was principally agreed that secured advance against the material brought at site will be paid as per standard clause of PEC. The reply was not acceptable because undue financial aid by allowing inadmissible advance payment through post bid amendment in the contract clause was illegal/irregular. There was also no provision in the contract agreement for allowing secured advance in addition to Mobilization Advance.

The matter was discussed in DAC meeting held in January 2018. The DAC directed CAA to make recovery of profit and overhead on the amount of advance within one week.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit stresses for early recovery as per directions of the DAC.

(DP. 63 & 66)

3.4.17 Non-recovery of advance income tax - Rs 20.022 million

As per general condition-31 (b) of licence agreement, income tax will be recovered from successful bidder / licensee under Section 236 A of the Income Tax Ordinance, 2001 adjustable against the tax liability of the licensee for that tax year, however no such income tax u/s 236-A will be recovered from the successful bidder provided, the licensee produces exemption certificate from the Commissioner, Income Tax where his tax liability is assessable.

Audit noticed that licence for installation, operation and maintenance of automated car parking system on BOT basis and collection of car parking fee at Allama Iqbal International Airport, Lahore was awarded to M/s STHN & Co for the period 22nd September, 2015 to 21st September, 2020. Similarly, different agreements were executed at Bacha Khan International Airport, Peshawar and Faisalabad airport.

Audit observed that Civil Aviation Authority did not recover advance Income Tax from the contractors as required under Income Tax Ordinance, 2002 and agreed clause of the agreements. This resulted in non-recovery of advance Income Tax of Rs 20.022 million.

Audit pointed out the non-recovery in July-September, 2017. CAA replied that applicability of Section 236A of the Income Tax Ordinance 2001 on the business licenses has been a continuous matter between CAA, the FBR, and various licensee / concessionaries. CAA had issued notices to the parties for payment of advance tax. However, M/s STHN & Co filed writ petition No. 28728/2015 before the honourable Lahore High Court. The matter was disposed of by the court with the direction to Commissioner, Inland Revenue to decide the issue in writing whether tax under Section 236A of Income Tax Ordinance, 2001 is payable in case of M/s. STHN & Co or shall issue exemption Certificate under the law, if so permissible. CAA is barred from claiming the amount of tax under Section 236A of Income Tax Ordinance, 2001 till that time.

The matter was discussed in DAC meeting held in January 2018. DAC pended the DP.5, being sub-judice with direction to CAA to pursue the case actively. DAC linked the other para (DP. 100) with the decision by tax tribunal on DP 5. CAA explained in case of DP. 49, that a sum of Rs 3.5 million had been deposited by one concessionaire, whereas the other concessionaire had provided the tax exemption certificate. DAC directed CAA to reconcile recovered amount, effect balance recovery and get the record verified from Audit.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC's directive.

(DP. 05, 49 &100)

3.4.18 Unjustified expenditure of Rs 32.000 million involving excess beyond provision in revised PC-I of Rs 19.200 million

As per Rule 12 of GFR (Vol-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. As per Revised PC-I of the New Islamabad International Airport, there was provision of two water bowsers for future requirements.

Audit noted during scrutiny of record of the Project Director, NIIAP that five water bowsers costing Rs 32.000 million (@ Rs 6.400 million each) were procured from M/s Al-Haj FAW Motors (Pvt.) Ltd during 2014-15. Audit observed following irregularities in procurement of vehicles:

1. There was provision of only two water bowsers for the project. Thus, purchase of 3 extra vehicles resulted in expenditure beyond provision of Revised PC-I for Rs 19.200 million (Rs 6.400 million x 3).
2. As per purchase order, the warranty period of the vehicles would be 2 years or 60,000 km whichever earlier. The contractor provided the vehicles on 1st December, 2014 through delivery challan and on inspection of the vehicles, several defects were pointed out on 12th May, 2015 i.e. after lapse of 5 months of delivery. As per agreement, the defective vehicles were required to be returned to contractor for replacement with new vehicles. Further, penalty for defective supply was required to be imposed on contractor.

This resulted in unjustified procurement of vehicles costing Rs 32.000 million and incurring of expenditure of Rs 19.200 million beyond provision of PC-I.

Audit pointed out the issue in November 2015. The Authority replied that:

1. Approval for purchase of 05 water bowsers was accorded during high level meeting held at IIAP Project on 6th May, 2014 under the Chairmanship of Special Assistant to Prime Minister and attended by Secretary Aviation and Director General CAA. Five water bowsers were purchased considering the actual requirement of landscaping (Airside) Package-8C2 (Phase-1) and left over horticulture work under Package-8C2 (Phase-II) being carried out departmentally after termination of contract.
2. As per purchase order, the warranty of the vehicles was two years or 60,000 Km whichever is earlier. During said period, no defect was observed in the main vehicle of FAW. Some problems related to the water supply pumps and their plumbing works were attended by the contractor and pumps were replaced under said warranty.

The reply was not tenable because actually the work of horticulture was required to be executed through contractors and all these arrangements were required to be made by contractor himself. The Authority terminated the work without reason and work was being executed departmentally against the PPRA rules. The special assistant to Prime Minister is not competent to accord approval except directions. Thus, approval regarding procurement of bowsers should be obtained from the competent authority.

The matter could not be discussed in DAC meeting despite best efforts made by Audit.

Audit stresses for inquiry and action against the persons at fault.

(AIR-31/2015-16)

3.4.19 Non-imposition and recovery of liquidated damages for delay in completion of work - Rs 22.286 million

According to clause 47.1 of the agreement, if the contractor fails to complete the work within stipulated time, he shall render himself liable to pay liquidated damages equal to 0.05% of the contract price for each day of delay in completion of the works subject to maximum of 5% to 10% of contract price.

Audit noted that CAA awarded six (06) works which were to be completed in stipulated period of 90 to 175 days starting from January-February 2015.

Audit observed that these works were not completed in stipulated time and extension in time limit was also not granted by the Authority. Thus, the contractors rendered themselves to pay liquidated damages as per contract provisions. But liquidated damages were not imposed and recovered. This resulted in non-imposition and recovery of liquidated damages of Rs 22.286 million, as detailed below:

Package No.	Name of work/contractor	Agreement cost (Rs)	Amount of liquidated damages (Rs)
11	Construction of boarding bridges, fixed portion and connection passages at Multan Airport M/s ATCON	33,898,813	203,338
-	ATC elevator M/s Jeevajee	6,675,000	163,537
4	ATC equipment and allied works M/s International Aeradio Pak	51,450,000	2,572,500
9	Construction of passenger terminal building and allied facilities M/s Imperial Electrical Co	199,808,600	9,990,430
10	Electrical works M/s Imperial Electrical Co	77,651,796	3,882,585
-	Construction of Barrack Accommodation for ASF Personnel at Multan International Airport	54,742,019	5,474,201
Total			22,286,591

Audit pointed out non-recovery in September 2016 and August 2017. The Authority replied that imposition and evaluation of liquidated damages for packages-4, 9 & 10 was under process with “The Engineer” and recoveries would be effected from the next/final bill of the contractors on the recommendations of ‘The Engineer’ in accordance with the contract agreement.

The matter was discussed in the DAC meeting held in February 2017 wherein, CAA explained that recovery of Rs 366,875 relating to Package-11 and ATC had been made and got verified from Audit. DAC directed the CAA to recover the remaining amount up to August 2017 and get it verified from Audit.

In DAC meeting held in January 2018, CAA explained with reference to DP. 38 that appropriate action will be taken as per contract agreement at the time of final bill. DAC pended the para till final action by CAA and its verification by Audit.

Compliance to the DAC’s directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC’s directive.

(DP.38/2017-18 & DP.28/2016-17)

3.4.20 Unauthorized up-gradation of staff without authentication of qualification certificates - Rs 17.655 million

Para 01 of Director General, CAA letter No. HQCAA /1000 /001 / DGCAA/249 dated 14th June, 2012 states that the Chairman, Cabinet Sub-Committee has been pleased to approve the up-gradation of supporting staff PG-01 on qualification-wise, in pay groups PG-03,04 & 05 w.e.f. 15th May, 2012. According to Para 04, in case, their educational certificates / degrees are found fake, the above referred letter issued to them shall be cancelled and necessary disciplinary action will be taken against them under CAA Service regulations.

Audit noticed that Airport Manager, Allama Iqbal International Airport, Lahore made up-gradation of supporting staff on qualification basis from PG-01 to PG-03,04 and 05 subject to production/submission of original educational certificates/degrees. Audit further noticed that in eighteen (18) cases, the certificates/degrees were found fake/bogus after verification of certificates from their concerned institutions.

Audit observed that only six (06) employees out of eighteen (18) were reverted to their initial pay scale i.e. PG-01 and recovery was started@ Rs 5, 000 per month from their monthly pay. Audit further observed that in remaining twelve (12) cases, the reversion was not made, and these were working in upgraded scales. Recovery was also not made from them. Neither, the reversion was made, nor their pay was fixed in PG-01. This resulted in overpayment of Rs 17.655 million.

Audit pointed out irregularity in July 2017. The Authority replied that 06 out of 18 employees were reverted to their initial pay scales and CAA initiated disciplinary action against those employees but the employees went to the court. Disciplinary proceedings were stopped. The reply was not acceptable. Credentials of the employees were required to be got verified from the concerned institutions before up-gradation to the higher groups. This was not done before up-gradation which resulted in litigation and overpayments. Further, no latest status of the court case after 2015 was available on record.

The matter was discussed in DAC meeting held in January 2018. CAA explained that 04 employees did not fall under the category of up-gradation. Up-gradation of 06 employees had been cancelled and departmental action was initiated against remaining 08 employees but they had obtained stay order from the court. Audit contended that issue of fake degrees was serious and criminal proceedings should have been initiated against the employees who submitted fake degrees. DAC directed CAA to take appropriate action and pursue court case actively.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends active pursuance of the court case besides appropriate action.

(DP. 17)

3.4.21 Overpayment due to inclusion of machinery/equipment component in the rate analysis beyond technical requirement of site - Rs 17.435 million

Para 220 of CPWA Code provides that before the bill of contractor is prepared, the entries in the measurement book relating to the description and quantities of work should be checked and to see that all the contents of area are correctly entered and arithmetically checked by the responsible.

Audit noted that the work “NAVAIDS and ATC Equipment (package-7B)” at Islamabad International Airport Project was awarded to M/s JGM (JV) at cost of Rs 1,051.249 million. The contractor was paid a sum of Rs 987.359 million upto 8th IPC paid in June 2017.

Audit observed during scrutiny of rate analysis of the item No. 04 in variation order No. 4 that a quantity of 14,016 Cum earth was filled in location of GP-10 R in the area having dimension of 310 x 50 meters. The soil was compacted upto 30% as shown in the rate analysis of the item. It is further added that the filling was about 0.40 meter in depth and on the compacted surface, plantation of grass was also to be made. Hence, under this situation, only spreading/ramming of the earth was required. Moreover, in the light of the provision of rate analysis, 30% compaction was made but the equipment and machinery were engaged having capacity to compact upto 95% AASHTO. Thus, engagement of the machinery beyond the technical requirement of the site for achieving 95% compaction resulted in overpayment of Rs 17.435 million.

Audit was of the view that the overpayment occurred due to including cost component of machinery in the rate analysis of earth work on excessive side and lack of financial and internal controls.

Audit pointed out the overpayment in August 2017. The Authority replied that in compliance with the specification requirements, the fill was compacted to a density of 95%. Subsequently, the top layer was scarified 3" for the spreading of sweet soil and grass seeding. The machinery/equipment was as per requirement to undertake the works and for the actual durations. The reply was not acceptable. Exit meeting was held on 19th September, 2017. During meeting it was decided that the matter would be justified/got verified from Audit with reference to relevant record i.e. compaction tests, excavated material unsuitability tests, construction/As-Built Drawings and rate analysis of non BOQ items etc. within three days otherwise due recovery would be made.

The matter was discussed in DAC meeting held in January 2018. The DAC pended the Para for three weeks for detailed response and action by the management.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC's directive.

(DP. 142)

3.4.22 Overpayment due to non-deduction of shrinkage allowance - Rs 15.596 million

Para 14.6.5 of Pakistan Public Works Department Specifications for Building and Road Works denotes that, where measurements are taken from stacks made prior to filling-earth, the stacks 14 inches high will be measured and paid for 12 inches only. The cost of such stacks is included in the rates for earth.

Audit noted that the management of New Gwadar International Airport (NGIA) made payment of Rs 578.233 million to the contractor up to IPC-14.

Audit observed that a quantity of 339,777.644 cubic meter earth was obtained from borrow at the rate of Rs 306 per cubic meter and payment of Rs 103.972 million was made. Audit further observed that shrinkage allowance @ 14% was not deducted from the earth obtained from approved borrow areas (within project boundary). This resulted in overpayment of Rs 15.596 million.

Audit was of the view that overpayment was due to weak technical as well as internal control mechanism and non-adherence to relevant rules.

Audit pointed out the overpayment in August 2015. The Authority replied that the matter is being referred to consultants to give supervisory remarks.

The management furnished revised reply on 22nd December, 2105 wherein it was explained that measurement of acceptable completed work of constructed embankment would be made on the basis of actual volume as per technical specification. The management further explained that Pak PWD specification refer to measurement taken only from stacks, whereas in the instant case of New Gwadar International Airport project, the measurement was made of the compacted earth work.

During verification of record, Audit observed that formation of embankment was paid equal to the quantity of earth obtained from excavation without deduction of loose factor @ 14%.

The matter could not be discussed in DAC meeting despite best efforts made by Audit.

Audit stresses for early recovery.

(DP.48/2015-16)

3.4.23 Non-recovery of dues from the ex-licencee - Rs 12.608 million

Condition No.9 (d) of licence agreement states that notwithstanding expiry of this agreement, or sooner determination / cancellation, if the licencee remains in occupation of the premises for any reason what so ever, the licencee shall be responsible and liable to make payment of the dues for the period he occupied/possessed the premises.

Audit noticed that the Airport Manager, Bacha Khan International Airport, CAA, Peshawar (commercial branch), made an agreement for collection of Car Parking fee with M/s Sanan & Brothers for the period of 5 years from 7th October, 2014 to 6th October, 2019 at monthly licence fee of Rs 1.440 million with 10% cumulative increase for each subsequent year.

Audit observed that the licencee served three months termination notice w.e.f 25th January, 2016 which was expired on 24th April, 2016. Later, the licencee got stay order from the Court. However, on vacation of stay order, the possession was taken and handed over the concession to new successful bidder but an amount of Rs 12.608 million was still outstanding against the previous licencee. This resulted in non-recovery of outstanding dues of Rs 12.608 million.

Audit pointed out the non-recovery in July 2017. The Authority replied that due to suspension of night operations and imposition of restriction on entry of only one meeter and greeter with passenger, M/s Sanan & Brother requested for revision of parking rates. Since it was not covered in CAA policy, their request was not acceded to by the competent authority. Hence, they served a termination notice of three months as per clause 8 (b) of licence agreement. During the notice period, 1-1/2 bay of parking area was taken over from the contractor by CAA due to ongoing expansion of Terminal Building. CAA invited tenders, but nil response was received. M/s Sanan & Brother was asked to run the concession till finalization of tenders proceedings as per clause 8(b) of the licence agreement. After inviting tenders for the second time, concession was to

be awarded to M/s Prime Trader (being a single participant) but M/s Sanan & Brother got a stay order from Civil Judge / Judicial Magistrate, Peshawar. HQCAA granted compensation of Rs 396,000 per month to M/s Sanan & Brother. As a result, court case was withdrawn by the concessionaire. After adjustment of their security amount and compensation amount granted to them, the total recovery against them was Rs 3.400 million. Efforts were being made to recover the outstanding dues at the earliest. The reply was not accepted because the compensation allowed to the concessionaire was not rational.

The matter was discussed in DAC meeting held in January 2018. DAC pended the para with direction that detailed reply giving break-up of disputed amount, amount recovered and balance recovery and justification along with chronology of events/proceedings and supporting record be provided to Audit for verification.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends rationalization of compensation and recovery.

(DP. 47)

3.4.24 Award of licence at lesser rate - Rs 12.013 million

According to clause 11 of the agreement, the licensor reserve the exclusive right during the currency of the licence agreement to revise/enhance the amount of the licence fee or the charges with prior notice and the licensee shall be bound to pay the revised licence fee from such date as may be specified prospectively by the licensor and non-payment of such revised/enhanced rates shall tantamount to a willful default of the Civil Aviation Authority dues and may result in action under this agreement.

According to Civil Aviation Authority HQ letter No. HQCAA/2850/13/com, dated 16th July, 2008, rate of paved space w.e.f 1st July, 2016 was Rs 25.06 per sft and rate of covered space outside

terminal building (Non-AC) was Rs 68.95 per sft. These rates were applied while executing agreement with M/s Royal Airport Services for the period from 13th June, 2016 to 30th June, 2019.

Audit noticed that licence agreement between Civil Aviation Authority and M/s Shaheen Airport Services for ground handling services was executed for five years from 1st April, 2012 to 31st March, 2017 at Allama Iqbal International Airport. Audit further noticed that area of 182,988 sft for cargo space and 175,560 sft for Technical Ground Support (TGS) was charged @ Rs 6.90 per sft from 1st July, 2016 to 31st March, 2017 whereas, for same area, in case of M/s Royal Airport Services, was charged @ Rs 25.06 per sft and Rs 68.95 per sft.

Audit observed that application of different rates of same area against two ground handling agents performing same activities resulted in loss of Rs 12.013 million to the Authority.

Audit pointed out the loss in July 2017. The management replied that HQ had accorded revised approval for renewal of licence agreement of M/s Shaheen Airport Services for spaces measuring 182,988 sq. ft and 175,560 sq. ft, based on current physical specification of respective spaces on the same pattern as M/s Royal Airport Services. The reply was not acceptable because in support of reply, the management has not produced any record showing recovery of licence fee as per rate charged against M/s Royal Airport Service.

The matter was discussed in DAC meeting held in January 2018. CAA explained that applicable charges had been revised from 2013 and due recovery would be made accordingly. DAC directed CAA that due recovery be made per revised rates and get it verified from Audit.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC's directive.

(DP. 02)

3.4.25 Overpayment due to difference in rates - Rs 17.299 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 noticed that the work “Expansion and Renovation of Bacha Khan International Airport” Peshawar was awarded to M/s Qavi Engineers (Pvt) Ltd on 28th December, 2015 at a cost of Rs 1,896.007 million.

Audit observed that contractor quoted the rates for some items of work pertaining to CCTV system under sub head-terminal building (New Construction) as Rs 36,529, Rs 34,857 and Rs 5,429 respectively. Audit further observed that rates of same items under another subhead terminal Building (Re-Modeling) were quoted higher than the rates already quoted under Subhead-Terminal Building (New Construction). Payment of same item under two sub heads at same location with a huge difference was not justified. This resulted in overpayment of Rs 11.449 million.

Similarly, the contractor quoted rate of distribution switch with supervisor duly power supply, 24 plot Giga E downlinks to access switches 2/6 10 Giga E uplinks ports with slot chassis fans and power sockets as required complete, etc. @ Rs 2.096 million under Sub Head terminal building (Remodeling) whereas, rate against same item existed in another subhead terminal Building (New Construction) as Rs 5.021 million, which was 150 % higher than already quoted rate for same item. Difference in rates for the same item under two sub heads was unjustified and resulted in overpayment of Rs 5.850 million.

Audit pointed out overpayment in September 2017. The Authority replied that the PEC guidelines for the evaluation of bid do not allow for adjustment in bid price other than correction for arithmetic errors and other as stated in IB-28 of bid document. In the subject case, the bid price was 7.9 % above the engineer’s estimate which was within reasonable

range. The reply was not accepted because difference of rate for same item under two sub heads was about 150 % hence, the bid was irrational and was liable to rejection at the time of technical evaluation. Rate analysis of the quoted rates were also not obtained from the contractor.

The matter was discussed in DAC meeting held in January 2018. The DAC observed that back up of rates should have been obtained while evaluating the single bid as contractor quoted different rates of same items in two sub-heads. The DAC directed CAA to provide detailed justification of rates within one week.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends early adjustment of the higher rates.

(DP. 180)

3.4.26 Acceptance of high rates due to bid tempering - Rs 11.328 million

Clause No. 24.2 of Instruction to Bidders provides that if there is a discrepancy between the unit price and total price that is obtained by multiplying the unit price and quantity, the unit price shall prevail, and the total price shall be corrected. If, there is discrepancy between the words and figures, the amount in words shall prevail. If, there is discrepancy between the total Bid price entered in Form of Bid and the total shown in Schedule of Price Summary, the amount stated in the Form of Bid will be corrected by the Employer/Engineer in accordance with the Corrected Schedule prices. If, the bidder does not accept the corrected amount of Bid, his Bid will be rejected, and his Bid Security forfeited.

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 work “External Electrification & Telecom Works of Islamabad International Airport (IIAP) Project” was awarded to M/s Design & Engineering System (Pvt.) Ltd. at agreed cost of Rs 1,135.343 million on 22nd September, 2016.

Audit observed during scrutiny of the accepted bid that rates of item No. 02-12E (d) at page 02-E5, item No. 02-12E (h) at page 02-E6, item No. 02-25E at page 02-E10, item No. 02-35E at page 02-E12, written in words, were overwritten by reducing or enhancing the rates and resultantly, rates in figures and total amounts of the items were changed. Audit further observed that pen stroke, ink, hand writing style and signature/initials of the authorized representative of the contractor (who signed/stamped the bid) of changed rates did not tally with the original pen stroke, ink, hand writing style and signature/initials. It meant that the changes were made after bid opening. Bid Opening Committee overlooked the change of rates in words and figures and accepted the bid which was 21% $(1,135-938/938*100)$ over and above the Engineer Estimate. Whereas, keeping in view the contractual provision regarding Instructions to Bidders, the bid having change in rates at various places in words and in figures was non-responsive and the Authority must accept the option to go into re-tendering for achieving the competitive and economical rates. The Authority sustained a loss of Rs 11.328 million [118 Nos. * Rs 100,000 each (164,000-64,000), less 4% rebate] by accepting higher and changed rate.

Audit was of the view that the loss was sustained by the Authority due to non-evaluation of the bid by the Bid Opening Committee as per instructions of the contract agreement and inadequate oversight mechanism for implementation of financial and internal controls.

Audit pointed out the loss in August 2017. The Authority replied that a fact-finding committee has been constituted by the competent

authority and proceedings are under process. Final position would be submitted after receipt of Fact Finding report.

The matter was discussed in DAC meeting in January 2018. The DAC directed CAA to finalize the inquiry report and submit it to Audit within one week for verification.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC's directive.

(DP. 130)

3.4.27 Overpayment to the contractor due to inadequate tender/bid evaluation - Rs 9.295 million

As per Appendix B to Bid (Schedule of Technical Services Required), only semi-skilled persons were required for operation of following systems on round the clock basis:

- Category -1 Aeronautical Ground Lighting System
- Advanced Visual Docking System and 400 Hz Aircraft Ground Power Supply System
- Electrical Distribution Network System Airport's Terminal Building, Power Generators
- Passenger Boarding Bridges
- Heating Ventilation and Air-conditioning System
- Elevators, Escalators and Baggage Handling system

Audit noted that the Airport Manager, Multan International Airport, CAA Multan awarded the work "Operation and Maintenance of electrical and mechanical system installed at MIAP Multan to M/s Continental Engineering Services (Pvt.) Ltd. in February 2017 at the rate of Rs 4,671,029 per month. Audit also noted that the contractor in the

work plan (Appendix-D) added 21 skilled persons for Operation jobs at the rate of Rs 774,858 per month.

Audit observed that as per Appendix B to the bidding documents, skilled persons for Operation of electrical and mechanical equipment were not required whereas, the contractor added the cost of skilled labour for Operation. CAA management accepted the bid including cost of skilled labour and made payment of Rs. 9.295 million upto 22nd June, 2017. Payment made to the contractor for skilled labour for Operation activity without requirement resulted in overpayment of Rs 9.295 million (12 months x Rs 77,858).

Audit pointed out the overpayment in August 2017. The Authority replied that Request for Proposal (RFP) contained both skilled /semi-skilled workers for Operation and Maintenance of the equipment. The stance of the Authority was not acceptable. As per Appendix B to the bid, only semi-skilled staff was required for Operation requirement. Payment on account of skilled labour for operation over and above the requirement of the employer resulted in overpayment of Rs 9.295 million.

The matter could not be discussed in the DAC meeting held in January 2018.

Audit recommends recovery of overpayment.

(DP.183)

3.4.28 Overpayment due to excessive measurement of height of drain - Rs 4.322 million

Para No. 220 of CPWA Code provides that before the bill of contractor is prepared, the entries in the measurement book relating to the description and quantities of work should be checked and to see that all the contents of area are correctly entered and arithmetically checked by the responsible.

Construction drawing of the work relating to variation order No. 04 provides maximum height of drain as 1.2 meter and minimum 0.70 meter. The average height of drain becomes 0.95 meter. Thus, the height of the drain was required to be measured with average height of 0.95 meter instead of maximum height of 1.2 meter.

Audit noted that the work regarding NAVAIDS and ATC Equipment (package-7B) of Islamabad International Airport Project was awarded to M/s JGM (JV) at agreement cost of Rs 1,051.249 million. The contractor was paid Rs 987.359 million upto 8th IPC paid June 2017.

Audit observed that the drain was measured with uniform height of 1.2 meter instead of taking average height of 0.95 meter ($1.2 + 0.70 = 1.90 \div 2 = 0.95$ meter). This resulted in overpayment of Rs 4.322 million.

Audit was of the view that the overpayment occurred due to non-adherence to the provision of contract drawings/rules and lack of financial and internal controls.

Audit pointed out the overpayment in August 2017. The Authority replied that the drainage works were surveyed to reflect the actual measurements rather than take the quantities from the drawings and found that average height was 1.1m and 25m longer than originally presented. The quantities will be recalculated and incorporated in the next Interim Payment Certificate (IPC). The Authority admitted the Audit contention.

The matter was discussed in DAC meeting held in January 2018. The DAC pended the Para for three weeks for detailed response and action by the management.

Recalculation and adjustment of quantities were not reported to Audit till finalization of this report.

Audit recommends early adjustment of the excessive measurement.

(DP.137)

3.4.29 Overpayment due to allowing higher component of labour in the non-BOQ rate - Rs 3.924 million

Rule 182 of General Financial Rules (Vol-I) provides that to facilitate the preparation of estimate, as also serve as a guide in setting rates in connection with the contract agreement, a schedule of rates for each kind of work should be maintained. The rates entered in estimate should generally agree with the scheduled rates.

As per Pak PWD Schedule of Rate, 2012 (Code 123 Page 796 Serial No. 40), 01-hour labour of mason was required to dismantle the brick/concrete flooring for 9 sq. meter (100 cft).

Audit noted that the work “construction of Passenger Terminal Building including all associated utilities & E/M Works of Islamabad International Airport (IIAP) (Package-3)” was awarded to M/s CSCECL – FWO (JV) at agreed cost of Rs 20,286.041 million in April 2011.

Audit observed that a non-BOQ item of work “dismantling / removing existing granite floor” was measured to the extent of 3,035 sq. meters and paid @ Rs 1,694 per sq. meter. While analyzing the rate of same item on market, 08 labour hours of skilled mason @ Rs 1,271.25 per hour were added for removal of 09 sq. meter granite flooring area. Whereas, in accordance with the provision of Pak PWD SR, 2012 (Code 123 Page 796 Serial No. 40) 01-hour labour of the mason was required for dismantling of the said area. Due to this higher rate to the extent of Rs 1,293 per sq. meter was allowed. This resulted in overpayment of Rs 3.924 million.

Audit was of the view that the overpayment was made due to allowing higher labour component in the rate analysis of non-BOQ item and inadequate over sight mechanism for implementation of technical, financial and internal controls.

Audit pointed out the overpayment in August 2017. The Authority replied that the work is based on FIDIC Conditions of Contract and not based on CAA tender document or PPWD tender document. It is pertinent to mention that pursuant to contract clause 52.2, “Engineer shall fix rate or price as in his opinion, appropriate”. However, recovery proportionate to rate analysis as desired by Audit would be determined but in such way that the case will not go to Engineer’s Decision pursuant to clause 67.1 of general condition of contract (Settlement of Disputes), Dispute Review Board and Arbitration.

The matter was discussed in the DAC meeting held in January 2018. The Authority committed that recovery would be made in the next bill. The DAC directed CAA to make recovery and get it verified from Audit.

Compliance to the DAC’s directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC’s directive.

(DP.131)

3.4.30 Overpayment due to non-adjustment of prices as a result of de-escalation - Rs 3.398 million

According to Clause 70.1 of agreement and Appendix-C, the amounts payable to the Contractor, pursuant to Sub-Clause 60.1 shall be adjusted in respect of the rise or fall in the cost of specified material by applying to such amount as prescribed in the adjustment formula.

Audit noticed that the Civil Aviation Authority awarded the work “Expansion and Renovation of Quetta International Airport, Quetta” to a Joint Venture of M/s Ittefaq Construction Co and United Construction Co (JV) on 25th November, 2015 at agreement cost of Rs 1,718.545 million. The work was commenced on 1st January, 2016 and was to be completed upto 1st July, 2017. The contractors have been granted extension in completion time upto 31st January, 2018.

Audit observed that in the light of provisions of Appendix C to the agreement, the price of the specified material was required to be adjusted according to increase / decrease in the price of the specified material. Audit further observed that rates of the certain specified material were decreased as noticed from the Statistical Bulletin issued by the Statistical Division, and HSD as per notification of Oil & Gas Regulatory Authority (OGRA). The Contractor was paid four IPCs upto June 2017 but no adjustment because of decrease in the price of the specified material was made. This resulted in overpayment of Rs 3.398 million.

Audit was of the view 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 overpayment in September 2017. The management replied that the Engineer had worked out the de-escalation of Rs 4.939 million upto 6th IPC. The escalation amount shall be adjusted in next IPC in accordance with clause 70.1.

The matter was discussed in DAC meeting held in January 2018. The DAC directed CAA to effect recovery within one week and get it verified from Audit.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC's directive regarding recovery.

(DP.161)

3.4.31 Incorrect enhancement in the bid amount by the Evaluation Committee - Rs 3.117 million

As per clause 3.6.1 (c) of Standard Procedure for Evaluation of Bids for Procurement of works issued by Pakistan Engineering Council in

March 2009, the amount of the proposed award shall be the bid price as submitted by the bidder and adjusted as described in the ITB for corrections and any discount (including cross-discounts). Adjustments to the final price and scope of the contract to correct for acceptable omissions in the bid may be clarified and finalized with the lowest evaluated bidder.

Audit noticed that a project “Expansion and Renovation of Terminal Building and Rehabilitation of existing Fokker Apron and Alpha Taxiway at Faisalabad Airport” was awarded to a contractor at cost of Rs 537.716 million on 18th December, 2015.

Audit observed that an item No. 11 “Providing & Fixing fire beater with 7 ft Bamboo, fire chief brand of Sub-Head-VIII (Provision of Fire Hydrant System) Part-B Fire Fighting Equipment under Sub-Head E/M Works & Electronics” was provided in the T.S Estimate as four @ Rs 1,121 each i.e. Rs 4,484. Audit further observed that rate of the said item was quoted by the contractor in the bid in figure as Rs 7,875 each and in words as “Seventy eight hundred seventy five”. The contractor brought forward the amount of this item in the summary as Rs 7,875 and in grand total also. The total bid cost mentioned in figures as well as in the words was Rs 536,174,342. But after bid evaluation report, the tender was accepted at the contract cost of Rs 537,716,064. Audit also observed that rate of the said item was taken in the Bid Evaluation Report as Rs 787,070 instead of Rs 7,875. This shows that evaluation of bid was carried out on higher side by including Rs 3,148,280 (4 Nos @ Rs 787,070) instead of Rs 31,500 (04 Nos @ Rs 7,875) as provided in the bid. Further, the preceding item No 10 of said Sub-Head is almost same with slight difference against which the contractor quoted same rate of Rs 7,875 against NIT rate of Rs 1,507.

Audit was of the view that how it is possible that against NIT rate of Rs 1,121, the contractor quoted rate of Rs 787,070. Based on Bid Evaluation Report, the tenders were accepted at the contract cost of Rs 537,716,064 and acceptance letter was issued by including Rs 3,116,780 excessively. This resulted in incorrect enhancement in the bid amount by the Evaluation Committee of Rs 3.117 million.

Audit pointed out the matter in August 2017. The Authority replied that Clause IB27.1 (a) states where there is a discrepancy between the amounts in figures and in words, the amount in words will govern. The Contract Branch of HQCAA, during approval of subject bid, has noticed such discrepancy against Item No.11 of Sub-Head: VIII (Provision of Fire Hydrant System) and same were corrected in line with Clause IB27.1 (a). Accordingly, bid was approved, and letter of acceptance was issued to contractor. The reply was not convincing because rate of the said item was taken in the Bid Evaluation report as Rs 787,070 instead of Rs 7,875. The decision of HQCAA in this regard was awaited.

The matter was discussed in DAC meeting held in January 2018. The Authority admitted the irregularity and committed that necessary correction in the bid would be made and recovery would be made if payment released as per incorrect amount. The DAC directed that correction in the bid amount be made and got verified from Audit.

Compliance to the DAC's directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC's directive.

(DP .68)

3.4.32 Overpayment due to deviation from the contract agreement - Rs 1.892 million

Item No. 1 of the BOQ "installation of tube wells at Islamabad International Airport Project, Islamabad" provides 8" dia bore for tube well (at average rate of Rs 1,525 per rft), to be converted into 10" (at average rate of Rs 1,906 per rft) if required water level is obtained.

Audit noted that the work "Installation of Tube Wells at Islamabad International Airport Islamabad" was awarded to M/s Ch. Mubarak Ali at agreed cost of Rs 57.891 million. The contractor was paid 5th & final bill for Rs 49.185 million in April 2017.

Audit observed that 07 bores were carried out at location No. 14, 15, 16, 17, 19, 20 & 21 with 10” dia and quantity of 4,968 rft was measured instead of 8” dia which were subsequently, declared failed due to non-achievement of required water level. Whereas, these trial bores were required to be carried out initially with 8” dia and were to be converted in 10” dia in case of successful boring. Due to execution of excessive dia boring at the beginning stage, beyond the agreement provisions, the payment of Rs 1.892 million was considered unjustified.

Audit was of the view that the unjustified payment occurred due to non-adherence to the contractual provision and ineffective oversight mechanism for implementation of technical and financial controls.

Audit pointed out the unjustified payment in August 2017. The Authority explained that 10” dia bore instead of 8” dia bore was drilled as per recommendations of the Joint Director Civil (water consultant, hired specifically for this project) for ease of testing on compressor without danger of collapsing and subsequent development into slim/micro tube wells of 6” casing, etc. The reply was not acceptable as bores were required to be drilled preliminary with 8” dia and were to be converted in 10” dia if found successful.

The matter was discussed in DAC meeting held in January 2018. The Authority explained that 10” dia bore was executed on the recommendations of water consultant. Audit was not satisfied as bore was executed for higher dia against the contract provision. The DAC directed CAA to submit detailed justification within one week and satisfy Audit, otherwise recovery be made.

Compliance to the DAC’s directive was not reported till finalization of the report.

Audit recommends early compliance to the DAC’s directive.

(DP.123)

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, Kallar Kahar, Lahore, Multan, Karachi, Sukkur, Quetta and Khuzdar. NHA is currently custodian of 39 national highways/motorways/expressways/strategic routes having a total length of 12,131 kilometers. It is 4.6% of total national road network of 263,775 kilometers, however, it carries 80% of commercial traffic. 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 Members of NHEB, namely Member (Planning) Member (Engr-Coord), Member (PKM-North Zone), Member (Motorways-South), 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, sign boards, bill boards, 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 2016-17:

(Rs in million)

Type of Funds	Original Budget	Revised/ Final Budget	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development					
Maintenance Grant (GoP)	2,374.927	1,755.127	1,747.959	(7.168)	(0.41)
Road Maintenance Account	38,559.380	38,559.380	14,212.965	(24,346.415)	(63.14)
Sub-Total	40,934.307	40,314.507	15,960.925	(24,353.582)	(60.41)
Development Funds					
PSDP. (Local)	126,650.000	128,350.000	126,053.943	(2,296.057)	(1.79)
PSDP (Foreign)	61,350.000	140,611.000	140,611.000	-	-
Sub-Total	188,000.000	268,961.000	266,664.943	(2,296.057)	(0.85)
Grand Total	228,934.307	309,275.507	282,625.868	(26,649.639)	(8.62)

Operating income for the year 2016-17 is as under:

(Rs in million)

S. No.	Description	Estimated Revenue	Actual Receipt realized	Excess/ (Shortfall)	Percentage Excess/ (Shortfall)
1.	Toll Collection	18,574.865	18,804.000	229.135	1.23
2.	Weigh Stations Income	394.791	345.000	(49.791)	(12.61)
3.	Police Fine	2,277.863	3,908.000	1,630.137	71.56
4.	Right of Way/Rental Income	991.921	1,225.000	233.079	23.50
5.	Other Miscellaneous	1,229.226	397.000	(832.226)	(67.70)
Total		23,468.667	24,679.000	1,210.333	5.16

i. **Non-production of audited financial statements for the financial year 2016-17**

NHA's accounting system is based on double entry book keeping. Financial Manual of NHA prescribes a system to ensure correct classification of accounts, maintenance of books of accounts, compilation of trial balances and financial statements. The end products of the double entry book keeping are the financial statements. With the help of financial statements, one can assess the financial position and efficiency of the organization. As per para 11 (j) of Chapter 11 of NHA Code (Vol-I), 2005, subject to section 24 of NHA Act, a firm of chartered accountants appointed as independent auditors by the Executive Board shall audit the road maintenance account and financial statements annually. As per para 11 (k), the auditors shall complete the audit within three months of submission of financial statements to them but not later than 31st December each year.

Audited financial statements for the year 2016-17 were not produced by the Authority till the finalization of this report despite request made by Audit. Therefore, Audit is unable to comments on the accounts and financial statements.

- ii. Audited financial statements for the previous year i.e. 2015-16 took one year for finalization and approval by the Board. While discussing DP. 137, DAC in its meeting held in January 2018, directed NHA to implement the timelines for finalization of audited financial statements strictly. DAC further directed that a report giving detailed justification for delay be submitted.
- iii. **Re-valuation of assets in financial statements for the financial year 2015-16**

NHA adopted the revaluation model and changed the historical cost model for the accounting treatment of its non-current assets during the financial year 2015-16. By adopting revaluation model the non-current assets increased from Rs 183.483 billion to Rs 3,633.067 billion. The increase is around Rs 3,449.584 billion in non-current assets (property, plant and machinery) from financial year 2014.15. During the process of revaluation of assets, NHA revalued the work-in-progress assets without observing codal provisions and without closing of accounts and drawl of completion reports of the projects.

The matter was discussed in DAC meeting held in January 2018, wherein NHA took the stance that international financial reporting standards were followed whereby assets were recognized when ready for intended use and economic benefit started. Audit contended that the accounting policy was inconsistently applied as the assets were not recognized on the said principle during many previous years. Further, government regulatory framework could not be set aside and prerequisites of closing of accounts to assess actual cost and liabilities were to be followed and in absence of initial value, revaluation of the asset was questionable. DAC

directed that revaluation/capitalization process be got verified. Further, project-wise detail of completion, expenditure after substantial completion, status of PC-IV, final account be shared with Audit. (DP. 146, 147)

- iv. However, following issues were found during examination of the budget, expenditure and revenue statements provided by the management:
- a. Saving of Rs 24,346.415 million i.e. 63.14% of total releases under Road Maintenance Account was observed which showed that the maintenance targets set for the year 2016-17 were not achieved by NHA and may result into further deterioration of roads.
 - b. Against the estimated receipts of Rs 23,468.667 million, the Authority actualized net receipt of Rs 24,679.000 million involving an excess of Rs 1,210.333 million (5.16%).
 - c. Against the estimated receipt of Police Fine Rs 2,277.863 million, the Authority was able to actualize net receipt of Rs 3,808.000 involving excess of Rs 1,630.137 million 71.56% of original estimate whereas in previous F.Y 2015-16 actual receipt was Rs 2,274.000 million. This depicts that either Authority failed to implement traffic rules and regulation through motorway police or pre-empt increase in traffic.

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	Total 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

Year	Total Paras	Total No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of compliance
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
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
2009-10	AR-71	71	40	31	56.34
2009-10	PAR-20	20	3	17	15.00
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
2014-15	60	16	7	9	11.67
2015-16	117	10	04	06	40.0

Note: Audit Reports for 2011-12, 2012-13 and 2016-17 have not been discussed by PAC till the finalization of this Audit Report. Audit Report for 1997-98, Special Audit Report 2008-09 (FY 2005-08) and Audit Reports for 2014-15 and 2015-16 were partially discussed.

4.4 AUDIT PARAS

Irregularity and Non-Compliance

4.4.1 Award of contract on rates 59.95% higher than the approved PC-I

ECNEC on 3rd December, 2014 approved in principle, PC-I of Thakot-Havelian (120 Km) as Phase-I of Islamabad Raikot-Section with rationalized cost of Rs 84.860 billion including foreign exchange of Rs 76.374 billion in view of decision of ECNEC and directions of Planning Development and Reform Division after third party review.

In the tendering process M/s China Communication Construction Company Ltd quoted much higher rates and quantities than those provided in the PC-I. The contractor quoted Rs 192.428 billion which was revised for Rs 133.980 billion with following major adjustments. The EPC contract “Construction of Thakot-Havelian (120 Km)” was awarded to M/s China Communication Construction Company vide acceptance letter dated 22nd December, 2015 for total contract amount of Rs 133.980 billion.

Audit noted that the analysis of cost/rates submitted by the contractor with the bid included the cost of labour, material and machinery charges and overheads, as under:-

1. 3.5% for the design services and internal supervisory services.
2. 0.5% for the safety facilities of the contractor.
3. 10% for contractor’s profit and overheads.
4. 7.5% Other Amortization

Audit observed that the accepted cost was 59.95% higher than the PC-I cost involving Rs 50,217.38 million.

Audit observed that the excess cost was owing to the following:-

1. Quantities as quoted by M/s China Communication Construction Company Ltd were not supported with detailed calculations and justifications. Bill No.01 Earthworks was taken into account for comparison and it was found that due to extraordinary excessive quantities the contract cost against earthworks was Rs 18,527.58 million against PC-I cost of Rs 4,028.80 million. Medium and soft rock material was included in the original PC-I but the contractor quoted quantities and rates for hard rock material. The comparison of PC-I and quoted quantities for three major items indicated an excess of Rs 11,664.47 million.
2. In addition to contractor's profit, overheads and amortization charges, the contractor included the cost of financial charges for Rs 3,986.00 million in his bid against performance, insurance and mobilization guarantees.
3. The contractor also included cost on account of contractor's facilities like contractor's camp offices, vehicles, laboratories for Rs 997.53 million.

Audit pointed out the matter in September 2017. The Authority replied that since EPC/Turnkey contract was a lump sum contract model and cost of the project bears all risks associated with the execution of the project. There were few individual items in BOQ that may be high or low which was a common practice because the bidder allocates the project risk to those items. The risk included the contingency fees, escalation of goods, idling of labor and equipment caused by natural disasters, protest and strike etc. Moreover, in EPC/Turnkey contracts, the BOQ was taken for reference only. Therefore, in EPC/Turnkey contract model, provision of the relative evidence was not required. The item of contractor's facilities was reasonable, necessary during execution of the project and it was also in accordance with the updated PC-I approved in December 2015. The cost of items i.e. temporary camp, laboratory, investigation of geological drilling and site transportation was not related to contractor's profit, overheads and amortization charges. Therefore, in EPC/Turnkey contract model, provision of the relative evidence was not required.

The reply was not accepted because PC-I was based on NHA CSR 2014 and after emerging of CSR 2014 there was price decrease trend in high speed diesel, bitumen and steel (major input materials). In the years 2015-16 and 2016-17, 30% to 40% rebate on CSR 2014 rates was witnessed in tenders of different development works but the work was awarded at 59.95% above the PC-I cost. As per breakup of cost of different items of work the contractor included profit overheads and amortization charges in his rates of items of work. In addition, the contractor included the cost of financial charges on insurances, guarantees, contractor camps, vehicles, etc. in his bid which was unjustified.

The matter was discussed in the DAC meeting held in December 2017 wherein the DAC directed NHA to get it verified that amortization charges were not included twice i.e. firstly in item rates quoted by contractor and secondly in financial charges in analysis of rates and cost summary.

Compliance to DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directive besides recovery of double payment on account of amortization charges.

(DP. 253)

4.4.2 Award of contract without forming of joint venture by Chinese Companies with Pakistani Firms

As per Article-2 of Framework Agreement on Major Transport Infrastructure Projects under CPEC, signed at Islamabad in April 2015 between the Government of the People's Republic of China and the Government of the Islamic Republic of Pakistan, the Chinese companies shall be responsible for engineering design, procurement and construction (EPC) of the projects. The Chinese side will provide a list of recommended Chinese companies by relevant associations. The technical design of each Project shall be as per Chinese standards. The Chinese

companies shall take Pakistan requirements in consideration for the design of each Project. Article-3 further provides that for execution of each Project, Joint Venture may be formed according to the feasibility and commitments of two Parties with one or more Pakistani companies involved of each Project.

Audit noted that Economic and Commercial Counselor, Embassy of China, Islamabad communicated names of three Chinese Companies for the construction of project Havelian-Thakot Section. NHA moved a summary to Economic Coordination Committee (ECC) to invoke Rule-5 of the Public Procurement Rules.

Approval of ECC was solicited for permitting NHA to proceed with the procurement of the Chinese companies. ECC, in its meeting held on 12th August, 2015 approved to grant EPC contract(s) to the firm(s) nominated by the Government of China as permissible under PPRA Regulations.

The Executive Board NHA in its 258th meeting dated 21st December, 2015 approved award of works for “KKH Phase-II Havelian - Thakot Section” to the lowest evaluated bidder i.e. M/s China Communications Construction Company Ltd, at their rationalized EPC bid price of Rs 133.98 billion including 90% Foreign Currency requirement with completion period of 42 months.

Audit observed that article 03 of the framework agreement was ignored while submitting summary to ECC and did not mention the condition of Joint venture of Chinese Companies with Pakistani firms. The work was awarded to Chinese Company without forming a Joint Venture with Pakistani Company in violation of framework agreement. Award of work deprived Pakistani contractors of the experience of mega project.

Audit further observed that after issuance of tender documents to three nominated Chinese contractors, pre-bid meeting was held on 30th June, 2015 and major conditions of tender documents were amended through five addendums as under:

- A. Condition of Joint Venture, a must requirement was deleted.
- B. Condition of past work experience from 91 billion to zero.
- C. Rate of Mobilization Advance increased from 7.5% to 15%.

Audit was of the view that addendums were issued only to favour the contractors without any justification.

Audit pointed out the issue in September 2017. The Authority replied that as per Article Three of the Framework Agreement signed between Pakistan and China, Joint Venture may be formed according to the feasibility and commitments of two parties with one or more Pakistani companies involved of each Project". It meant that it was optional for the Chinese firms to form the joint venture with Pakistani firms or otherwise.

The amendments in bidding documents through addenda were made to harmonize the bidding documents with the Framework Agreement and the nominations forwarded by Economic and Commercial counselor, Embassy of China, Islamabad. M/s CCCC is a state owned company and was declared as rank first among Engineers News Record (ENR) largest Chinese international contactor for the sixth consecutive year. 7.5% mobilization advance was insufficient in order to ensure smooth execution of the project and necessary cash flow for mobilization at site for the project. Pakistan Engineering Council allows mobilization advance upto 15%, hence, was considered to be more rational to achieve the prompt progress of the project.

The reply was not accepted because in Article two of Framework Agreement, Chinese companies were responsible for engineering design, procurement and construction (EPC) of the projects and as per article three there was a commitment of forming of Joint Venture with Pakistani companies. The purpose was to engage Pakistani contractors in such mega projects for having experience. The requirement of Joint Venture was also provided in tender document which was later deleted through addendum. As such Pakistani contractors were deprived of the experience of execution of mega project as provided in the Framework Agreement and

Planning Commission's guidelines. The addendums to tender documents were issued to favour the limited participant bidders.

The matter was discussed in the DAC meeting held in December 2017 wherein the Committee observed with concern that purpose of formation of JV was to provide an opportunity to local firms to participate in unique projects and also a source of technology transfer and capacity building of local firms, which was not pursued actively by NHA. DAC directed NHA to pursue it with the contractor, incorporate obligations under "Corporate Social Responsibility" and must involve local firms in future.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive alongwith action against the responsible(s) that deprived the local contractors.

(DP. 254)

4.4.3 Major change in approved scope of work in violation of approved PC-I

As per para 2 & 2.1 of Project Management Guidelines, policy of the Government of Pakistan is to efficiently utilize natural and economic resources of the country for socio-economic welfare of the people. This objective may be achieved only when development projects are planned and executed with vigilant management. Objective of development planning is to have projects implemented for the benefit and social uplift of the society. For achievement of stipulated targets and tangible returns, it is imperative to entrust management and supervision of the project during implementation stage to capable and competent persons of required qualifications, experience and caliber.

As per para 56 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. It shall be issued on the basis of detailed estimates for the project as a whole, after administrative approval is accorded. Technical Sanction which is concerned with actual design and execution of the work and accounts for all expenditures, ensures that:

- i) Design and specifications are in accordance with sound engineering practices.
- ii) The materials for the execution of the work are in accordance with the plans and specifications.
- iii) In assessment of the project cost, utmost economy has been observed consistent with good workmanship and good materials.
- iv) The estimate represents carefully budgeted cost of execution of the work including all accessory and consequential services calculated as accurately as is possible at the time of its preparation.

Audit noticed that NHA prepared a PC-I for Construction of Peshawar-Karachi Motorway Section-II (Multan-Sukkur Section - 392 KM). The PC-I was approved by the ECNEC on 3rd July, 2014 with the cost of Rs 259,353.10 million. Bids were invited for the project with estimated cost of Rs 240,158.390 million. Three Chinese firms participated and M/s China State Construction Engineering Corporation Limited submitted lowest bid of Rs 406,332.270 million. As the bid was on higher side, negotiations were held with the bidder and work amounting to Rs 294,352.00 million was awarded accordingly. Audit further noted that the rationalized bid/BOQ of the contractor was put in the revised PC-I and the ECNEC approved the revised PC-I of the project accordingly in December 2015.

Audit observed after analytical study of original PC-I, Revised PC-I and contract agreement that many structural changes in terms of quantities were made by the Authority. Audit was of the view that as the revised PC-I of the project was approved by the competent forum keeping

in view the rationalized bid submitted by the contractor, hence, any major change in the components of the project was unauthorized. Further, the original feasibility and thereafter investigation/survey and detailed design was also prepared by the same contractor, therefore, such major changes in structure creates doubt on the authenticity of the investigations/surveys, design for which the contractor was paid a sum of Rs 7,300.876 million. A comparison of structural changes is tabulated below:-

(Amount in Rs)

Description	Quantity as per Original PC-I	Quantity as per Revised PC-I	Quantity as per Agreement	Cost of Structure as per Agreement
Short Bridges	30	79	112	12,270,435,501
Long Bridges	60	54	23	18,295,524,062
Culverts	800	1148	1215	5,962,399,070
Underpasses	250	112	115	4,987,466,258
Total				41,515,824,891

Audit further observed that quantities of almost 80% items were deviated (by increasing/decreasing) from the approved revised PC-I in the manner that the overall cost was the same but in case of enhanced quantities the unit cost was decreased and in case of reduced quantities, the unit cost was increased for the components.

Audit is of the view that irregularity occurred due to weak financial controls.

Audit pointed out the issue during August-September 2017. The Authority did not reply.

The matter was discussed in the DAC meeting held in December 2017 wherein, the DAC directed NHA to get the changed scope ratified by Planning Commission. DAC pended the para till ratification of PC-I by Planning Commission.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends that the matter be investigated for such material changes/deviations after revised PC-I.

(DP. 189)

4.4.4 Award of work to unqualified firm

Clause 11.1(c)(v) of bidding documents, provides that the bidder has to submit along with his bid Certified Audit Reports for last three (03) years to demonstrate the current soundness of the applicant's financial position and its prospective long term profitability to evaluate:

- a) Cash Flow
- b) Average Annual Construction Turnover

Audit noted that pre-qualification notice was published in the newspapers as well as on the PPRA's website on 18th November, 2015 for pre-qualification of firms for construction of Motorway from Burhan-Hakla on M-1 to Dera Ismail Khan (Packages-I to V). Fifty-four (54) national and international firms purchased prequalification documents and thirty-eight (38) firms submitted prequalification documents. Out of thirty-eight firms, nineteen (19) firms were pre-qualified for submission of bids. M/s NLC was not among the pre-qualified firms and was informed regarding disqualification on 15th February, 2016. Later on, by taking lenient view in violation of PPR-2004, on the request of the firm, pre-qualification letter was issued on 10th March, 2016.

Audit further noted that single stage two envelop procedure was adopted for tendering of Package-I (Yarik to Rahmani Kheil) and ten (10) firms including M/s NLC purchased bidding documents. After study of the bidding documents and participation in pre-bid meeting, four (04) firms submitted technical and financial bids on 14th March, 2016.

Audit observed that work awarded to M/s NLC was irregular on the following grounds:

- a. Proof regarding completion of at least one (01) project of similar size and complexity as a contractor or management contractor with a value of minimum Rs 13,000 million during last seven (07) years was not available with bidding documents.
- b. Draft financial statements of last three years were provided instead of Certified Audit Reports as required under bidding data clause 11.1(c)(v).
- c. In the absence of Certified Audit Reports, one cannot determine required turnover, cash flow & working capital.
- d. Credit limit facility (banks undertaking) Form CL-I was not provided according to bidding criteria.

Audit pointed out the matter in August 2017. The Authority replied that M/s NLC fulfilled all the thresholds and qualification criteria. It was fact that draft audit reports were provided by them instead of certified audit reports due to some procedural delays in Planning Commission. The bidder also fulfilled the criterion of similar works experience on the basis of their experience on Lahore Ring Road Project, as per clarification of the bidder and certification by Director (Engineering) Lahore Ring Road Authority.

The reply was not based on fact because without Certified Audit Report, turnover of cash flow could not be judged. Further, credit limit facility (banks undertaking) Form CL-I was not provided according to bidding criteria. During discussion in exit meeting with GM (P&CA) in the presence of GM (Audit) NHA and other officers on 20th September, 2017, GM (P&CA) promised to obtain the Certified Audit Reports from the contractor for submission to Audit.

The matter was discussed in the DAC meeting held in December 2017 wherein, Audit contended that M/s NLC did not fulfill the laid down

evaluation criteria and qualification for award of work. NHA explained that being a state owned organization, NLC was given lenient view and declared qualified. The DAC decided to place the issue before PAC for deliberation and decision.

Audit recommends for investigation and action against the responsible(s) for award of work in violation of laid down criteria.

(DP. 130)

4.4.5 Mis-procurement of consultancy contract - US\$ 3,849,460 and Rs 1,112.618 million

Rule-4 of PPRA-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.

As per rule-30(3) of PPRA-2004, a bid once opened in accordance with the prescribed procedure shall be subject to only those rules, regulations and policies that are in force at the time of issue of notice for invitation of bids.

According to clause 3.1.2(f) of letter of invitation, current commitments and past performance are the basic criteria of technical proposal. Bidders are required to provide the details of present commitments/ongoing jobs as referred in the form TECH-9 of technical proposal. Further, the basis for the past performance is the report from Design Section and Construction Wing NHA.

Audit noted that request for proposals (RFP) for consultancy services for Assistant to Employer Representative (AER) for Multan-Sukkur section (392 km) of Karachi-Lahore Motorway (KLM) was invited through advertisement in daily Dawn on 05th August, 2015 with submission date of 02nd September, 2015. Later on, the proposal submission date was extended up to 16th December, 2015 through issuance

of five (05) corrigenda. Single stage two envelope procurement method with quality and cost based selection at 80% technical and 20% financial weightage was adopted. Ten (10) firms / JV submitted their bids (technical & financial) on 16th December, 2015.

Audit further noted that technical evaluation committee, after preparation of Summary Evaluation Sheet (SES) and Personnel Evaluation Sheet declared three (03) consultancy firms technically qualified. Technical Evaluation Report was submitted to the Member (Engr. Coord.) for approval in March 2016. The Member returned the report with the remarks “kindly review as discussed” on 14th March, 2016. In compliance to Member (Engr. Coord) directions, M/s Dohwa Engineer Co. Ltd. JV was declared disqualified on the basis of letter No.1(1)/NHA/GM(E-35)/2016/589 dated 21st January, 2016 issued by General Manager (E-35) with the plea that the performance of M/s Dohwa was poor on construction supervision of Hassanabdal-Havelian Expressway project (E-35).

M/s Dohwa Engineering Co. Ltd in JV with other consultancy firms was declared technically qualified by the technical evaluation committee on the basis of the criteria mentioned in the bidding document in which clause 3.1.2 (f) of letter of invitation, clearly indicates that past performance of the prospective bidders to be evaluated whereas, in this case the technically qualified firm was declared not qualified on the basis of performance of ongoing project. Further, M/s Dohwa Engineering Co. Ltd JV was still working as AER consultant on the project construction supervision of Hassanabdal-Havelian Expressway project (E-35). The firm had neither been blacklisted nor penalized so far. Further, as per clause 3.1.2(f) of letter of invitation (LOI) past performance report of the consultant was required by GM(P&CA) from GM (Design) which remarked as “Design and construction drawings satisfactory”.

Audit observed that during construction of work many such letters were issued to the consultant firms for improvement of the progress of the work. In this way, each and every consultant should be disqualified on the basis of such letters issued to the consultants by Project Directors/General

Managers. Furthermore, technical bids were opened on 16th December, 2015, whereas, the letter regarding intimation of the poor performance was issued on 21st January, 2016 after bid opening. After exclusion of M/s Dohwa Engineering Co. Ltd., the financial bids of remaining two (02) firms were opened and work was awarded to M/s SMEC Ltd. (lead firm) in JV.

Audit further observed that after negotiation with the consultant firm, letter of acceptance was issued in violation of PPRA-2004 and set forth criteria resulted in mis-procurement of consultancy services of US\$ 3,849,460 and Rs 1,112.618 million.

Audit pointed out the matter in August 2017. The Authority replied that bidding data clause BDS 1.8 (d) stated that “moreover, any adverse report regarding performance of consultant on NHA projects received from NHA’s any relevant quarter may become basis for its disqualification from the assignment”. Past performance was not shut on any date as per RFP and the reports were sought until the price proposals were not opened. So, the Single Stage Two Envelope procedure was preferred over Single Stage One Envelope Procedure. Mechanism and manner for blacklisting was under process and approval by the Executive Board which had now been notified. The case of un-satisfactory performance of M/s Dohwa on the basis of poor supervisory control as reported by the GM (E-35) was now being referred to the M&I Section for their necessary action.

The reply was not acceptable because a bid once opened in accordance with the prescribed procedure would be subject to only those rules, regulations and policies that were in force at the time of issue of notice for invitation of bids.

The matter was discussed in the DAC meeting held in December 2017 wherein, the DAC pended the para.

Audit recommends that matter be investigated and responsibility be fixed against persons at fault.

(DP. 132)

4.4.6 Award of construction of motorways on Build Operate and Transfer (BOT) basis without adhering Government's interest

Build-Operate-Transfer (BOT) is defined as a type of arrangement in which the private sector builds an infrastructure project, operates it and eventually transfers ownership of the project to the government. In many instances, the government becomes the firm's only customer and promises to purchase at least a predetermined amount of the project's output. This ensures that the firm recoups its initial investment in a reasonable time span.

As per para 2 & 2.1 of Project Management Guidelines, policy of the Government of Pakistan is to efficiently utilize natural and economic resources of the country for socio-economic welfare of the people. This objective may be achieved only when development projects are planned and executed with vigilant management. Objective of development planning is to have projects implemented for the benefit and social uplift of the society. For achievement of stipulated targets and tangible returns, it is imperative to entrust management and supervision of the project during implementation stage to capable and competent persons of required qualifications, experience and caliber.

4.4.6.1 Audit noted that NHA awarded a contract for construction of Lahore-Sialkot Motorway on Build Operate and Transfer (BOT) basis to M/s Lahore-Sialkot Motorway Infrastructure Management (Private) Limited (the concessionaire) with the estimated project cost of Rs 43,847.00 million which includes cost of civil work, escalation, consultancy, insurance, interest etc. The project was awarded to the concessionaire for twenty five (25) years, wherein, a period of two years was fixed for construction work whereas, the other 23 years were given for recoupment of the cost of concessionaire through toll and other commercial activities. Audit further noted that as per agreement an amount of Rs 18,000.00 million was fixed to be paid to the concessionaire as Viable Gap Funding (VGF)/subsidy by NHA. Besides, the amount of VGF, an amount of Rs 5,000.00 million was to be paid by NHA to the

concessionaire as Subordinate Financing/loan which was recoverable in installments from 12th to 25th year together with interest.

Audit observed the following irregularities/shortcomings in award of the project:-

- i. The Authority committed to pay an amount of Rs 18,000.00 million as Viability Gap Funding (VGF) to the concessionaire against the project cost of Rs 43,847.00 million, which comes to 41% of the project cost in violation of feasibility study where upto 25% amount of VGF was provided (Rs 10,961.75 million). This resulted in extra financial benefit of Rs 7,038.25 million to the concessionaire. (DP. 21)
- ii. The Authority, while executing agreement, ignored the revenue sharing @ 20% of the income from the concessionaire despite 41% of VGF paid by the Government. On the other hand the concessionaire had the full liberty on the revenue of the project against their investment. While award of the project on BOT basis the interest of the Authority was not kept in view and the concessionaire's interest was favored throughout the award of contract. This resulted in loss of revenue amounting to Rs 44,923.55 million. (DP. 19, 22)
- iii. As per agreement the concessionaire was responsible to provide vehicles amounting to Rs 25.302 million, to NHA management which were not provided. (DP. 24)
- iv. The clause regarding construction of office for NHA management was not included in the agreement whereas, as per RFP the cost of said facilities amounting to Rs 26.140 million was included in the project cost. This resulted in post-bid change and undue favour to the concessionaire. (DP. 25)
- v. The concessionaire failed to provide Construction Performance Bond amounting to Rs 1,783.35 million as per agreement.(DP. 27)

- vi. The concessionaire failed to provide insurance coverage for the project as per agreement. (DP. 29)
- vii. As per RFP, the concessionaire was required to get trained five officers of NHA from foreign country in the field of Public Private Partnership whereas, as per agreement no such clause was provided in the agreement. (DP. 28)

The matter was discussed in the DAC meeting held in November 2017. Following decisions were made:

- i. As regard revenue loss (DP. 19& 22), the Committee decided that a presentation may be arranged by Infrastructure Project Development Facility, Ministry of Finance and financial model will be examined by Audit.
- ii. As regard the non-obtaining of performance bond (DP. 27), NHA explained that as per Section 12.2.1, the concessionaire was required to provide Construction Performance Bond on or before the works commencement date (Clause 1.1.252), which would be equivalent to 5% of the construction cost of the project in the financial model. Further, the works commencement date was 30 days after the date on which Financial Close is achieved. As the Financial Close has not yet achieved, therefore the Construction Performance Bond has not been submitted by the Concessionaire. DAC pended the para till final action as per contract agreement and its verification by Audit.
- iii. As regard the training (DP. 28) NHA took the stance that cost in respect of NHA's officials' training abroad was not part of the concessionaire's firmed up bid. This was necessary to reduce the Government support demanded by the Concessionaire to make the Project viable and bankable, otherwise provision of such training would have enhanced Government Support. DAC was not satisfied and directed that training plan be implemented as per agreement.

- iv. As regard insurance coverage (DP. 29), NHA explained that as per Section 16.1.1, the concessionaire was required to provide Insurance Coverage on or before the works commencement date which is 30 days after the date on which Financial Close is achieved. As the Financial Close has not yet achieved, therefore the Insurance Coverage has not been submitted by the Concessionaire. DAC pended the para till final action as per contract agreement and its verification by Audit.

A presentation was arranged by IPDF on 23rd November, 2017. Audit observed that traffic count and accumulated profit for the concession period given by the independent evaluator was set aside and financial model given by the bidder was accepted. The evaluator determined accumulated profit of 223,278.18 million at the end of concession period of 25 years, whereas the bidder indicated an accumulated profit of Rs 56,396.0 million. There was huge difference, which was not evaluated with reference to integrity of traffic count and toll rates. This resulted in extra funding by government and undue benefit to the concessionaire. Non-inclusion of clause regarding toll revenue-sharing was also an undue benefit to the concessionaire against the normal practice. Audit, therefore, recommends that matter be investigated and action be taken.

Audit further recommends that final action be taken as per DAC's directive in other cases.

(DP. 19,21,22,24,25,27,28,29)

4.4.6.2 Audit noted that NHA executed concession agreement on 10th March, 2015 with M/s Superhighway Construction Operation and Rehabilitation Engineering (Pvt) Ltd for construction of Karachi-Hyderabad Motorway (M-9) on Build, Operate and Transfer (BOT) basis costing Rs 44,251.00 million.

Audit observed the following irregularities/shortcomings in award of the project:-

- i. The concessionaire failed to provide Construction Performance Bond amounting to Rs 2,212.55 million as per agreement. (DP. 66)
- ii. The Authority drafted the concession agreement without provision of penalty clause, whereas, the achieved progress of the work was very slow and defects such as rutting in road was observed which was due to below specified Job Mix Formula, provision of improper machinery and inadequate monitoring and workmanship. (DP. 69)
- iii. The concessionaire failed to get trained five NHA officers from abroad in violation of agreement. (DP. 70)
- iv. As per agreement/ToRs the Joint Auditor were required to carry out audit of the project accounts biannually or as such other intervals as reasonably requested by NHA but despite the lapse more than two years since the date of agreement the Joint Auditor could not submit biannual audit reports of the project accounts. (DP. 71)

Audit is of the view that while award of work on Build Operate and Transfer basis the interest of the Government/NHA was not kept in view and undue favour was extended to the concessionaire.

The matter was discussed in the DAC meeting held in December 2017. The DAC made following decisions:

- i. As regards the construction performance bond (DP. 66), NHA explained that as per clause 12.2 of the concession agreement of M-9 project, M/s SCORE, was required to provide the construction performance bond equivalent to 5% of the construction cost projected in Financial Model. The concessionaire was requested from time to time to submit the construction performance bond. M/s SCORE in response took

the stance that they had awarded construction work to Frontier Works Organization (FWO) which is exempted from the condition of providing performance bonds for the awarded projects. DAC decided to place the matter before PAC for deliberation and decision.

- ii. As regards DP. 69, NHA explained that concession agreement of M-9 contains penalty clause under section No.12.15. Further, as per concession agreement, the Construction Period is thirty (30) months from achievement of Financial Close. Accordingly, the Concessionaire is progressing ahead to the required overall progress under the provisions of Concession Agreement. DAC directed NHA to get the facts verified from Audit.
- iii. As regards DP. 70, NHA explained that training programme was under process of finalization. The concessionaire was in consultation with some well-known institutes of USA to schedule the training programme for NHA officials. DAC pending the para till fulfillment of contractual obligation regarding training.
- iv. As regards DP. 71, NHA explained that in pursuance of clause 5.6 of concession agreement, NHA and the concessionaire jointly appointed M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered (EY), as joint auditor for M-9 project. The firm was ranked among the top 5 audit firms. Up till now JA had submitted 2 biannual audit reports and two such reports were under process. DAC directed NHA to provide reports of the JA to Audit for verification.

Audit recommends early compliance to DAC's directives besides action against the responsible(s).

4.4.7 Award of work to technically unqualified contractor - Rs 7,410.794 million

Clause 3b (ii) bidding data of bidding documents provides that an individual bidder or JV will be qualified if it meets the criteria that he has started and completed at least one (01) contract (limit is not more than one contract summed up for their values in this regard) of similar size and complexity as a contractor or management contractor (but not as Sub Contractor) with a value of minimum Rs 6.00 billion during last ten (10) years. If one of the partners in a JV alone fulfills this criterion, others need not be assessed to fulfill it otherwise each partner shall be assessed to fulfill as per its share in the JV.

Audit noted that tender for the work “Construction of Lahore Eastern Bypass Package-1 from Lahore Ring Road to Kala Khatai Road including Bridge over River Ravi and Lukhudher interchange” was invited on 24th September, 2016. Twenty-one (21) firms purchased tender documents out of which seven firms participated in tender process. Technical Bid Evaluation Committee evaluated the technical bids and four firms were declared responsive and three (03) firms were announced technically qualified. Financial bids of technically qualified firms were opened on 9th December, 2016. M/s ZKB-Reliable JV was announced lowest bidders with evaluated bid price of Rs 7,410.794 million which was 14.82% below the engineer’s estimates based on CSR 2014.

Audit observed that project length was 11.13 KM with six lane carriageway of width 2 x 10.95 meter. Major cost of that package pertained to bridge over river and flood protection works whereas, M/s ZKB-Reliable JV did not fulfill the eligibility criteria because the detail of similar work provided by the firm neither fulfilled the condition of same size nor complexity because the works were below the worth of Rs 6.00 billion as well as different in nature. This resulted in irregular award of work to technically unqualified contractor of Rs 7,410.794 million.

Audit pointed out the matter in September 2017. The Authority replied that evaluation was carried out by the Technical Evaluation and

Opening Committee as per issued bidding document. As ZKB individually did not meet eligibility criteria; therefore, eligibility criteria of Reliable Engineering Services was assessed.

During discussion in exit meeting with GM (P&CA) in the presence of GM (Audit) NHA and other officers on 20th September 2017, Audit clarified that JV share was not objected by Audit. The point was that the works selected for share did not meet with the condition of same size i.e. six billion from which the share was calculated. Further, the objection regarding complexity was not responded by the Authority.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA explained that evaluation had been done as per evaluation criteria mentioned in the bidding documents. Audit contended that clarification was required for interpretation of clause 3b(ii). DAC decided that clarification in this regard be obtained from Pakistan Engineering Council.

Compliance to the DAC's directive was not made till finalization of the Report.

Audit recommends that clarification be obtained to the exact interpretation of the relevant clause by PEC.

(DP. 136)

4.4.8 Mis-procurement of consultancy services as Assistant to Employer's Representative - US\$ 3.552 million and Rs 460.724 million

As per rule-29 of PPR-2004, procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is 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.

As per rule 30(1) of PPRA-2004, all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents. Save as provided for in sub-clause (iv) of clause (c) of rule 36 no evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents.

As per rule 13(1) of PPRA-2004, the procuring agency may decide the response time for receipt of bids or proposals (including proposals for pre-qualification) from the date of publication of an advertisement or notice, keeping in view the individual procurement's complexity, availability and urgency. However, under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice. All advertisements or notices shall expressly mention the response time allowed for that particular procurement along with the information for collection of bid documents which shall be issued till a given date, allowing sufficient time to complete and submit the bid by the closing date.

Audit noted that RFP notice was published in newspapers for consultancy as Assistant to Employer's Representative (AER) on 4th August, 2015 with bid submission date 31st August, 2015 which was extended up to 05th January, 2016 through issuance of six (06) corrigenda. Eight (08) reputed firms in JV submitted technical and financial bids. Technical Evaluation Committee evaluated the technical bids. Four out of eight firms were declared responsive and after evaluation three (03) JV firms obtained minimum passing score of 70%. Financial proposal of technically qualified JV firms were opened on 23rd May, 2016. M/s Finite Engineer (Pvt) Ltd. was the first ranked firm with evaluated consultancy cost US\$ 3,475,241 and Rs 601.249 million. However, recommendations of evaluation committee on selection of the highest ranked consultant were not agreed to. After lapse of one year all the tendering process was annulled. The grounds for rejection / annulment of tender procedure was not mentioned anywhere in the record. Re-invitation of the RFP was published in newspapers on 23rd July, 2016 without considering response time as prescribed in PPRA-2004.

Audit further noted that in next bidding, only five JV firms submitted technical and financial proposals whereas, in the first trial eight (08) JV firms participated. Same evaluation committee evaluated the technical proposals and reported to the high ups that the uncalled for (strict) criteria for evaluation of specific experience would result into either non-responsiveness or disqualification of all the five participating firms whereas, there was urgency of selection and appointment of an Assistant to Employer's Representative because the contract (under EPC) had been awarded on 22nd December, 2015.

Audit observed that a meeting was arranged in the Chairman NHA office for resolving the issue and it was decided that one time waiver may be accorded by relaxing the set criteria and conditions. In violation of rules, the evaluation was done on the sub-criteria and supplementary evaluation sheet which had not been specified in the bidding document / RFP. Taking lenient view as per para 7.3.4.8 of evaluation report, three (03) firms were declared technically qualified with minimum passing mark 700 i.e. 70% of total marks. Financial proposal of three (03) technically qualified JV firms were opened on 20th September, 2016. After combined evaluation M/s DOLSAR Engineering Inc. Co. (Turkey) in JV was declared the 1st ranked firm with consultancy cost of US\$ 3.552 million and Rs 460.724 million.

Audit was of the view that due to inappropriate criteria the Authority took more than one year period and resources for procuring consultancy services as AER whereas contract under EPC had since long been awarded. This resulted in mis-procurement of consultancy services as AER of US\$ 3.552 million and Rs 460.724 million.

Audit pointed out the matter in September 2017. The Authority replied that public procurement rules, devised as framework in 2004 to begin with, are under revision based on feedback from procuring agencies (refer PPRA's website having a matrix of proposed changes). The rules were found (and are still) deficient in many ways.

The reply was not acceptable because reasons for rejection/annulment of first attempt were not mentioned in the reply. Further public procurement rules were challenged by the Authority in the reply.

The matter was discussed in the DAC meeting held in December 2017 wherein, DAC directed NHA to satisfy Audit whether revised criteria given in request for proposal was followed in evaluation process.

Compliance to DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directive besides action against the responsible(s) for violating the rules.

(DP. 134)

4.4.9 Undue amendment in the contract resulting into financial aid to the contractor - Rs 8,770.800 million

As per contract agreement a Schedule of Payment was framed in which milestone payments were agreed by both parties. The construction period for the project was 1,095 calendar days including detailed design.

As per loan agreement clause 6.2.1(a) & 6.3, "the first Interest Period in relation to the first Disbursement shall commence on the date on which the respective Disbursement is made (inclusive) and end on the first Interest Payment Date (exclusive). The rate of interest applicable to the loan or the relevant part thereof for each Interest Period shall be the fixed rate, which shall be five point two percent (5.2% per annum)".

Audit noted that NHA awarded the work construction of KKH – Phase-II (Havelian-Thakot 118 Km) to M/s China Communication Construction Company Ltd at an agreed cost of Rs 133.980 billion with time for completion as 1,095 days for construction and 183 days for allied works (1,278 days). The commencement orders were issued on 1st September, 2016.

Audit observed that an amendment to the contract was made and signed on 4th April, 2017 and a new schedule of payment was agreed with the contractor resulting in prompt cash flow to the contractor. Through this amendment NHA agreed to pay on percentage completion of overall work cost. Through this amendment monthly payments were made for a gross total of Rs 15,827.008 million upto June 2017 whereas as per agreement payment due was Rs 7,056.208 million. This resulted in undue amendment in the contract resulting into financial aid to the contractor for Rs 8,770.800 million.

Audit is of the view that amendment in payment schedule and extension in construction period from 1095 to 1278 was undue favour to the contractor and totally one sided amendment because no cost reduction from the agreed cost (benefitted by the contractor due to early payments and extension in construction period) was made/got agreed by the contractor.

Audit pointed out the issue in September 2017. The Authority replied that no overpayment had been made as the progress was 22.83% but the payments claimed were 17.5%. As pointed out by the auditors that if payments were made to the contractor on original payment schedule than the payments would have been Rs 7,056 million which meant that the progress would have been less but with revised payment schedule, the contractor had achieved double progress. Therefore, revision of the payment schedule was more beneficial for the project as maximum progress had been achieved.

The reply was not accepted because as per original schedule of payments with up-to-date progress of work. Through this amendment monthly payments were made for a gross total of Rs 15,827.008 million upto June 2017 whereas as per agreement payment due was Rs 7,056.208 million. Time for completion was 1,278 days (1,095 days for construction and 183 days for allied works). Through this amendment construction period has been extended from 1095 days to 1278. The amendment is one

sided in favour of the contractor and no rebate has been obtained for change in schedule of payment and increase in construction period.

The matter was discussed in the DAC meeting held in December 2017 wherein, DAC directed NHA to provide ECNEC approval for such post-bid changes.

Compliance to DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directive besides action against the responsible(s) for providing undue financial benefit to the contractor.

(DP. 264)

4.4.10 Award of toll operation contracts to the defaulters - Rs 6,542.899 million

Clause 14.3 of instructions to the bidders provides that all the operators who are not depositing their due installment regularly to NHA shall not be allowed to participate in bidding process.

Audit noted that as per standard procedure applications were invited from the intended bidders for pre-qualification for operation, management and maintenance of toll plaza on National Highway network. Subsequently, bids were invited from the pre-qualified bidders and contracts were awarded to the highest evaluated bidder. Audit further noted that as per pre-bid meeting held on 26th June, 2015 with qualified bidders it was decided at agenda item No. 13 that bids of OMC/Bidders with shortfall and/or under default will not be accepted.

Audit observed that Deputy Director (Toll Plazas) requested on 22nd June, 2015 for default status (if any) of 38 companies which were pre-qualified. In response, Deputy Director (Revenue) informed that 17 contractors were defaulters and shortfall in installments of Rs 765.209 million was involved. Audit further observed that despite of this fact these

contractors participated in bidding process and toll plazas were awarded to them in violation of rules. This resulted in irregular award of toll operation contracts for Rs 6,542.899 million to the defaulters, as detailed below:

(Rs. in million)

S. No	Name of Contractors	No. of Toll plazas awarded	Net guaranteed value per annum of all toll plazas
1	M/s Ahmed Khel Construction	01	2.222
2	M/s NLC	14	4,886.232
3	M/s Three Star Comp & Malik Mazhar & Co (JV)	02	91.893
4	M/s Abdul Qayoom Mazari	03	927.519
5	M/s Haji M. Abbas Khan	01	86.667
6	M/s Afridi Operators	01	105.033
7	M/s Bara Brothers	02	373.334
8	M/s Ijaz & Company	03	69.999
		Total	6,542.899

Audit is of the view that award of contracts to defaulter bidders was due to weak internal controls.

Audit pointed out the irregularity in April 2017. The Authority did not reply.

The matter was discussed in the DAC meeting held in December 2017 wherein, NHA explained that outstanding / shortfall reported by Revenue Section against some contractors of toll plazas pertained to last month's toll revenue installment against which securities had already held with NHA. In some cases on the requests of OMCs their default was adjusted against toll revenue securities already held with NHA and letter of commencement issued only after clearance report received from NHA Revenue (Receipt) section. Mostly, receipts were deposited by the contractors in time. However, some installments on certain toll plazas were delayed which were deposited later on and the contractors were not

declared as defaulters. DAC directed NHA to get the record verified with reference to tender condition.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides action against the responsible(s) for award of works to defaulters.

(DP. 116)

4.4.11 Award of Routine Maintenance works relating to AMP 2016-17 without detailed quantities in BOQ - Rs 4,730.38 million

PPRA Rule-4 provides that procuring agencies while engaging in procurement, shall ensure that the procurements are conducted in fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Further Rule 23(g) provides that bidding document shall be precise and shall include the list of goods or bill of quantities (where applicable).

As per Para-56 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. It shall be issued on the basis of detailed estimates for the project as a whole, after administrative approval is accorded. Technical Sanction which is concerned with actual design and execution of the work and accounts for all expenditures, ensures that:

- i) Design and specifications are in accordance with sound engineering/practices.
- ii) The materials for the execution of the work are in strict accordance with the plans and specifications.
- iii) In assessment of the project cost, utmost economy has been observed consistent with good workmanship and good materials.

- iv) The estimate represents carefully budgeted cost of execution of the work including all accessory and consequential services calculated as accurately as is possible at the time of its preparation.

Audit noted that NHA awarded approved Annual Maintenance Plan of Routine Maintenance works for the financial year 2016-17 with an amount of Rs 4,730.38 million against which the regions submitted 620 estimates.

Audit observed that the BOQs of all the works (620 estimates) were silent regarding the quantities of items to be executed, only the items were provided in the BOQs without the quantity. Open option was given to the contractors to do the work as per site requirement which is unjustified. Audit was of the view that the action of the management was against the engineering practices because estimation of the works/ provision of quantities was the basic need of every maintenance/ development work. Hence, due to non-provision of quantities in the BOQ the Authority gave free hand to the contractor to do the work at his own sweet will. This resulted in an irregular award of Routine Maintenance works amounting to Rs 4,730.38 million, of Annual Maintenance Plan 2016-17 without giving detailed quantities in BOQ.

Audit was of the view that irregular award was due to weak internal controls.

Audit pointed out the irregularity in July 2017. The Authority replied that the bidders had offered their bids by quoting a percentage below/above of estimated cost for routine maintenance works and the contracts had been awarded to the lowest evaluated bidders. The concerned Maintenance Unit would monitor the condition of roads within their jurisdiction and will execute the routine maintenance work on need basis as per site requirement by issuing a work order to the contractor with the approval of GM (Regional) as per NHA Standard Operating Procedure along with pre measurement sheets and photographs. The payment to the contractor would be made after verification of actual executed work on

site. This process of procurement and execution of routine maintenance work on site is as per requirement to avoid re-appropriation and variation. The reply was not tenable because the estimation of any work is a basic engineering practice, whereas, in this case the Authority gave open option to the contractors to execute works at their own sweet will.

The matter was discussed in the DAC meeting held in November 2017 wherein, NHA explained that exact scope of work cannot be determined for routine maintenance. Estimates prepared by Regional Offices were approved in Annual Maintenance Plan. Audit contended that items of work in question did not correspond to routine maintenance requirements. DAC pended the para with direction to explain/justify the process to Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides action against the responsible(s) for deviation from the best engineering practices of estimation/PPRA rules.

(DP. 10)

4.4.12 Appointment of Design Review Consultant by the contractor in violation of contract agreement involving Rs 2,085.986 million

As per condition 3.2.13 (a to c) of employer's requirements contained in the bidding documents, within fifteen (15) days of the signing of contract agreement, the contractor shall appoint a Design Vetting Consultant after proposing to the Employer a panel of three names of qualified and experienced firms from whom the Employer may choose one to be the Design Vetting Consultant. The contractor shall prepare and submit with reasonable promptness and in such sequence as is consistent with project completion schedule, three copies each of the Design and Drawings duly certified by the Design Vetting Consultant to the Employer's representative for review.

Addendum-2 of pre-bid meeting dated 25th and 26th June, 2015 further provides that the Design Vetting Consultant shall be local (Pakistani).

Audit noted that NHA awarded a contract for construction of Peshawar Karachi Motorway Section-II Multan-Sukkur Section (392 KM) CPEC to M/s China State Construction Engineering Corporation Limited on Engineering Procurement Construction (EPC)/Turnkey basis for an agreement cost of Rs 294,352.00 million with the above noted condition of Design Vetting Consultant. Audit further noted that the contractor submitted names of three firms as Design Vetting Consultant as below:-

1. M/s Renardet S.A Consulting Engineers (Italy based) in association with AAA Engineering Consultant Pvt. Ltd.
2. M/s EA Consultant Pvt. Ltd.
3. M/s AA Associates Pvt. Ltd.

Audit observed that the Authority approved M/s Renardet S.A Consulting Engineers-AAA Engineering Consultant Pvt. Ltd as Design Vetting Consultant in violation of above condition because the consultant was required to be local whereas, the said consultant was foreign (Italy based).

Audit further observed that the GM Design, NHA clearly opposed the appointment of M/s Renardet and remarked that the firm was an expatriate with only supervisory staff at M-4 project site, whereas, their Design support section was situated in Italy Head Office. The complete design review of Motorway M-4 was responsibility of M/s Renardet and some omissions in design review were observed where the profile of Motorway Section II&III which could be optimized (lowered at certain sections) was missed and now upon identification of Chairman, the firm is revising again by sending the design in soft copy to Italy. Further remarked that the firm's structure engineers were well versed with European Code rather AASHTO American design codes.

The GM Design also commented on local counterpart M/s AAA and remarked that the firm is an average consulting firm with limited capacity and NHA was also not satisfied with their performance on Preliminary Design of Lahore-Abdul Hakeem section. The firm was also facing financial constraints as they failed to comply with provisional sum requirement on Lahore Eastern Bypass. The GM Design proposed the appointment of M/s EA because being a Pakistani firm they can help the contractor from design till approval as well as mobilize to site being closer to the region. The remarks of the GM Design were not entertained and the foreign consultant was approved for appointment with a cost of Rs 2,085.986 million.

Audit was of the view that the remarks of the GM Design would have been entertained as those were based on facts. Moreover, Audit also observed that the complete Design of the project was to be completed in four months which was still not completed despite lapse of more than one year, whereas, on the other hand many changes in the design were also observed.

Appointment of the foreign firm in violation of rules and without considering the remarks of the GM design was due to weak contract management.

Audit pointed out the matter during August-September 2017. The Authority did not reply.

The matter was discussed in the DAC meeting held in December 2017 wherein, Audit contended that lead partner of design vetting consultant JV was required to be a Pakistani firm but the contractor engaged a foreign lead firm in violation of the contract agreement. The DAC directed NHA to check the legal interpretation that when a foreign lead firm gets itself registered with PEC as a juridic person it can be treated as a local firm or not. Further, what action was taken to rectify the violation of the contract agreement? Para was pended.

Audit recommends that matter be investigated and responsibility be fixed against persons at fault.

(DP. 188)

4.4.13 Revival of works by extending undue favour to the contractors

According to para 2.65 of chapter-2 of NHA Financial Manual, each officer possessing financial power is responsible to adopt canon of financial propriety while incurring expenditure.

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.

4.4.13.1 Audit noted during scrutiny of record relating to project “Rehabilitation/Up-gradation of Jalalpur Pirwala-Uch Sharif Section of Shujjabad-Tarenda Muhammad Panah Road (Package-III) District Multan” that the work was badly handled and due diligence was not paid to get it executed adequately as works on the project were stopped due to some un-avoidable reasons. First extension was granted by the Employer from 03rd December, 2011 to 31st December, 2013 with financial effect of Rs 87.329 million on account of consultant’s pay and escalation, without any idling/prolongation costs. However, the work could not be completed in that period also.

Audit further noted that instead of awarding the work on risk & cost of the sitting contractor to speed up completion, the work was revived by getting the contract amended by introducing amendment No.1 which shows:-

- i) Completion date was fixed as 30th November, 2017.
- ii) As traffic was running on the aggregate base course/sub-base layer for last four years, the Authority decided for rectification work on the cost of employer over and above the contract sum.

Audit observed that instead of penalizing the contractor a heavy amount of Rs 14 million was paid to him for an item in which Zero material was involved rather already laid material was to be assembled. Further, despite extension of time upto 30th November, 2017 the work amounting to Rs 600 million was incomplete even in September 2017. Moreover, price adjustment amounting to Rs 68.23 million was also paid to the contractor.

Audit was of the view that revival of contract, payment of defective work and price variation for extended period in favor of the contractor was made in-violation of contract agreement which was unjustified.

Audit pointed out unjustified revival of work in September 2017. The Authority replied that same para had already been issued vide No.4.4.32.3 for the year 2015-16. This project was suffered mainly due to delay in handing over the land to contractor and non-availability of funds. However, the work would be completed upto 30th November, 2017 otherwise liquidated damages will be imposed.

The reply of the Authority was not accepted because previous para was on different issue. The contractor failed to complete the work within stipulated period. The Authority despite imposing penalty to the contractor revived the contract and extended undue benefit to the contractor in shape of not freezing base rate of price adjustment. The Authority also made payment of defective/damage work to the contractor in contract period and insured period.

The matter could not be discussed in the DAC meeting despite best efforts by Audit.

Audit recommends that matter be investigated and action be taken against person(s) at fault.

(DP. 394)

4.4.13.2 Audit noted that the project “Shaheed Benazir Bhutto bridge Package-3” was awarded to M/s RMC at cost of Rs 593.425 million. The work was started on 12th April, 2012 with completion date of 11th January, 2013. The contractor could not complete the work on time and the work was terminated on 20th August, 2015. Audit further noted that the executive Board reviewed the termination of the contract and allowed the contractor to re-mobilize at site to save time and extra cost with the amendment in the contract as proposed by the contract specialist. The contractor started the construction activity after revival of the contract in November 2016 but failed to complete the project within given time period.

Audit observed that the work was revived with the plea that if the contract was retendered the cost of the remaining work would be Rs 797.494 million and on revival the amount would be Rs 389.202 million which was nothing except extending favour to the contractor because the contractor had not shown vigilance and adequate workmanship and seriousness to complete the work as time and again he got extension in time but the work was still in progress.

Audit was of the view the award of work at risk and cost was more favorable to the NHA than revival.

Audit pointed out undue benefit to the contractor in September 2017. The Authority replied that before approval of revival NHA also got the expert/legal opinion by lawyer. In compliance the contractor was re-mobilized at site and commenced the work accordingly. The reply was not agreed because the contractor started the construction activity after revival of the contract in November 2016 but failed to complete the Project within time. Therefore, revival of the contract was nothing else to extend undue favour to the contractor.

The matter could not be discussed in the DAC meeting despite best efforts by Audit.

Audit recommends that matter be investigated and responsibility be fixed against persons at fault.

(DP. 376)

4.4.14 Award of work to a disqualified firm due to non-adherence to condition of bidding documents - Rs 715.455 million

Tender for the work "Package-I: Construction of approach road from Kot Mithan to N-55 (from KM 23+000 to 31+ 094) of Shaheed Benazir Bhutto Bridge over River Indus connecting Chachran Sharif with Kot Mithan" called for on Single Stage-Two Envelope basis wherein certain requirements for personnel and equipment capability were provided for technical evaluation in the bidding documents as under:

Equipment capability	81 articles of machinery and equipment
Personnel capability	22 Nos. having threshold experience 343 years

Audit noted that contract was awarded to M/s Ch. Latif & Sons at an agreed cost of Rs 715.455 million.

Audit observed that when the eligibility of the firm was checked it was found that contractor had personnel capability with working experience of 212 years against the desired 343 years whereas equipment capability of 35 articles of construction machinery/equipment against the requirement of 81. This state of affair was well evident that contractor had lesser capabilities than desired for the execution of the project, as such he was not technically qualified. As per standard procedure/rules financial bid was not required to be opened of said bidder being technically disqualified but the financial bid was opened and contract was awarded. Non-adherence to condition of bidding documents caused award of work to an unqualified firm for Rs 715.455 million.

Audit was of the view that award of work to an unqualified firm was due to weak internal controls and an inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularities in September-October 2015. The Authority did not reply.

The matter was discussed in the DAC meetings held in January and February 2016, wherein Audit informed that the work was awarded to a firm having deficient equipment and personnel as required minimum threshold of technical qualification. NHA explained that PEC documents do not specify disqualification of any bidder on the basis of personnel and equipment capabilities. Audit reiterated that why these capabilities were provided in the bidding documents in order to ascertain the technical qualification of the bidders. The DAC directed that detailed record in support of Authority's contention may be provided to Audit for verification.

Compliance to the DAC's directive was not made despite lapse of one year.

Audit recommends early compliance to the DAC's directive.

(DP. 203/2015-16)

4.4.15 Unauthorized execution of the work without approval and without re-rating on excess quantity - Rs 515.829 million

PC-I of the Road Project from Thalian on M-2 to new Islamabad International Airport (NIIA) and Periphery Road was approved by the ECNEC conveyed by Ministry of Communications on 24th November, 2015 which contained the component at S. No.5 of structure (Retaining walls) of Rs 291.733 million and structure (Bridges) at S. No. 6 of Rs 110.790 million.

Audit noted that BOQ of the project was prepared wherein these components i.e. structures (culverts and underpasses) were provided of

Rs 230.943 million and two bridges (30 meter span) were provided of Rs 104.016 million.

Audit observed that component of bridges were excluded through variation order No.1 and culverts were abnormally increased from Rs 230.943 million to Rs 515.829 million. In this way abnormal variation/excess upto 123.79% was made by addition of seven box culverts without any re-rating. The addition and deletion of such items was material/design deviation without approval of competent forum i.e. ECNEC through revised PC-I.

Audit pointed out the un-authorized execution through variation order in October 2017. Authority replied that box culverts were added by deleting two bridges as per site requirements as design and survey carried out before award of work was defective.

The reply was not acceptable, as it was a post tender change over and above the provision of approved PC-I for which approval of ECNEC through revised PC-I was not obtained.

The matter was discussed in DAC meeting held in November 2017 and January 2018. NHA explained that contract for Construction of road from Thalian on M-2 to New Islamabad International Airport, including Periphery Road was awarded to M/s Habib Construction Services (HCS) at a cost of Rs 1,918 million. The revised cost of project was Rs 2,053 million (which is 7% of contract cost) duly approved by the competent authority. No material deviations were made at project. Audit contended that substantial variation in scope was made which requires regularization by the same forum which approved the original PC-I. DAC directed to get the variation regularized by ECNEC if substantial variation is involved as contended by Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends investigation and appropriate corrective action.
(DP. 170,345)

4.4.16 Excess expenditure due to deviation from approved scope of work resulted in utilization of saving - Rs 240.882 million

Para 56 (Chapter-2) 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.

As per Government of Pakistan instructions/rules, the authority granted by a sanction to an estimate must on all occasions be looked upon as strictly limited by the precise objects for which the estimate was intended to provide. Accordingly, any anticipated or actual savings on a sanctioned estimate for a definite project should not, without special authority, be applied to carry out additional work not contemplated in the original project or fairly contingent on its actual execution.

Audit noted that NHA awarded three periodic maintenance works in different regions (i.e. Punjab North, Punjab South and Northern Areas) to the contractors below the Engineer’s Estimates. The estimates were on higher side and contractors quoted 15% – 20% below the estimates which resulted in saving against the approved estimated costs.

Audit observed that during execution of works quantities of some items were increased/decreased exorbitantly from 15% and above, moreover, some non-BOQ items were also executed by approving the Variation Orders from the Member due to which the cost of work was increased. Audit was of the view that the excessive work was executed just to utilize the available funds/saving.

(Rs in million)

Name of Work	Estimated Cost	Agreement Cost	Saving	Use of Saving Through Variation Order
PM-2014-15-NA-01	642.474	543.790	98.684	81.293
PM-2014-15-PN-01	349.948	279.959	69.989	69.989
PM-2014-15-PS-06	468.716	379.116	89.600	89.600
Total				240.882

Audit was of the view that excess expenditure was due to weak internal controls.

Audit pointed out the excess expenditure in July 2017. The Authority replied that changes/variations were made as per site requirement. The reply was not tenable because the excessive work was executed just to utilize the savings.

The matter was discussed in the DAC meeting held in November 2017 and December 2017, wherein, NHA explained that changes/variations were proposed by the consultant as per site requirement to facilitate the road commuters with the approval of competent authority. DAC directed NHA to obtain approval of variation from Executive Board and get the process verified from Audit.

In other case NHA explained that during the currency of the contract PM-2014-15-PN-01 from KM-1525+000 – 1552+000 (SBC) on N-5 the Member (Central Zone) accorded the approval of VO No. 1 with cost effect 14.53% due inclusion of item 205-b (open graded asphaltic CRL) for the implementation of methodology to retard the establishment of cracks. Member concerned was competent in accordance with Chapter-III, Table-III-13 of NHA Code. Further, in second case contract reach of PM contract was from KM 814+000 to KM 837+000 SBC (N-5). Initially, the work was executed from KM 817+460 to KM 837+000 SBC (N-5) within the BOQ amount. However, the road portion from KM 814 to 817+460 (3.217 KMs) SBC, which was part of the contract reach was not covered although it was in poor condition but the BOQ quantities were already consumed. Hence, that road section was addressed with 14.80% enhancement in the contract cost of said contract. As far as the matter of approval was concerned it was appraised that as per NHA Code 2005 Chapter No.3, Table, HI, 13, Member (Central Zone) /construction was competent for approval of variation order upto 15% above the original contract cost. DAC directed NHA to get the record verified from Audit.

The para relating to Punjab-South was also discussed in DAC meeting held in January 2018. DAC directed NHA to provide detailed justification.

As a general direction, DAC also constituted a Committee under the chairmanship of Additional Secretary, Ministry of Communications to examine the increasing trend of variation orders in execution of works and financial of powers of Members to approve the variation.

Compliance to DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directive besides action against the responsible(s) for utilization of savings.

(DP. 15, 179)

4.4.17 Irregular transfer of work from N-70 to N-50 - Rs 198.156 million

According to para 101 of NHA Code, 2005 (Volume-I) when it is found that a variation / change or order or amendment is necessitated owing to a defect in design, estimates or drawing etc., the engineer concerned/consultant who prepared the design, estimates or the drawing shall be called upon to explain reasons for preparation of a defective design. Issuance of variation orders in such a situation shall require reasons to be recorded clearly in writing. Necessary procedure specifying the action to be taken in different cases of this nature shall be issued by the Member/Director General (Admn) in consultation with Member (Planning)/Member (Operations) / (Construction). 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 the General Manager (Maintenance) Balochistan, NHA, Quetta, awarded the work "Periodic Maintenance (Rehabilitation) between Km 181+000 - 212+000 on (N-70) to M/s Paragon Construction Company on 18th June, 2014 for Rs 216.794 million against Engineer's Estimate of Rs 241.150 million having completion period of 180 days.

Audit observed that after award of work for Rehabilitation at N-70, the work was shifted to N-50 (Km 90-97) and was got executed from the same contractor for Rs 134.940 million upto 5th running bill against revised cost of Rs 198.156 million irregularly.

Audit pointed out irregular transfer of work in October 2017. The Authority replied that the original contract was awarded on N-70 for Rs 216.794 million. The contract section falls in the newly constructed project of M/s FWO that had not mobilized for rectification of defects. Therefore, the periodic maintenance contract was proposed in the said reach. Later, upon re-mobilization of FWO, and due to sheer need of improvement and demand of local administration and tenants of the area, NHA proposed shifting of this work from N-70 to N-50 which was got approved from the competent authority and executed as per site requirements.

The reply was not acceptable as the change in given scope of work from N-70 to N-50 was against the codal requirement and execution at new place with new work plan without open competitive bidding. Furthermore the contract completion period was 180 days wherein the escalation clause was not provided for. The price of major input material i.e. bitumen during the period of award was on higher side i.e. Rs 80,890 (May 2014) and rates were reduced upto Rs 57,820 during execution at changed location which provided undue benefit to the contractor due to non-inclusion of price variation clause.

The matter was discussed in DAC meeting held in January 2018. DAC directed NHA to submit revised reply giving justification to Audit.

Compliance to DAC's directive was not made till the finalization of this report.

Audit recommends investigation and appropriate corrective action.
(DP. 302)

4.4.18 Loss due to non-taking over the possession of toll plazas from defaulters - Rs 156.267 million and non-encashment of performance bonds of defaulting operators - Rs 39.597 million

Clause 8.3 of Article-VIII of the contract provides that as security for monthly toll revenue deposit, the OMC shall furnish to NHA within a period of fourteen (14) days after the receipt of letter of acceptance, a cash security in the shape of pay order or demand draft or in the shape of bank guarantee in an amount equivalent to net guaranteed revenue offered by the OMC for one month in the name of RMA, NHA against any loss resulting from OMC's failure to fulfill the requirements of providing precise and prompt revenue deposits. Further condition (c) of letter of acceptance provides that, performance security should be provided i.e. 2.5% of the net guaranteed revenue for the whole contract period in form of cash/pay order/demand draft in favour of "Road Maintenance Account", National Highway Authority, Islamabad or Bank Guarantee as per format enclosed in the RFP.

Para 12(a) and (b) of NHA Code Volume-I chapter 11 provides that, "careful studies shall be conducted by the concerned wing of the Authority with regard to the useful life of the road/bridge, the number of different types of vehicles expected to use the road/bridge during the said life and the rates to be charged from different types of vehicles. In the event of an emergency arising from the premature termination of contract or due to suspension of the toll collection by the contractor for reasons beyond his control, the General Manager (Region) after seeking approval of the Chairman, NHA, shall collect the toll revenues departmentally till award of a fresh contract.

As per bidding documents clause 16.1, toll revenue security shall be submitted within 14 days after the receipt of letter of acceptance. Further, clause 13 of ibid provides that toll revenue security shall be in the form of cash/pay order/ D.D in favour of RMA account NHA, Islamabad and its validity until 84 days after the expiry of the contract.

4.4.18.1 Audit noted that General Manager (Revenue), NHA awarded seven (7) contracts to the toll operators for collecting toll at various sections of national highways i.e. Havelian, Balakot, Mansehra, Khanozai, Pabbi, Chakdara and Kashmore-Ubaro during financial year 2015-16 with net guaranteed annual revenue.

Audit observed during review of computerized annual revenue receipt statement prepared by the Revenue Section (Finance Wing) that contractors had not paid monthly installments and defaulted. Audit further observed that NHA neither forfeited/enchased bank guarantees and performance securities nor terminated their contracts and went for re-bidding within that financial year. The NHA also did not try to run toll plaza during financial year 2015-16 on interim basis to avoid financial losses. This resulted into non-forfeiture of bank guarantees and non-encashment of performance bonds for Rs 39.597 million.

Audit was of the view that weak internal and financial controls resulted in mismanagement of toll plazas.

Audit pointed out non-recovery in April 2017 but the Authority did not reply.

(DP. 117)

4.4.18.2 Audit noted that G.M (Revenue) awarded three contracts in Khyber Pakhtunkhwa to the toll operators for collecting toll in financial year 2015-16 with net guaranteed annual revenue.

Audit observed during review of computerized annual revenue receipt statement and toll revenue security deposit prepared by Revenue Section (Finance Wing) that these contractors had not paid monthly installments and defaulted. Further, these contractors also did not pay toll

revenue security in shape of bank guarantee or pay order as per statement produced by Revenue Section but only paid 2.5% performance security.

Audit further observed that after their default instead of forfeiture of toll revenue security and one month advance installment along with performance security, the Authority issued sanction memo to adjust these amounts to shortfall of ETTM toll plaza.

Audit was of the view that as per above mentioned provision of NHA code if an emergency arising from the premature termination of contract or due to suspension of the toll collection by the contractor for reasons beyond his control the General Manager (Region) after seeking approval of the Chairman, NHA, shall collect the toll revenues departmentally till award of a fresh contract. This resulted into loss due to not taking over the possession of toll plazas after default of operators for Rs 156.267 million and unjustified issuance of commencement order for Rs 208.367 million.

Audit pointed out loss in April 2017, but the Authority did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA explained that operators constructed the temporary toll plazas but due to public resistance and non-development of toll culture, locals of the vicinity destroyed the toll plaza. NHA in this regard requested the Secretary, Khyber Pakhtunkhwa and Northern Areas to cooperate in establishing NHA writ but no response was received from district administration. Resultantly, no toll collection could be deposited. Therefore, contracts of these toll plazas were terminated by Chairman NHA along with release of securities deposited with NHA. DAC decided to refer the para to PAC for deliberation/decision.

Audit recommends that NHA should adopt measures for exploitation of opportunities of revenue.

(DP. 119)

4.4.19 Payment without approval from competent authority and overpayment due to allowing enhanced rate - Rs 39.370 million

As per Para 105 of Chapter 3 of NHA Code, 2005, no re-rating of contracts/enhancement of contract rate shall be made without the prior approval in principal of the NHA Executive Board. When such a course of action is considered absolutely necessary, the same shall be restored to only on a formal request from the contractor with full justification for the proposed enhancement in the contract rate(s), and shall be worked out strictly in accordance with the terms of contract agreement in consultation with the contractor, consultant and the General Manger Concerned. Para 106 of Code states that the agreed working, showing the financial effect of re-rating shall be submitted by the concerned General Manager to the re-rating committee constituted at NHA Head Office. This Committee shall carefully scrutinize the details of re-rating proposal and submit its recommendations to the Chairman NHA through Member (Finance). Chairman, NHA shall then put up the proposal to the Executive Board for approval.

4.4.19.1 Audit noted that NHA paid an item of work “Rip Rap Class-C” for quantity 50,183 Cu.m against BOQ quantity of 37,479 Cu.m. Audit further noted that the rate of excess quantity was re-fixed by the Authority under clause 52.1 of the agreement i.e. Rs 2,426.11 per Cu.m.

Audit observed that the Authority allowed enhanced rate for excess quantity of 12,704 Cu.m and paid @ Rs 2,426.11 per Cu.m involving Rs 30.821 million without approval from the NHA Executive Board. Audit further observed the Authority allowed excess rate for quantity 12,704 Cu.m (50,183-37,479) executed beyond BOQ provision instead of quantity 1,460.3 Cu.m starting from 130% to onward of BOQ. Hence, allowing of enhanced rate without approval resulted in irregular payment of Rs 30.82 million and overpayment of Rs 27.278 million.

Audit pointed out the overpayment in September 2017. The Authority replied that the contract clause did not define the quantity at which this revised rate was to be applicable. There were also some

contracts where it was clearly mentioned that revised rates would be applicable on more than 130% or 140% of quantity and in that case those contracts were followed. Each contract was unique in its nature and have to be followed as prepared/signed. The reply was not tenable because as per contract agreement 100+30 was effective contract price, the revised rate duly approved would be applicable on the quantity increasing/decreasing that limit because revised rate of the item was allowed for quantity executed from 130 to onward e.g. if the quantity did not qualify the above criteria i.e. executed upto 129 than old rate was applicable under contract provisions. Clause 52 of the contract agreement clearly elaborated the criteria for revision of rate.

The matter could not be discussed in the DAC meeting despite best efforts by Audit.

Audit recommends recovery from the contractor.

(DP. 377)

4.4.19.2 Audit noted that in BOQ item “Formation of embankment from borrow excavation in common material” of work “Sultan Bahoo Bridge over River Chenab” was provided with the quantity of 397,832 Cu.m which was enhanced to 658,125 Cu.m. Audit further noted that the Authority revised the rate to Rs 446.65 from Rs 340 per Cu.m against excess quantity.

Audit observed that the Authority allowed enhanced rate for excess quantity of 260,293 Cu.m and paid @ Rs 424.317 per Cu.m involving Rs 110.446 million without approval from the NHA Executive Board. Audit further observed the Authority allowed excess rate for a quantity of 260,293 Cu.m executed beyond BOQ provision instead of quantity of 140,943.4 Cu.m starting from 130% to onward of BOQ. Hence, allowing of enhanced rate without approval resulted in irregular payment of Rs 12.092 million.

Audit pointed out the overpayment in September 2017. The Authority replied that the contract clause did not define the quantity at

which this revised rate was to be applicable. There were also some contracts where it was clearly mentioned that revised rates would be applicable on more than 130% or 140% of quantity and in that case those contracts are followed. Each contract was unique in its nature and have to be followed as prepared/signed. The reply was not tenable because as per contract agreement 100+30 is effective contract price, the revised rate duly approved would be applicable on the quantity increasing/decreasing that limit because revised rate of the item was allowed for a quantity executed from 130 to onward e.g. if the quantity did not qualify the above criteria i.e. executed upto 129 than old rate was applicable under contract provisions. Clause 52 of the contract agreement clearly elaborated the criteria for revision of rate.

The matter could not be discussed in the DAC meeting despite best efforts by Audit.

Audit recommends recovery from the contractors.

(DP. 379)

4.4.20 Mis-procurement of Rs 19.064 million and irregular payment - Rs 5.338 million

As per rule 12(2) of Public Procurement Rules 2004, 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 expenses for legal and professional fee for the financial year 2015-16 comes to Rs 137.864 million whereas in the previous year 2014-15 the expenses for the same head of account were Rs 91.291 million. The increase was 51% as compared to the previous financial year.

Audit observed through further probe into the matter that the services of individual consultant were hired as Senior Procurement and Contract Specialist for two years with the contract cost of Rs 19.064 million without adopting tender procedures as required under the rules. An amount of Rs 5.338 million was paid to the consultant during 2015-16. This resulted into mis-procurement of Rs 19.064 million and irregular payment of Rs 5.338 million.

Audit was of the view that irregularity occurred due to weak internal and financial controls.

Audit pointed out irregularity in May 2017. The Authority replied that as per Section 13 of NHA Act, the Authority may from time to time employ such officers, staff, experts or consultants as it may consider necessary for the performance of its functions on such terms and conditions as it may deem fit and as such for employment of officers and staff, Member concerned in consultation with the Admin Wing with the approval of Chairman NHA is empowered. For experts and consultants, Member concerned with the approval of Chairman NHA is empowered. It may be understood that NHA Act empowers the NHA to make such measures and exercise such powers as it considers necessary or expedient for carrying out the purpose of this Act on such terms and conditions as it may deem fit. Moreover, engagement of an expert or specialist was not a public procurement and was purely at the discretion of the Authority for better management of its affairs. We never tender Doctors, Lawyers and such specialists. They are engaged with reference to the assignments in hand. The reply was not tenable because PPRA rules are meant for works and services, therefore, hiring of such consultancy services were subject to the tender process.

The matter was discussed in DAC meeting held in January 2018. Audit contended that extension of contract was irregular and charge of consultancy expenditure to RMA was not a valid charge. DAC directed NHA to stop payment of consultancy charges from RMA funds and appropriate source of funding be determined and also directed NHA to

provide detailed justification for extension in the appointment of the consultant.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends that matter be investigated and responsibility be fixed against persons at fault.

(DP. 148)

Performance

4.4.21 Non-mutation of land in the name of NHA - Rs 37,415.00 million

Rule-20 of Chapter-7 of NHA Code (Vol-I) provides that the Land Management Wing shall be responsible for carrying out the mutation of the acquired land in the name of the Authority.

Audit noted during examination of Draft Financial Statements of NHA for the year ended on 30th June, 2016 that an amount of Rs 37.415 billion was transferred for land acquisition but mutation of the land had not been actualized. This resulted in non-mutation of land in the name of NHA valuing Rs 37.415 billion.

Audit was of the view that non-transfer/mutation of the acquired land occurred due to non-pursuance of the matter by NHA Land Management Wing and lack of administrative, financial and internal controls.

Audit pointed out the issue in May 2017. The Authority replied that total land measuring 512,111 (Kanals) 07 Marlas had been acquired on different projects of NHA and 428,848 Kanals-02 Marlas had been mutated in the name of NHA which comes to 83.74%. Mutation of remaining land was under process. The reply was not tenable because still a considerable land had not been mutated in the name of Authority.

The matter was discussed in the DAC meeting held in November 2017, wherein, the DAC directed NHA to pursue mutation of land along with reconciliation of final account with LAC/Treasury. The matter was also discussed in DAC meeting held in January 2018, wherein NHA explained that total land measuring 512,111 kanals - 07 marlas had been acquired on different projects of NHA and 428,848 kanals-02 marlas had been mutated in the name of NHA which comes to 83.74%. Mutation of remaining land is under process. With reference to land of M-1, entry has been made in mutation and data collection for the year 2016-17 is scheduled and would be compiled on 31st January, 2018. DAC directed NHA to complete the mutation process and get it verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive to safeguard the Authority's assets.

(DP. 139,171)

Internal Control Weaknesses

4.4.22 Irregular/unauthorized investment of surplus funds in Zarai Taraqati Bank - Rs 9,700.00 million

As per Para-6 of Office Memorandum No.F.4(1)/2002-BR-II dated 02nd July, 2003 issued by Budget Wing, Finance Division, Government of Pakistan, before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the approval authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. The IC should be assisted by an Investment Management Unit employing qualified staff with at least 3-5 years of experience of managing investment in debt/equity instruments. However, it will be necessary for public sector

enterprises to use the services of professional fund managers approved by SECP.

Audit noted that NHA entered into a concession agreement with M/s Motorway Operations Rehabilitation & Engineering (Private) Limited (MORE), a company created and owned by FWO, for the Overlay and Modernization of M-2 Motorway Project under Build, Operate, Transfer (BOT) regime. As per terms and conditions of the concession agreement, NHA had received Rs 9.5 billion from the concessionaire as upfront payment upon successful achievement of Financial Close. The NHA Board in its 234th Executive Board Meeting decided to form a Road Development/Contingent Liability Fund from the earnings of M-2 Project. Accordingly, an account under the nomenclature of “National Highway Authority Road Development/Contingent Liability Fund M-2 Account” was opened with HBL on a daily product basis.

Audit observed that the Member Finance alone decided to invest the funds in term deposit on 02nd October, 2015. The following tasks were performed on 05th October, 2015 (in one day).

- The Investment Committee was constituted.
- Request to offer rates was demanded from six banks.
- Offer profit rates were obtained from five banks.
- The Investment Committee recommended to invest Rs 9.700 billion in ZTBL on the basis of competitive rates.
- The Member Finance approved the recommendation of IC.
- Liability Marketing Division of ZBTL Islamabad issued letter of thanks for willingness to deposit Rs 9,953.400 million with ZTBL @ 7% per annum for a period of one year with maturity date of 13th October, 2016.

Audit further observed that after maturity of period the amount of Rs 10.578 billion was rolled over for further period of one year @ 7.10% per annum in the same bank without obtaining rates from other banks.

This resulted in irregular investment of Rs 9.700 billion for the year 2015-16 and Rs 10.578 billion for the next year in ZTBL.

It is pertinent to mention that Authority is paying high rate of markup up to 18% per annum on long term loans. Further a total loan of US\$ 624.106 million from Daewoo Corporation for the construction and design of Lahore-Islamabad Motorway Project was rescheduled in February 1996 and then in July 2003 and was repayable in semi-annual installments from July 2003 to August 2008. Interest was payable at six months' LIBOR for US Dollar's Deposit plus a margin of 1% per annum fixed, two banking days prior to the beginning of relevant interest period i.e. 1st March and 1st September each year, as published in Financial Times. Subsequently, the loan has been taken over by the GoP under re-arrangement agreement between GoP and Daewoo Corporation. Now the loan is payable by NHA to the GoP on the same terms and conditions as were initially agreed between NHA and Daewoo Corporation.

Audit was of the view that irregularity occurred due to un-prudent discussion of the management of NHA and weak internal and financial controls.

Audit pointed out irregularity in May 2017. The Authority replied that after having followed a competitive process funds were placed with ZTBL (AAA rated) @ 7.0 % p.a for a two year term period with the approval of Chairman NHA on the advice of Member (Finance) duly endorsed and appreciated by the NHA Executive Board in its 255th meeting held on 19th October 2015. On the expiry of one year term period the funds were rolled over for further one year at even higher rate of 7.10% per annum as oppose to declining market rates. The reply was not tenable because the roll-over was made without obtaining the rates from other banks due to which no competitive environment was observed in the investment.

The matter was discussed in DAC meeting held in January 2018. NHA explained that matter regarding conversion of CDL into grant and equity is under active consideration. It is CDL was an arbitrary decision of the government and there was no payback of the projects to retire such

loan. Revenue earned from toll, etc. is dedicated for maintenance activities. As far as investment is concerned, NHA is in process of framing an investment policy and currently NHA follows investment policy of the federal government. In the instant case, AAA rated banks were requested to offer profit rate on investment. Audit contended that it was not a wise decision as interest payable by NHA on CDL was on higher side as compared to return on the investment. The Chair was of the view that there may be some business model behind the decision of government regarding release of funds to NHA as CDL. Further, revenue were to be tied up with NHA liabilities.

DAC directed NHA to provide elaborative reply to the following questions:

- i. What are the year-wise details of CDL, principal along with interest accrued thereon?
- ii. What is business plan of NHA to retire the entire amount of CDL?
- iii. What business model was presented in case of M-2, with current status of loan?
- iv. What are the valid charges to revenue account of NHA?
- v. What would be the impact of conversion of CDL into equity?

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends corrective measures.

(DP. 141)

4.4.23 Mismanagement of NHA resulting into accumulated toll income receivable - Rs 7,968.409 million

As per contract clause 3.8(ii), if the fixed guaranteed revenue is not deposited in NHA designated account by the next working day the

following penalty mechanism shall become applicable and effective automatically:

S. No.	Installment Amount (Net)	Amount of Penalty
01	Up to 0.50 million	Rs 10,000 per day
02	Rs 0.51 million to Rs 10.00 million	Rs 20,000 per day
03	Rs 10.01 million to Rs 15.00 million	Rs 30,000 per day
04	Rs 20.01 million to Rs 30.00 million	Rs 40,000 per day
05	Rs 30.01 million to Rs 40.00 million	Rs 60,000 per day
06	Rs 40.01 million & above	Rs 70,000 per day

After the 8th day of delay, contract shall become liable to be terminated under default of OMC without serving any notice and entertaining claim whatsoever.

Clause 14.3 instruction to bidder provides that all the operators who are not depositing there due installment regularly to NHA shall not be allowed to participate in bidding process.

Further, as per pre-bid meeting held on 26th June, 2015 with prequalified bidders it was decided at agenda item No. 13 that bids of OMC / bidders with shortfall and / or under default will not be accepted.

As per agenda Item No.8 of 251st Board's meeting held on 07th July 2015, nine toll plazas pertaining to Balochistan were to be awarded with relaxed criteria for pre-qualification.

4.4.23.1 Audit noted that neither penalties were imposed annually on contractors for late submission of monthly guaranteed revenue nor they were marked as defaulter and stopped from participation in bidding process on time. Mismanagement results in leakages of revenue.

Audit observed that every year approximately Rs 1,000.000 million (10% of total annual toll revenue) is going in account receivable and up to close of fiscal year 2015-16 the amount reached to Rs 7,962.556

million. The Authority neither terminated contracts on due time after 8th day of shortfall as per above mentioned rules nor taken timely measures to re-award toll plazas promptly. This mismanagement of NHA resulted in an accumulation of toll income receivable of Rs 7,962.555 million.

Audit was of the view that mismanagement was due to negligence, weak internal and financial controls.

Audit pointed out the issue in April 2017. The Authority did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA explained that penalty had been imposed in some cases. The DAC directed NHA that efforts made for recovery and outcome may be shared with Audit.

Compliance to DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directive besides action against the defaulters for non-payment of Authority's dues.

(DP. 121)

4.4.23.2 Audit noted that National Highway Authority awarded eight (08) contracts to the toll operators in Balochistan for collecting toll in financial year 2015-16 with net guaranteed annual revenue approximately after 7 months of decision of 251st Board's meeting held on 07th July, 2015.

Audit observed that normal tendering process took maximum 3 months. During this period the Authority did not bother to run these toll plazas through regional General Managers. This resulted into loss for Rs 34.652 million. Audit further observed during review of computerized annual revenue receipt statement prepared by Revenue Section (Finance Wing) that 05 out of 09 contractors had not paid monthly installments and defaulted. NHA neither forfeited/enchased bank guarantees and performance securities nor terminated their contracts and went for re-

bidding within that financial year. This resulted into non-forfeiture of bank guarantees and non-encashment of performance bonds for Rs 5.854 million.

Audit was of the view that non-forfeiture/non-encashment of performance bond was due to negligence, weak internal and financial controls.

Audit pointed out loss in April 2017, but the Authority did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA explained that to establish tolling culture and NHA writ in Balochistan procurement was done under special procedure and on reduced toll rates. Toll operators had to construct temporary toll plaza on the locations but due to local politicians and public resistance and due to non-development of tolling culture, locals of the vicinity destroyed the toll plaza. NHA in this regard requested Secretary, Balochistan to cooperate in establishing NHA writ but no response was received from district administration. Resultantly, no toll collection could be deposited and contracts of these toll plazas were terminated by Chairman NHA. DAC decided to refer the matter to PAC for deliberations/decision.

Audit recommends that appropriate measures be taken to exploit opportunities of revenue.

(DP. 123)

4.4.24 Abnormal defective engineer's estimation due to high estimation of rates in CSR 2014 - Rs 5,104.01 million

As per para 56, chapter-2 of NHA Code-2005, 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 which is concerned with actual design and execution of the work and accounts for all expenditures, ensures that:

- (i) Design and specifications engineering/practice share in accordance with sound.
- (ii) The materials for the execution of the work are in strict accordance with the plans and specifications.
- (iii) In assessment of the project cost, utmost economy has been observed consistent with good workmanship and good materials.
- (iv) The estimate represents carefully budgeted cost of execution of the work including all accessory and consequential services calculated as accurately as is possible at the time of its preparation.

Audit noted that NHA awarded twenty-two (22) periodic maintenance works having estimated cost of more than Rs 50 million during financial year 2015-16. Three hundred forty (340) bidders participated in the bidding process and offered their bids and all the bidders quoted their bids below the Engineer's estimation upto 41.28% below than engineer's estimate.

Audit observed that the engineer's estimate was on higher side and needed to be investigated to ascertain the reason(s) for abnormal estimation. The bidders submitted their bids after site visit and quoted their rates much more below the engineer's estimates which clearly indicate that engineer's estimates were not structurally sound and not accurately calculated. This resulted into abnormal defective engineer's estimation of Rs 5,104.01 million due to high estimation of rates in CSR 2014.

Audit pointed out the abnormal defective Engineer's estimates in July 2017. The Authority replied that low rates were due to general bidding trend coupled with healthy and competitive bidding in the department. As regards the apprehension of quality compromise, the matter was put up to the highest forum i.e. NHA Executive Board who approved with following future precautions:

- a) The concerned Member shall visit the project himself to ensure the quality control
- b) No variation order shall be permitted without approval of NHA executive board.

The reply was not acceptable because abnormal variation due to estimation on higher side which needs all accessory and consequential services calculated as accurately as is possible at the time of its preparation.

The matter was discussed in the DAC meeting held in December 2017, wherein, DAC directed NHA that:

- i. A framework be devised to link the market fluctuations with CSR for proper estimation of cost and evaluation of works.
- ii. NHA should inquire and submit report on justification and the Executive Board may examine the issue.
- iii. Frequency of revision of CSR be rationalized for proper estimation.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive, as well as revision in CSR as per prevailing market trends.

(DP. 124)

4.4.25 Violation of contract provision due to non-hiring of design and supervisory consultants by the contractor - Rs 4,616.210 million

As per clause 3.6(e) of particular conditions of contract, the contractor shall institute a quality assurance system including hiring of a supervisory consultant to demonstrate compliance with the requirements

of the Contract. The employer shall be entitled to Audit any aspect of the supervision contract. The contractor shall forward copy of all correspondence in English language to the AER and shall allow him to visit and monitor the works execution, quality management and supervision tests.

As per clause 5.1 the cost of detailed design and supervisory services is included in the bid cost. Design services and Supervisory Services are the responsibility of the Contractor in EPC contract of Construction of Havelian-Thakot Section of CPEC.

Audit noted that in the said contract, the analysis of rates/breakup of cost submitted by the contractor with the bid included following on the cost of labour, material and machinery charges:-

- i) 3.5% for the design services and internal supervisory services.
- ii) 0.5% for the safety facilities of the contractor.
- iii) 10% for contractor's profit and overheads.
- iv) 7.5% Other Amortization

Audit observed that total cost against supervisory services in the contract was Rs 4,616,210,690 (Rs 131,891,734,000*3.5/100) but the contractor had not hired any third party consultant for design and supervisory services. The cost of supervisory services included in the contractor rates has not been recovered due to non-compliance to contract provision by the contractor. Quality assurance process of execution of works by third party consultants has also been compromised.

Audit pointed out the issue in September 2017. The Authority replied that as per requirement, a professional/experienced consultant group had been hired and deployed in this project for the supervisory service, the quality assurance process of execution of works had been strictly performed and proved to be successful and valid.

The reply was not accepted because the document enclosed with the reply was a construction supervision programme to be established

within the organization of the contractor. This was not a third party/ independent consultancy agreement which could prove that the contractor had hired consultants for the construction supervision.

The matter was discussed in the DAC meeting held in December 2017, wherein, Audit contended that hiring of supervisory consultant by the contractor was contractual obligation which was not fulfilled. DAC directed NHA to ensure compliance to the contract provisions and obtain a certificate from RE to the effect that satisfactory mechanism of design and supervision is in place.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides investigation in the matter as to why the design/supervisory consultant was not hired by the contractor.

(DP. 265)

4.4.26 Non-recovery due to non-provision of evidence for payments of financial charges/premium against bank guarantees/ insurance - Rs 3.986 billion

As per agreement the contractor was required to place all insurances as per contract clauses 18.1, 18.1(a), 18.2, 18.3, and 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 Defect Liability Period. The contractor shall within 42 days of commencement of work submit to the other party (NHA) evidence that the insurance described in this clause has been effected.

As per Bill No.7-B of the contract agreement, following financial charges were included in bid price of the contractor:-

Description of Item	Total	Unit	Unit Rate	Amount (Rs)
Insurance Security				
(1) Havelian - Abbottabad Section	1	L.S	925,315,826	925,315,826
(2) Abbottabad - Mansehra Section	1	L.S	257,689,610	257,689,610
(3) Mansehra - Thakot Section	1	L.S	851,779,085	851,779,085
Bank Guarantee for Performance Security, Advance payment				
(1) Havelian - Abbottabad Section	1	L.S	887,364,622	887,364,622
(2) Abbottabad - Mansehra Section	1	L.S	247,129,153	247,129,153
(3) Mansehra - Thakot Section	1	L.S	816,847,468	816,847,468
			Total	3,986,125,763

Audit noted that NHA awarded the work construction of KKH – Phase-II (Havelian-Thakot 118 Km) to M/s China Communication Construction Company Ltd at an agreed cost of Rs 133.980 billion with time for completion as 1278 days. The commencement orders were issued on 1st September, 2016.

Audit noted that the contractor included financial charges for Rs 3.986 billion in his bid against performance, insurance and mobilization guarantees.

Audit observed that the contractor could not provide evidence of payments/financial charges/premium paid against above guarantees and insurances. Audit further observed that in these guarantees and policies the insurance premium amount was left with vague comment i.e. *“As Agreed”*.

The contractor submitted insurance cover for Rs 131.106 Billion form EFU General Insurance Company as co-insurance from EFU Group. The premium cost was not clearly mentioned in the insurance policies taken for all the three (03) sections of the work but replaced with vague word *“As agreed”*.

Audit was of the view that when proper premium amount was not mentioned then in such situation the handsome amount included in bid price for this purpose should be recovered from the contractor but that was

not done by the Authority. This resulted in non-provision of evidence for payments of financial charges/premium against bank guarantees/insurance amounting to Rs 3.986 billion.

Audit was of the view that irregularity occurred due to weak oversight mechanism for exercising internal financial controls.

Audit pointed out the issue in September 2017. The Authority replied that confirmation of the insurance company against payment of premium to them was obtained. As a requirement of the contract all, items of Insurance and Security are in accordance with the laid down requirements of the contract agreement.

The reply was not accepted because the contractor included the cost of financial charges for Rs 3.986 billion in his bid against performance, insurance and mobilization guarantees. Audit observed that the contractor did not provide evidence against expenditure on provision of such insurances and guarantees.

The matter was discussed in the DAC meeting held in December 2017, wherein, DAC directed NHA to make effort to obtain detail of cost actually borne by the contractor on effecting the insurance policies. Para was pended.

Outcome was not shared with Audit till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 262)

4.4.27 Loss on account of land acquisition and compound interest - Rs 2,958.00 million and non-finalization of inquiry

Rule-6 (f) of National Highway Authority, Efficiency & Discipline Rules 1995 provides that the inquiry officer or the Committee, as the case may be, shall within ten days of the conclusion of the proceedings or such

longer period as may be allowed by the authorized officer, submit his or its findings and the grounds thereof to the authorized officer.

Audit noted that NHA constituted an inquiry committee headed by Mr. Murtaza Ali Khan Kandhari, GM (KLM) and Mr. Muhammad Ikram, Assistant Director (L&S) as member on 12th March, 2014 regarding inquiry against Rana Muhammad Tariq Ex-Deputy Director (L&S) that caused a loss of Rs 2,958.00 million due to excess payments on account of land acquisition.

Audit observed that said inquiry was forwarded to inquiry committee on 12th March, 2014 with the request to investigate the matter against the officer, fix responsibility and submit report within 15 days. Audit further observed that the head of inquiry committee was required to conclude the inquiry within two weeks after issuance of 12 reminders but finalization of inquiry report was not reported by the Authority. This resulted in non-finalization of inquiry against the officer who caused the loss of Rs 2.958 billion.

Audit was of the view that non-finalization of inquiry was due to improper pursuance, non-adherence to the Efficiency & Discipline Rules 1995 and ineffective implementation of administrative and internal controls.

Audit pointed out the matter in September and October 2015. The authority did not reply.

The matter was discussed in the DAC meeting held in January 2016, wherein the the Authority informed that the matter was already under inquiry by GM (PKM). DAC directed NHA to finalize the proceedings within 20 days.

Compliance to the DAC's directive was not made despite lapse of a period of two years.

Audit recommends that matter be investigated and responsibility be fixed against persons at fault.

(DP. 326/2015-16)

4.4.28 Unjustified hiring of consultant for monitoring resulted in extra expenditure of Rs 1,112.618 million and US\$ 3.849 million

As per Para 7(ii) of Govt. of Pakistan Finance Division letter No. F.3(10)Explicit/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.

As per Guidelines for Project Management approved by the Planning Commission of Pakistan, para 10.1-B (Foreign Aided Projects)-Consultant's Role, it has been noted that a high consultancy fee was paid on the consultancies even in those projects which were based on simple technology and did not require foreign consultants. At the time of negotiations with foreign donor and approval of the projects the need for such consultancy should be seriously appraised.

As per NHA Code Chapter-4, Para-6 All possible efforts shall be made by the Authority to impart necessary training to its own engineers/officers in the relevant fields whose expertise could be utilized in future and the engagement of consultants could be avoided as far as possible.

Audit noted that NHA awarded a contract for construction of Peshawar Karachi Motorway Section-II Multan-Sukkur section (392 KM) CPEC to M/s China State Construction Engineering Corporation Limited on Engineering Procurement Construction (EPC)/Turnkey basis for an agreement cost of Rs 294,352.00 million. Audit further noted that in the agreement of the contractor there was a provision of Design Vetting Consultant as well as a Quality Control Team which have to be hired by the contractor and the Authority have to pay Rs 2,085.986 million and Rs 1,042.993 million respectively.

Audit observed that besides the provisions of the said consultants the Authority appointed another consultant as Assistant to Employer's Representative (AER) with the agreement cost of Rs 1,112.618 million and US\$ 3.849 million. Audit was of the view that as the Authority had already committed a heavy expenditure against Design Vetting Consultant and Quality Control Team that were completely responsible for accuracy of design, execution of work and completion of project as the project was on Engineering Procurement and Construction (EPC)/Turnkey basis, hence hiring of another consultant as AER stands unjustified and resulted in an extra expenditure of Rs 1,112.618 million and US\$ 3.849 million.

Audit in of the view that extra expenditure was due to weak internal controls.

Audit pointed out the issue during August and September 2017. The Authority replied that the AER had three distinct roles i.e. design review, monitoring the in-house consultant and reporting. It had to be appreciated that the vetting consultant and in-house consultant were employees of the contractor, and an independent check was vital for the Employer's interests. The reply was not tenable because the Authority had already paid a huge amount on account of in-house consultants such as Quality Control Team and Design Vetting Consultant hired by the contractor, who had the total responsibility of the project. Moreover, a complete setup of NHA officers/officials was also established for the project. Hence, appointment of another consultant as Assistant the Employer was unjustified and resulted in extra burden on public exchequer.

The matter was discussed in the DAC meeting held in December 2017, wherein, Audit contended that the employer (NHA) was the executing agency which possessed engineering expertise. Hiring of monitoring consultant resulted in extra financial burden on the public exchequer. DAC inquired from NHA about international best practices and asked NHA to provide examples wherein Assistant to Employer was engaged by the Employer in EPC contracts. DAC further directed NHA to

justify that there was no overlapping of the responsibility of the contractor and Assistant to Employer and hiring of Assistant to Employer by the Employer to monitor the project activities.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 186)

4.4.29 Loss of revenue due to short receipt of toll collection than reserved prices - Rs 2,173.873 million

Para-12(b) Chapter-11 of NHA Code Vol-I provides that, "as a general rule, tolls shall be collected through an O&M contractor procured under PPRA/RMA Rules as a service contract or as a maximum guaranteed bid. In the event of an emergency arising from the premature termination of contract or due to suspension of the toll collection by the contractor for reasons beyond his control, the General Manager (Region) after seeking approval of the Chairman, NHA, shall collect the toll revenues departmentally till award of a fresh contract. General Manager concerned shall employ such establishment on work charge basis. Expenditure on pay and allowances of such establishment shall be a legitimate charge against toll revenues. Further Pre-qualification Notice was issued on 12th May, 2015 in daily Dawn News for operation, management and maintenance (OM&M) contracts of Toll Plazas (Manual) on National Highway Network for the Fiscal year starting from 1st July, 2015 and ending in 30th June, 2016.

Audit noted that NHA awarded 47 contracts for operation and management of toll plazas all over the Pakistan after pre-qualification of contractors. Audit further noted that Letters of Acceptance were issued in September 2015 for the back period starting from 1st July, 2015 and ending in June 2016 against reserved prices offered by the contractors and accepted by Bid Evaluation Committee.

Audit observed that majority of the contractors paid revenue at old rates from 1st July, 2015 to 30th September, 2015 as pre-qualification process was started late in May 2015 and whole process of awarding contracts took approximately 3 months. Audit further observed that issuance of acceptance letters from back dates period was totally unjustified and contractors did not pay the net guaranteed revenue of one year even in cases where sitting operators awarded the new contract as per rate offered in bidding process up to close of fiscal year 30th June mentioned in letter of acceptances. This resulted into shortage/deficient of revenue for Rs 2,173.873 million (Rs 8,502.779 million offered by contractors for period ending 30th June, 2016 minus actual revenue paid i.e. Rs 6,328.906 million).

Audit was of the view that due to mismanagement, delay in award of fresh contracts and non-deposit of annual guaranteed revenue, NHA sustained a loss of Rs 2,173.873 million.

Audit pointed out the loss in April 2017, but the Authority did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA explained that 87 bidding documents were reviewed for prequalification which took time. Moreover, due to holy month of Ramadhan and delay in Executive Board meeting process was delayed. Since extensive scrutiny was involved, extensions were granted to the existing operators. DAC directed NHA to streamline the system for timely initiation of the process. Moreover, provisions be made in agreement that if contract is extended, differential of revenue as per new rates achieved in fresh tendering would be paid by the contractor.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides action against the responsible(s) for loss.

(DP. 112)

4.4.30 Excess payment due to less execution of work - US\$ 25.213 million

As per clause 22 of the Supplementary Agreement No. 1 Improvement of KKH from Raikot to Khunjerab chainage 335 km (Km 471-km to 806 km) realignment of KKH at Barrier lake Attabad Hunza Gilgit Baltistan, “the major part of the contract price of additional work comprises of tunnels, bridges and retaining walls. After the completion of detailed design, if the length of tunnels, bridges, and volume of retaining/breast walls is reduced, the contract price of the additional work shall be accordingly adjusted. Further, as per Note-38a of General Manager, Gilgit Baltistan, the road portion has been constructed 21.8 kilometer instead of 24 and the payment may please be made for 21.8 km only.

Audit noted that NHA awarded a work “Re-alignment of KKH at Attabad Barrier Lake, Hunza” to M/s China Road & Bridge Corporation (CRBC) on 26th July, 2012 at an agreed cost of US\$ 275.00 million (EPC contract), which was to be completed upto 25th September, 2015 (Extended). Defect liability period was of 12-month ending upto 24th September, 2016 on completion of the project NHA had to release the performance security, 5% of the contract cost after fulfilling the codal formalities.

Audit observed that the General Manager, Gilgit Baltistan objected that the real portion of the agreed contract was constructed as 21.8 kilometer instead of 24 kilometers. But the Authority without keeping in view the above observation released performance security to the contractor. In this way, 2.2km (24km-21.8km) was less constructed and therefore, cost thereof should have not to be paid. This resulted in excess payment to the contractor amounting to 25.213 million US\$.

Audit pointed out the excess payment in July 2017. The Authority did not reply.

The matter was discussed in the DAC meeting held in November 2017, wherein, the DAC directed NHA to provide original and supplementary agreement to Audit for verification.

Compliance to the DAC's directive was not made till finalization of this report.

Audit recommends early compliance to the DAC's directive besides recovery on account of less execution of work.

(DP. 155)

4.4.31 Non-provision of construction performance bond by the concessionaire - Rs 1,831.75 million

Clause 13.3 (a) & (b) of concession agreement dated 23rd April, 2014 between National Highway Authority and Motorway Operations and Rehabilitation Engineering Company (Pvt) Ltd, provides that the concessionaire shall, on or before the works Commencement Date, submit to NHA a Construction Performance Bond with a face amount equal to five percent (5%) of the Construction Costs. The construction Performance Bond shall answer for, and guarantee the completion of, the Works in accordance with this Agreement. The Construction Performance Bond shall be valid for the whole duration of the Construction Phase. The Construction Performance Bond shall secure all the Concessionaire's obligations, liabilities, payment Construction Phase, including the integrity and quality of the concessionaire's and its Contractors.

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.

Audit observed that the National Highway Authority could not obtain Construction Performance Bond of an amount of Rs 1,831.75 million with a face amount equal to five percent (5%) of the Construction Costs. The work had been started but after lapse of 03 years, the

concessioner did not provide Construction Performance Bond to NHA. The work of overlay and modernization on M-2 claims to be completed by the Concessionaire since July, 2016 but neither joint inspection was carried out nor substantial completion certificate along with punch list indicating defects was issued to the Concessionaire. This resulted into non-provision of Construction Performance Bond for Rs 1,831.75 million.

Audit was of the view that non-provision of performance bond was due to weak internal controls.

Audit pointed out the issue in August 2017. The Authority replied that the concessionaire had already been requested for provision of performance bond guarantee. However, requisite response was still awaited from the concessionaire. The reply was not tenable as non-furnishing of construction performance bond by the concessionaire was violation of the concession agreement. The concessionaire saved inbuilt cost of the bond.

The matter was discussed in the DAC meeting held in December, 2017, wherein, the DAC directed NHA to obtain the required performance guarantee and get it verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides action against the responsible(s) for failure to obtain the Performance Bond timely.

(DP. 104)

4.4.32 Non-recovery due to non-rectification/repair of defective road work - Rs 1,631.519 million

National Highway Authority awarded the construction work of the project Widening and Strengthening N-70 Section-B (Khajuri-Bewata) to M/s NLC at an agreed revised cost of Rs 1,631.519 million with date of

commencement as 10th June, 2002 with completion period of 24 months up to 09th June, 2004.

Audit noted that the contractor substantially completed the road work in some sections but failed to handover the completed work after joint inspection. The contractor produced poor quality of work for Asphaltic wearing course and subsequent overlay, which failed soon after opening to the traffic.

Audit observed that a meeting of Chairman NHA with Director General, NLC was held regarding rectification and taking over of Khajuri-Bewata Road Section-B N-70 where following decisions were made: -

- All balance works, punch list items and rectification shall be completed within four months.
- Damaged overlay layer of 6 cm shall be replaced to the satisfaction of the Engineer. Deduction against the same shall be made by NHA from already released payments.
- Recovery against less thickness of Water Bound Macadam (WBM) Asphaltic Concrete Wearing Course (ACWC) and dressed stone masonry etc. will be subject to routine inspection upon rectification of works. Mobilization of M/s. NLC for rectification work with effect from 15th June, 2014 for whole reach of 68.33 Km. where defective work of water bound macadam, lesser thickness of Asphaltic Wearing Course and Rutting Work, Cracks in Asphaltic Concrete wearing course was agreed.

Inefficient monitoring & supervision during execution of work and loose technical control resulted in non-recovery of Rs 1,631.519 million on account of defective and below specification work.

Audit was of the view that the violation occurred due to inadequate oversight mechanism for exercise of relevant internal / technical controls.

Audit pointed out the issue in September, 2014 the Authority did not furnish reply.

The matter was discussed in DAC meeting held in November 2014 wherein the NHA explained that M/s NLC is now mobilized at site and the works of removal of defects were in progress. DAC directed NHA to get the defective works rectified and get the relevant record verified from Audit.

Compliance to the DAC's directive was not made despite lapse of more than three years.

Audit recommends early compliance to the DAC's directive regarding rectification of defects.

(DP 154&155/2014-15)

4.4.33 Unauthorized/Irregular payment of claims through Variation Orders - Rs 1,371.328 million

According to Para 101 of NHA Code (Volume-I) when it is found that a variation/change or order or amendment is necessitated owing to a defect in design, estimates or drawing etc., the engineer concerned/consultant who prepared the design, estimates or the drawing shall be called upon to explain reasons for preparation of a defective design. Issuance of variation orders in such a situation shall require reasons to be recorded clearly in writing. Necessary procedure specifying the action to be taken in different cases of this nature shall be issued by the Member/DG (Admin) in consultation with Member (Planning)/Member (Operations)/ (Construction) and Para 104 of NHA Code 2005 (Volume-I) issuance of all variation orders/amendments shall require financial concurrence before submission of the proposal to the Chairman NHA / Member (Ops) / (Const.) or GM (Region) / (Project) respectively for final approval.

Audit noted that National Highway Authority (Khuzdar-Shahdaskot Section-IV, Package-III) paid a sum of Rs 1,371.328 million on account of various claims through Variation Orders No. 1 to 3.

Audit observed that the payment of Variation Orders was made without fulfillment of codal formalities and reconciliation of Dispute Review Expert (DRE) and financial concurrence of Finance Wing, NHA. Hasty action was taken by the NHA management without getting rate analysis and explanation from the Design Consultant for frequent changes in design. Re-rating through post tender changes was also made without approval of Government of Pakistan, through controlling Ministry and offered and accepted rebate @ 17% was also not deducted on varied quantities. This resulted into irregular expenditure of Rs 1,371.328 million without proper scrutiny and analyzing rates of varied items.

Audit was of the view that unauthorized payment was due to weak internal controls.

Audit pointed out the issue in September 2014. The authority replied that all Variation Orders were approved by the competent authority as per delegation of powers.

The reply was not tenable as Variation orders 1-3 were approved for Rs 1,371.328 million without fulfillment of codal formalities i.e. consultation with Dispute Review Expert and concurrence of Finance Wing NHA. Rate analysis of all varied items were not got approved and produced to audit. In absence of approved rate analysis of varied items and re-rating of agreed item without approval of Finance Division, Government of Pakistan, expenditure was irregular and un-authorized.

The matter was discussed in the DAC meeting held in December 2014 wherein the DAC directed NHA to get the approved Variation Order verified from Audit.

Compliance to the DAC's directive was not made despite lapse of a period of three years.

Audit recommends early compliance to the DAC's directive.

(DP 322/2014-15)

4.4.34 Unauthorized payment of escalation due to change in Factor-C through Post bid change - Rs 1,338.369 million

Part-1 Para B-4 First Edition March, 2009 Source of Price Standard Procedure and Formula for Price Adjustment of PEC provides that the prices of elements subject to Price Adjustment shall be to the extent possible as given in the Statistical Bulletins published by Federal Bureau of Statistics (FBS), Statistical Division Government of Pakistan. Statutory notifications and official price from public sector organizations, where available, may be used at the option of the Employer. The source for prices of High Speed Diesel (HSD) shall be either Statistical Bulletins or Pakistan State Oil (PSO). However, for a particular adjustable element, the same source should be used throughout the currency of contract as also stipulated in the tender documents before issuing the tender documents. As per appendix-C to contract agreement source for specified material was local labour, cement, reinforcing steel, HSD and bitumen.

Audit noted during audit of Gawadar-Ratodero Road Project (Khuzdar Shahdadt Section-IV) that value to factor 'C' was changed after signing of contract agreement through post tender change. Change of factor C subsequently was undue financial support to the contractor, at the cost of the public exchequer.

Audit observed that Escalation as per Revised 'C' factor was allowed and paid for Rs 1,338.369 million, through post bid change without specific authorization from the Finance Division, Government of Pakistan. This resulted into unauthorized payment of price escalation of Rs 1,338.369 million.

Audit was of the view that violation occurred due to inadequate oversight mechanism for exercise of relevant internal controls.

Audit pointed out the issue in September 2014. The Authority replied that it was true that escalation was to be paid in accordance with basic formula provided in the contract and the basis of cost variations should be the monthly statistical bulletins. It was being done in this case also and same source was used to derive price variations as mentioned in Appendix-C.

The reply was not tenable because scope and design of work was changed and abnormally enhanced without revision of PC-I. As admitted in reply that variation in quantities was made for Rs 2,374.973 million. In earth work deviation was 344% above the approved PC-I. Liberal variation without revision of PC-I were un-authorized, may be got regularized from the competent forum i.e. Finance Division, Govt. of Pakistan.

The matter was discussed in the DAC meeting held in December 2014 wherein the NHA explained that Factor-C was approved by the Executive Board. DAC directed NHA to get verified the provision of schedule from Audit.

Compliance to the DAC's directive was not made despite lapse of three years.

Audit recommends early compliance to the DAC's directive.

(DP. 328/2014-15)

4.4.35 Overpayment due to non-deduction of de-escalation - Rs 1,127.831 million

According to clause 70.1 of particular conditions of contract Part-II, the amount payable to the contractor shall be adjusted in respect of the rise or fall in the cost of specified materials.

As per contract clause 13.8, the amount payable to the contractor shall be adjusted for rise or fall in the cost of labour, goods and other

inputs to the works by the addition or deduction of the amounts determined by the formulae.

Audit noted that during the years 2015-16 and 2016-17 there was a constant decrease in the prices of HSD and bitumen.

Audit observed that neither the Authority processed the de-escalation on account of rise or fall in prices nor the contractor claimed any escalation/de-escalation. Audit worked out the de-escalation on account of HSD bitumen and other decreased rate items and found that an overpayment was made to the contractors in nine (09) projects as detailed below:

(Rs in million)

S No.	DP. No	Name of Project	Amount
1	96	Construction of Takhtbhai Flyover at Takhtbhai (N-45)	5.227
2	203	Up-gradation, Widening & Improvement of Qila Saifullah-Loralai-Waigum Rud Section of NHA N-70	224.374
3	244	Up-gradation, Widening & Improvement of Zhob-Mughalkot Section of N-50	610.490
4	336	Rakhi-Gaj-Bewata Project, JICA PKP-57	18.933
5	342	New Islamabad International Airport Access Road NHA, Islamabad	216.540
6	362	Construction of Syedwala bridge over River Ravi	3.881
7	380	Construction of river training and protection works of Shaheed Benazir Bhutto bridge Chachran Sharif Kot Mithan (Package-IV)	34.720
8	384	Construction of river training and protection works of Shaheed Benazir Bhutto bridge Chachran Sharif Kot Mithan (Package-I)	7.048
9	393	Construction of six (06) lane highway from Double Phattak to Chowk Nag Shah Multan	6.618
Total			1,127.831

Audit was of the view that overpayment was due to weak internal controls.

Audit pointed out the overpayment during August-October 2017. The Authority admitted the overpayment, however, recovery was not intimated in any case.

The matter was discussed in the DAC meeting held in December 2017 and January 2018, wherein, the DAC directed for recovery within one month. Instructions will be issued by Ministry that de-escalation claims will be processed in timely manner.

In case of DP. 342, NHA explained that a sum of Rs 30.0 million has been recovered from M/s NLC. DAC directed NHA to get the recovery verified. In case of M/s Habib Construction, NHA explained that escalation clause was deleted during tendering proceedings keeping in view the period less than six months. However, due to land possession issue, work could not be completed and extension was granted to the contractor. Audit contended that since extension was granted, having financial impact, therefore, clause should have been reintroduced to safeguard the public interest. DAC directed NHA to get the justification, progress report and rejected tenders verified from Audit within 20 days.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive regarding recovery of de-escalation.

(DP. 96,203,244,336,342,362,380,384,393)

4.4.36 Loss to Government due to payment of work in dollars and fixation of exchange rate through addendum - US\$ 10.675 million

As per condition 14.15 (Currencies of Payment) Section-4, Preamble to Conditions of Contract, payment shall be made in Pak Rupees.

The revised condition 14.15 through Addendum-2 provides that payment to the contractor for loan portion shall be made as per applicable rules of China EXIM Bank while payment for GOP component shall be made in Pak Rupees. The rate of exchange for foreign currency shall be TT&OD Selling Rates published or authorized by the State Bank of Pakistan prevailing 28 days prior to the period for which payment is due.

As per Para 12.1 & 12.2 of Instructions to Bidders, the prices shall be quoted by the bidder entirely in Pak Rupees. A bidder expecting to incur expenditures in other currencies for inputs to the Works supplied from outside the Employer's country shall indicate the same in Schedule-M to bid. The proportion of the bid price (excluding provisional sums) needed by the bidder for the payment of such foreign currency requirement, shall indicate the respective portion in his bid. The rate of exchange to be used by the bidder for currency exchange shall be the TT&OD Selling Rates published or authorized by the State Bank of Pakistan prevailing on the 28 days prior to the deadline for submission of bids.

As per para B-1(iii) of Standard Procedure and formula for price adjustment, Fixed portion shall never be less than 35 percent and the adjustable portion shall never be more than 65 percent of the Engineer's Estimate.

Audit noted that National Highway Authority awarded a contract for construction of Peshawar Karachi Motorway Section-II Multan-Sukkur section (392 KM) CPEC to M/s China State Construction Engineering Corporation Limited on Engineering Procurement Construction

(EPC)/Turnkey basis for an agreement cost of Rs 294,352.00 million equal to US\$ 2,889,798,643 with exchange rate of Rs. 101.859 per US\$.

Audit observed that the condition regarding Currencies of Payment was again revised through Addendum-4 and rate of exchange for foreign currency was fixed as TT&OD Selling rate prevailing 28 days prior to the bid submission date instead of 28 days prior to the period for which payment is due. By doing this addendum the Government suffered a loss of US\$ 10.675 million (exchange difference), because the payment was made in US\$ and by fixing the exchange rate 28 days prior to bid submission which was Rs 101.859 per US\$, whereas, dollar rate was increased during payment of IPCs.

Audit further observed that the Instructions to Bidders 12.1 & 12.2 were related to only those components/goods which were to be supplied outside to Employer's Country against which the bidder was required to provide a percentage for foreign currency exchange requirement (the standard maximum limit of FC Component is 20%), whereas, the contractor has quoted 100% requirement of foreign exchange for all the material and services which was to be supplied locally or through outside Employer's country.

All the above noted facts clearly provides that due to fixation of exchange rates 100% through addendum the government has suffered a loss of US\$ 10.675 million. Audit recommends that the matter may be investigated at higher level and action may be taken against the responsible(s).

Audit pointed out the issue during August and September 2017. The Authority did not reply.

The matter could not be discussed in the DAC meeting despite request by Audit.

Audit recommends investigation and fixation of responsibility.
(AIR-07, Multan-Sukkur)

4.4.37 Grant of additional Mobilization Advance through post-bid amendment - Rs 695.151 million

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 National Highway Authority (Gawadar-Ratodero Road Project Khuzdar-Shahdakot Road Section-IV, Package-III) allowed and paid additional Mobilization Advance Rs 695.151 million through post bid amendment paid from Escrow Account.

Audit observed that the additional mobilization advance was allowed through variation order No.03 which was undue financial aid, beyond the contract provisions. The increase in the amount of advance was contrary to the public interest and stressed the ways and means position of the Authority. This resulted in undue financial aid of Rs 695.151 million to the contractor through post-bid amendment.

Audit was of the view that violation occurred due to weak oversight mechanism for exercising the internal controls.

Audit pointed out the issue in September 2014. The Authority replied that the contractor has stopped the works at site because all his financial resources exhausted coupled with prevailing bad law and order situation. A committee was formed by the chairman NHA who recommended additional advance @ 15% on balance works subject to the provision of all amount Bank guarantee as per SOP.

As admitted in reply that Additional Mobilization Advance was paid to the contractor only to give financial help to the contractor as the contractor was in financial crises. Additional Mobilization Advance was paid to the contractor at the cost of public exchequer, recovery of the same was to be made along with interest at KIBOR rate.

The matter was discussed in the DAC meeting held in December 2014 wherein the DAC deferred the para for justification and verification.

Compliance to the DAC's directive was not made despite lapse of a period of three years.

Audit recommends early compliance to the DAC's directive besides action against the responsible(s) for providing undue financial benefit to the contractor.

(DP 326/2014-15)

4.4.38 Borrow areas within 250 meters of right of way in violation of contract provisions - Rs 631.300 million

As per clause 4.18 of Particular Conditions of contract agreement for the project Hassanabdal-Havelian Expressway (E-35) 59.1 KM Package-I Burhan to Jarikas (KM 00+000 to KM 20 + 400) awarded to M/s China Gezhouba Group Company Limited-M/s Ghulam Rasool & Company (Pvt) Ltd. (JV) no Borrow areas shall be located within 500 meter from the Right of Way (ROW).

Audit noted that in the above work item of formation of embankment from outside borrow pits was executed and paid to the contractor upto IPC 21 with the quantity of 2,176,281 Cu.m for Rs 631.300 million.

Audit observed that an Inspection Team of NHA Headquarters visited site of the project in November 2015 and commented that borrow areas were within 100 meters to 250 meters of Right of Way and were also not refilled after taking earth.

Audit was of the view that taking earth from borrow pits within 250 meters of right of way was a clear violation of contract provisions and a threat to high embankment of expressway.

Audit pointed out the issue in August 2017. The Authority replied that General Specifications clause-105.3, Para-6 stipulates that borrow fill would be located so that nearest edge of the pit is at least thirty (30) meters from roadway toe of slope unless otherwise directed by The Engineer. The same specification had never been violated.

The reply was not accepted because as per contract agreement Environmental Management Plan for excavation of earth, borrow pits must be 500 meter away from the right of way (ROW) which was violated besides, rate of earth work was not reduced due to less haulage involved than as provided in the contract.

The matter was discussed in the DAC meeting held in November 2017, wherein, DAC directed to follow the contract provision and assess the financial impact of extra lead. Outcome be shared with Audit and NOC be also obtained.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides recovery on account of extra lead.

(DP. 54)

4.4.39 Unjustified expenditure on closed projects - Rs 606.56 million

Chapter 11 item 45 of project guidelines issued by the planning commission, except for defect liability or maintenance by the supplier or contractor, as specified in the conditions of contract, performance of the contract shall be deemed close on the issue of over-all delivery certificate or taking over certificate which shall be issued within thirty days of final taking over of goods or receiving the deliverables or completion of works enabling the supplier or contractor to submit final bill and the auditors to do substantial audit. In case of defect liability or maintenance period, defect liability certificate shall be issued within thirty days of the expiry of the said period enabling the supplier or contractor to submit the final bill. Except for unsettled claims, which

shall be resolved through arbitration, the bill shall be paid within the time given in the conditions of contract, which shall not exceed sixty days to close the contract for final audit.

Audit noted that General Manager Construction (Punjab-South), NHA, Multan intimated to Audit that three Projects i.e. Shershah Bridge, Bridge over River Chenab and Taranda Muhammad Pannah-Bahawalpur Section-I&II were finally closed and handed over to the Maintenance Units, and no Expenditure was booked during 2013-14 by this office.

Audit observed that despite of above undertaking an amount of Rs 606.56 million was charged to that Project up to June, 2014 as per Trail Balance provided by the GOP section Headquarters NHA Islamabad. Audit was of the view that since the Project was handed over to the Maintenance Unit of, NHA (Punjab-South Region), so the expenditure booked in the same period by the construction unit is seemed to be unjustified. Due to likely duplication of work activities, chances of misuse of PSDP funds cannot be overruled, and put the NHA into the loss of Rs 606.56 million.

Audit was of the view that irregularity occurred due to lack of oversight mechanism for implementation of internal controls.

The matter was discussed in the DAC meeting held in December 2014 wherein the DAC directed NHA to get the record relating to establishment expenditure verified from Audit.

Compliance to the DAC's directive was not made despite lapse of a period of three years.

Audit recommends early compliance to the DAC's directive.

(DP 316/2014-15)

4.4.40 Overpayment due to higher rates of earthworks - Rs 581.292 million

Construction of “Hassanabdal-Havelian Expressway (E-35) 59.1 KM Package III (km 39+611 to 58+711” was awarded to M/s LIMAK-ZKB (JV) on 12th October 2015.

Audit noted that the contractor quoted unbalanced rates against many items including earthworks as evident from Bid Evaluation Report and acceptance letter for the above work. Audit further noted that as per contract agreement 3,351,536 Cubic meter earth was to be obtained from excavation for utilization in formation of embankment and rates of formation of embankment from earth obtained from roadway excavation were much lower than the estimated rates as shown in the table below:-

S No	Item of work	Quantity as per Engineer Estimate /Agreement	Rate as per Engineer Estimate	Contract Rate
1	Formation of embankment from Roadway Excavation in Common Material	2,231,438	399.41	180
2	Formation of embankment from Roadway Excavation in Hard Rock	343,876	1,145.59	300
3	Formation of embankment from Roadway Excavation in Medium Rock	776,222	1,031.42	300
	Total	3,351,536		
4	Formation of embankment from Borrow Excavation in Common Material	914,793	433.38	1,000

Audit observed that during execution of work the width of road was enhanced from 04 lane to six lane. But instead increase in cut quantities, the quantity of roadway excavation (against which contractor had quoted lesser rates as compared with estimated rates) was decreased from 3,351,536 to 2,642,643 (i.e. 708,893 Cubic meter less). On the other hand item of formation of embankment from outside borrow areas (which carried rate of Rs 1,000 per cubic meter against estimated rate of

Rs 433.38 per cubic meter) was utilized/paid for a quantity of 914,793 Cu.m @ Rs 1,000 per Cu.m and 41,729.811 Cu.m @ Rs 433.38 per Cu.m.

Audit was of the view that non-utilization of available earth which was to be paid at the rate of Rs 180 per Cu.m and payment under the item of formation of embankment @ Rs 1,000 per Cu.m resulted in overpayment due to higher rates of Rs 581.292 million.

Audit pointed out the overpayment in August 2017. The Authority replied that quantity of cut decreased due to reasons that the length of project was decreased by Kms from -0+925 to 0+000. This stretch was over-lapping in Package-II and Package-III. Now this stretch is part of Package-II, and from Km 17+500 to 19+100, this portion was also over-lapping in Package-III and CPEC (Havelian-Thakot Section), now this stretch is part of CPEC. Almost 470,500 cu.m quantity of cut was involved in these stretches.

The reply was not accepted because the length of road neither included in Package II nor in Havelian -Thakot EPC Contract as observed during audit of these projects. The quantity of cutting had been recorded on lesser side to favour the contractor.

The matter was discussed in the DAC meeting held in November 2017, wherein, NHA explained that length was reduced by 3 km (from 20 km to 17 km) which was complete cut area. This resulted in reduction in roadway excavation. Actual rate was paid for Rs 433.38 per Cu.m instead of Rs 1,000 per Cu.m. DAC directed NHA to get the facts verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides recovery of overpaid amount.

(DP. 42)

4.4.41 Loss due to arriving at reserve price of lesser amounts by the NTRC without taking actual price escalation based on effective traffic counting on toll plazas - Rs 501.70 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 that National Highway Authority opened bids of 61 Manual Toll Plazas for the year 2016-2017 whose tenure was expiring on 30th June, 2016.

Audit observed that reserve price for the year 2016-17 was arrived at by the NTRC by adding 5% price on the rates offered/accepted for the toll plazas for the financial year 2015-16. Audit further observed that Reserved price was estimated by the NTRC without following the traffic counting on each toll plazas and considering the traffic flow/increase and price indexation/ escalation per annum accepted by the NHA. In the estimates of civil works and price scheduling 10% escalation per annum was taken by the authority, but for revenue collection was arrived at by simple addition of 5%, which was not found authentic. This resulted into loss of Rs 501.70 million.

Audit pointed out the loss in September 2017. The Authority replied that Ministry of Communications, Government of Pakistan had authorized National Transport Research Centre (NTRC) an independent organization as third party, to determine the reserve price. Accordingly, NTRC provided the reserve price to NHA. However, it is apprised that NHA got 24% rise on 35 toll plazas and 10% rise on 21 toll plazas through open competitive bidding process for financial year 2016-17 against last year revenue of FY 2015-16 which comes to Rs 1,886.384 million. The reply was not to the point. As pointed out in the audit observation that NTRC calculated reserve prices on lesser side without following and adopting cost accounting analysis, rather increase @ 5% was added in the previous year revenues, which was not a scientific way.

The matter was discussed in the DAC meeting held in January, 2018. DAC observed that the objective of the Committee constituted in 2012 was to exercise an oversight in the process of toll contracts and NTRC was responsible to provide a base price. DAC directed NHA to submit revised reply along with analysis of last five years within 15 days. Further awards of such contracts may be ensured through the committee constituted as an oversight mechanism.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends appropriate corrective measures.

(DP. 276)

4.4.42 Non-recovery of rental charges from licensee - Rs 442.958 million

As per Rule 3(2) of NHA Road 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.

Audit noted that M/s Wateen Telecom to whom contract was awarded for laying of optical fiber cable from Alpuri-Besham Km 0+000 + km 33+267 (N-90). Case for issuance of 06 licenses/NOCs was initiated and recommended for approval by the Project Director ADB Project Alpuri-Besham on 18th April, 2016 which was finally approved by the Chairman NHA on 21st November, 2016.

Audit observed that an amount of Rs 442.958 million was outstanding and receivable from M/s Wateen Telecom uptill November, 2016 including outstanding rental Rs 387.645 million for the year 2015-16 as on April 2016. The receivable rent was to be received as per agreed schedule. Huge outstanding amount for the previous financial years has shown that proper efforts to realize the outstanding rent were not made by the revenue authorities, NHA. Non-observance to the rules caused non-

receipt of revenue from the defaulted company amounting to Rs 442.958 million.

Audit pointed out the non-recovery in September 2017. The Authority replied that an amount of Rs 271.238 and Rs 103.722 million have been recovered by NHA during September 2015 to November 2017. Balance amount of Rs 237.636 million would also be recovered by next financial year. The recovered amount could not be verified.

The matter was discussed in DAC meeting held in January 2018. NHA explained that arrears were being recovered at monthly installment of Rs 10.0 million in addition to regular recovery of Rs 8.0 million per month. Audit stressed that printed computerised bills be issued and amount be recognized as receivables in the books of accounts, as already decided in DAC meeting held on 31st October, 2017 while discussing Audit Report for the year 2015-16. NHA informed that financial management information system is under process of application in compliance to DAC's directive. DAC directed NHA to implement the previous directives and get the facts verified from Audit.

Audit recommends complete recovery, verification of recovered amount from Audit and implementation of DAC's directive regarding issuance of computerized printed bills and accounting of receivables.

(DP. 285)

4.4.43 Non-recovery of cost of stone obtained from hard rock excavation - Rs 388.239 million

Item 106.2 and 106.3.1 of NHA General Specification provides that 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. The cost of excavation of material which is used anywhere in the project shall be deemed to be included in the pay item relating to the part of the work where the material is used.

Audit noted during scrutiny of last running bills paid against all four packages of the project Alpuri-Besham that item of excavation hard rock material was got executed and paid to the contractors.

Audit observed that the stone obtained from excavation was neither accounted for nor its cost recovered from the contractor. This resulted in non-recovery of cost of stone obtained from excavation for Rs 388.239 million.

Audit was of the view that non-recovery was due to weak internal controls.

Audit pointed out the matter in March 2017. The Authority did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA explained that partial recovery has been made and remaining recovery would be made in final bill. The DAC directed NHA to make due remaining recovery in final bill to be processed within 2 months and get it verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive towards recovery of remaining amount.

(DP. 86)

4.4.44 Extra expenditure due to unjustified revision of rates - Rs 350.01 million

According to Condition No. 12.3 of General Conditions of Contract, for each item of work, the appropriate rate or price for the item shall be the rate or price specified for such item in the contract or, if there is no such item specified for similar work. However, a new rate or price shall be appropriate for an item of work if the measured quantity of the

item is changed by more than 25% from the quantity of this item in the Bill of Quantities (BOQ) and in excess of 0.25% of the accepted contract amount.

Audit noted that National Highway Authority awarded the work “Construction of Hassanabdal-Havelian Expressway (E-35)” Package-I to M/s China Gezhouba Group Company Limited-M/s Ghulam Rasool & Company (Pvt) Ltd (JV) and Package-II to and M/s China Gezhouba Group Company Limited-M/s AM Associates (Pvt) Ltd. (JV) with four lane scope of work in December 2015.

Audit further noted that during execution of work it was decided to convert 04 lane expressway to 06 lane. Due to material change in scope of work, the contract amount was enhanced as under:-

(Rs in million)

Package/Contractor	Four lane Contract Amount	Six lane Contract Amount
Package-I	7,376.97	9,394.25
Package-II	6,776.23	9,311.59

Audit observed that during enhancement of scope of work negotiations of rates were not made with the contractor. Resultantly, during execution (due to enhanced scope of work) rates of different items were re-rated and cost per unit was increased despite of the fact that input costs of material were decreased after award of work. Moreover, despite award of additional work without open advertisement NHA was not able to save such additional costs by negotiating with contractors. Audit further observed that de-escalation was also not recovered on new rates. This resulted in extra expenditure of Rs 350.01 million.

Audit was of the view that unjustified extra expenditure was due to weak contract management and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in August 2017. The Authority replied that new rates of 3 items were derived from BOQ quoted rates. It was a fact that cost of diesel decreased after award of work. But owning cost (Rent) of machineries increased from 14.29% to 94.44%. These factors were considered in derivation of new rates which resulted in the increase of item rates. De-escalation was not recovered on new rates because as per sub-clause 13.8 no adjustment is to be applied to work valued on the basis of cost or current price.”

The reply was not accepted because during execution of work to convert 04 lane expressway to 06 lane material change in scope of work was made and extra amount of work was awarded to the contractors without open bidding. At the time of enhancement of scope of work, financial interest of the Authority was not kept in view and the contractors were not asked to negotiate on the agenda of rates due to enhancement in scope of work. Rates were revised to favour the contractor.

The matter was discussed in the DAC meeting held in November, 2017, wherein, DAC directed to get the rate analysis and justification for three items verified from Audit.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC’s directive besides investigation and fixation of responsibility for unjustified revision of rates.

(DP. 51)

4.4.45 Overpayment due to incorrect payment of Foreign Exchange difference - Rs 342.675 million

As per Instructions to Bidder-12 of the tender documents, the price shall be quoted by the bidder entirely in Pak Rupee. A bidder expecting to incur expenditure in other currencies for input to the works supplied from outside the employer’s (Referred to as “Foreign Currency Requirements”)

shall indicate the same in Schedule M to Bid. The rate of exchange to be used by the bidder for currency conversion shall be the selling rate published or authorized by State Bank of Pakistan prevailing on the 28 days prior to the deadline for submission of bids.

As per preamble to Schedule of prices 3.8 Schedule M is to cover any variation in exchange rate (to be paid in local currency). As per bidding documents and addendum 01 to 05 for the project, Schedule-M was to be filled by the bidder for foreign currency requirement against input of material and labour.

Audit noted that the EPC contract “Construction of Thakot-Havelian (120 Km)” was awarded to M/s China Communication Construction Company on 22nd December, 2015 for Rs 133.980 billion. Audit further noted that during bidding the contractor filled the Schedule-M as Nil/NA which means that no foreign exchange difference was to be paid to the contractor.

Audit observed that the contractor was being paid Foreign Exchange difference against 90% of total payments in violation of tender documents and contract provisions. This resulted in overpayment of Rs 342.675 million to the contractor.

Audit was of the view that award of contract with 90% foreign exchange was against the tender documents provisions and resultant overpayment was due to weak oversight mechanism for exercising internal financial controls.

Audit pointed out the issue in September 2017. The Authority replied that as per addendum-4, the Schedule-M to bid (Lump sum cost breakup for major cost items) was replaced with the revised Schedule-M which had no limits of the foreign exchange currency. Moreover, as per clause 14.15 “Currency of payment”, attached with addendum No. 4 that the “Payment to the contractor for foreign loan portion shall be made as per the terms and conditions of the contract agreement. Furthermore, the bidder clearly wrote in the Letter of Price Bid that the payment of FC

component requirement is 90%. Therefore, the bidder mentioned “N.A” (Not Applicable) in Schedule-M Foreign Currency Requirement.

The reply was not accepted because the admissibility of foreign component with base rate 28 days prior to bid opening date was only admissible against Schedule-M as per Instructions to Bidders clause 12. As per preamble to Schedule of prices 3.8 Schedule M was to cover any variation in exchange rate (to be paid in local currency). Against schedule-M the bidder was required to quote percentage of Foreign Currency required for purchase of machinery, equipment and labour. The successful bidder quoted Nil FC requirement in Schedule- M. Abbreviation of NA in Schedule –M has been taken by NHA as Not Applicable whereas it can also be Not Any/Nil. FC Component as quoted by the contractor was regarding currency of payment and as till the time of tendering loan portion was 90% as clarified by NHA in pre-bid meeting, therefore, the contractor quoted 90% FC which covered only portion payable in FC and not for payment of exchange rate of FC.

The matter was discussed in the DAC meeting held in December 2017, wherein, Audit contended that extra financial burden was borne by NHA by allowing foreign currency exchange difference. After detailed discussion, DAC decided to refer the matter to PAC for deliberation and decision.

Audit recommends that overpaid amount be recovered from the contractor.

(DP. 255)

4.4.46 Unjustified application of current and base rates for steel resulting in less recovery of de-escalation calculations - Rs 331.661 million

As per Table of Adjustment data in Appendix-C provision for price adjustment against steel was as under:

Description	Source of Index	Unit	Value of Factor "C"
M. Steel Billet 100*100 mm(Grade 60)	Pakistan Steel Mills Karachi	Metric Ton	0.160

Audit noted that as per minutes of pre-bid meeting held on 29th April, 2014 for the project "Construction of Hassanabdal-Havelian Section of E-35", the question and reply regarding price adjustment on steel was as under:-

S. No	Question	Reply
80	Pakistan Steel Mill is not producing steel, please mention another source	Regarding escalation on steel comparison of basic & current rates of steel 100*100 mm blooms of Pakistan Steel Mills shall be followed.

Audit observed that although NHA agreed to take basic and current rates of blooms of Pakistan Steel Mills in the said pre-bid meeting, Appendix-C was not amended accordingly and price adjustment against steel was calculated on the basis of rates of steel billets of Pakistan steel instead of Blooms rates in all three packages of E-35. Audit recalculated price adjustment on the basis of rates of bloom instead of billets as decided in pre-bid meeting and it was noticed that as a result de-escalation for an amount of Rs 331.661 million was calculated and recovered on lesser side. This resulted into less recovery of de-escalation of Rs 331.661 million.

Audit was of the view that non-implementation of decisions of pre-bid meeting was due to poor contract management on the part of NHA.

Audit pointed out less recovery in August 2017. The Authority replied that billets and bloom are generally the same and the only difference is that of their X-sectional areas. Billet had a cross section area less than 36 Sq. inches and bloom must have X-sectional area greater than

36 Sq. inches and 100mm x 100mm X-Section Area is equal to 16 Sq. inches which is less than 36 Sq. inches. So 100mm x 100mm was billet and it cannot be considered as bloom, and the same 100x100mm billet was also shown in Table of Adjustment Data (FIA).

The reply was not accepted because the basic and current rates of Blooms of Pakistan steel were not taken as decided in pre-bid and de-escalation was calculated on the basic and current rates of Billets which caused less recovery of de-escalation amount.

The matter was discussed in the DAC meeting held in November 2017, wherein, NHA explained the cross section of 100x100 mentioned in pre-bid meeting meant billet not bloom and the word bloom was a typographical error. Further, the bidders had asked for changing of source not for billet into bloom. The DAC directed NHA to conduct Fact Finding Inquiry and submit report to Audit for verification.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 43)

4.4.47 Non-remittance of income tax in government treasury - Rs 290.267 million

As per Income Tax Ordinance 2001, Chapter-IV, Common Rules, Part-I (General) Para 71 (1) & (2) regarding currency conversion provides that:

- i) Every amount taken into account under this Ordinance shall be in Rupees.
- ii) Where an amount is in a currency other than rupees, the amount shall be converted to the Rupee at the State Bank of Pakistan mid exchange rate applying between the foreign currency and the Rupee on the date the amount is taken into account for the purposes of this Ordinance.

Audit noted that NHA awarded a contract for construction of Peshawar-Karachi Motorway Section-II Multan-Sukkur Section (392 KM) CPEC to M/s China State Construction Engineering Corporation Limited on Engineering Procurement Construction (EPC)/Turnkey basis for an agreement cost of Rs 294,352.00 million. Audit further noted that as per Acceptance letter the bid was accepted with the US\$ Conversion rate based on Telegraphic Transfer (TT) Selling rate as existing on Base Date. (The foreign exchange rate: 1 US Dollar = 101.859 PKR).

Audit observed that the contractor of the project was paying the income tax at the exchange rate of Rs 101.859 per US\$ (which was for the agreement) instead of current exchange rates at the time of payment as per rules. The Authority deducted the difference of income tax from the Interim Payment Certificates of the contractor amounting to Rs 290.267 million but the same was retained in NHA accounts instead of remitting to the Government treasury. This resulted in non-deposit of income tax of Rs 290.267 million.

Audit was of the view that non-deposit of tax was due to weak internal controls.

Audit pointed out the issue during August-September 2017 but the management did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA explained that difference of income tax on the basis of the contractual rate of US\$ and current rate of US\$ has been withheld but not deposited into government treasury due to non-settlement of the issue with the contractor. DAC pended the para till deposit of differential amount of income tax.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 190)

4.4.48 Non-recovery of secured and escrow advance - Rs 280.885 million

According to Rule -10(i) and (ii) of GFR Vol-I regarding standards of financial propriety 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. The expenditure should not be prima facie more than the occasion demands.

Audit noted that project section ICB-II and ICB-IV of Kalat-Quetta-Chaman Road Project (N-25) assigned to M/s MAB/REX(JV) at an agreed cost of Rs 1,073.986 million and Rs 1,461.213 million respectively with date of start on 03rd May 2009 and to be completed by 31st December, 2011 (revised date).

Audit observed that secured advance of Rs 221.095 million and escrow advance of Rs 59.790 million were outstanding against the contractor as per record produced to audit. This resulted into non-recovery of secured and escrow advance of Rs 280.885 million.

Audit pointed out non-recovery in November 2014 but the management did not reply.

The matter could not be discussed in the DAC meeting despite requests by Audit.

Audit recommends to recover the advances at the earliest.

(DP 283/2014-15)

4.4.49 Loss due to inclusion of cost of stone - Rs 248.299 million

Clause-13.2 of Contract Agreement (Instructions to Bidders) provides that the bidder shall submit prices for all items of the Works described in the Employer's requirements and submit rate analysis

providing details of materials, equipment hours and manpower requirement for all BOQ items. Contractor was required to submit rate analysis of the items / bid cost to the Employer / bid accepting authority for evaluation of reasonability of rates offered by the Contractor / Bidder.

Audit noted that NHA awarded a work “Re-alignment of KKH at Attaabad Barrier Lake, Hunza” and “Raikot to Khunjerab 335 KM” to M/s China Road & Bridge Corporation (CRBC) on 26.07.2012 and November, 2006 on (EPC Contract) Turnkey basis without calling of tenders. Audit further noted that the contractor submitted bid / Estimate alongwith rate analysis of the items of Bill of Quantities to NHA.

Audit observed from the rate analysis of the BOQ item No. 501, 502, 503 and 504 of Bill No. 5 (Retaining wall, stone pitching, apron etc.) that the contractor included cost of stone and carriage in the rates of retaining walls and stone pitching whereas, stone obtained from the excavation of hard rock was to be used for construction of retaining walls and stone pitching etc. Audit further observed that NHA management (Quantity Surveyor) while reviewing the rate analysis of retaining walls, ignored the aspect of availability of huge quantity of stone from blasting in the hard rock. The management failed to evaluate the rates in true perspective and matter was not taken up with the Contractor. The works were awarded without deletion of the cost of the stone and carriage. Inclusion of cost of stone resulted into loss to Authority of Rs 248.299 million.

Audit was of the view that loss occurred due to non-adherence to the provisions of Contract Agreement and ineffective implementation of internal controls.

Audit pointed out the loss in August 2015. The Authority did not reply.

The matter was discussed in the DAC meeting held in January 2016, wherein NHA clarified that it was an EPC contract wherein provision of deduction of cost of stone is not provided. The contractor

executed the work and get payments per kilometer wise of the activity of the item of work done at site. Audit informed that the aforesaid narration was not reflected in the working paper. The DAC directed the management to submit revised reply alongwith supporting record.

Compliance to the DAC's directive was not made despite lapse of two years.

Audit recommends early compliance to the DAC's directive besides action against the responsible(s) for loss.

(DP. 66 & 167/2015-16)

4.4.50 Overpayment due to enhancement of agreed rates through post tender change - Rs 239.689 million

As per Engineer's Estimate, item No. 106b(i) Excavate unsuitable rock material was provided for 160,000 Cu.m @ Rs 289 per Cu.m. The same was put to tender which was agreed by the contractor at 17% rebate for the work "Khuzdar Shahdadkot Section of Gwadar-Ratodero Road".

Audit noted that approved quantity of hard rock against item 106b(i) for quantity of 160,000 Cu.m was abnormally enhanced to 1,505,436.49 Cu.m through Variation Order-2.

Audit observed that the rate of agreed item of hard rock was also enhanced to Rs 418.02 per Cu.m through post tender change. Rate of an agreed item was enhanced during the currency of agreement which negated the process of competitive tendering. This resulted into overpayment of Rs 239.689 million.

Audit was of the view that overpayment was due to weak internal/financial controls.

Audit pointed out the overpayment in September 2014. The Authority replied that Clause 52.2 CoC Part-II states that if the quantity of any item exceeds by more than 30% of its original BOQ quantity and the

cost effect of the increased quantity exceeds by 2% of the contract amount, then the rate of that item will be revised by the Engineer upon the application of the Contractor. Reply was not tenable. As quantity of hard rock provided in the BOQ for 160,000 Cu.m was exceeded to 1,505,436.90 Cu.m this negated the effective estimation. Re-rating during the currency of agreement with higher rates 70% then agreed rate was unauthorized for which approval of Finance Division, Government of Pakistan was required.

The matter was discussed in the DAC meeting held in December 2014 wherein the DAC directed that due recovery be made and got verified from Audit.

Compliance to the DAC's directive was not made despite lapse of a period of three years.

Audit recommends early compliance to the DAC's directive towards recovery of overpaid amount.

(DP 325/2014-15)

4.4.51 Loss of revenue due to award of contracts below reserved prices - Rs 200.130 million

As per PPRA rule 33, the procuring agency may reject all bids or proposals at any time prior to the acceptance of a bid or proposal. The procuring agency shall upon request communicate to any supplier or contractor who submitted a bid or proposal, the grounds for its rejection of all bids or proposals, but is not required to justify those grounds.

Para-12-b Chapter-11 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. Clause 13.1 subject to Clause 14, the Employer will award the contract to the bidder whose bid has been determined to be substantially responsive to the bidding documents and who has offered the highest evaluated Net Guaranteed Revenue per year to the Employer.

4.4.51.1 Audit noted that NHA awarded eighteen (18) contracts for manual operating and maintenance of toll plazas during 2015-16.

Audit observed that the toll plazas were awarded below the reserve prices set out through help of data collected from NTRC (National Transport Research Centre). Audit further observed that the Authority neither rejected bids for re-bidding process nor took over the possession of toll plazas during process of re-bidding to safe guard the interest of the Authority and safe it from financial losses. This resulted into loss of Rs 170.915 million.

Audit was of the view that loss occurred due to weak internal and financial controls and mismanagement of NHA.

Audit pointed out loss in April 2017 but the management did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA explained that reserve price and bid price could not be same. The bid value is true value which was arrived in competitive bidding which was ensured. Resultantly, revenue had increased in the recent years. The mechanism for intensive survey for determination of proper reserved price was being reviewed. DAC directed NHA to complete the process of streamlining the reserved price mechanism and share the outcome with Audit. Detailed justification may also be provided to Audit for accepting bids below the reserved price.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides action against the responsible(s) for loss.

(DP. 111)

4.4.51.2 Audit noted that NHA awarded two (02) contracts for manual running of toll plazas at Moro and Saeedabad to the same contractor to whom these were awarded in previous fiscal year 2014-15 with higher net guaranteed revenue per year.

Audit observed that for fiscal year 2015-16 net guaranteed revenue was assumed above than previous year rate or above the reserved prices based on NTRC data. But the Executive Board neither considered the reserve prices based on previous year rate nor based reserve prices based on NTRC data while accepting the rates of bidder.

Audit further observed that as per Deputy Director (Revenue) letter No.NHA/Fin/RR/01/12/119 dated June, 2015, a sum of Rs 440.627 million against installments were short against different manual toll plazas even then the contractor participated in the bidding process and got contract on below rates that was paying last year in violation of clause 14.3. The Authority did not reject the bids and awarded the work on lower rates resulting into loss of revenue of Rs 29.215 million.

Audit was of the view that loss occurred due to weak internal controls.

Audit pointed out the loss in April 2017. The Authority did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA explained that reserve price worked out by NTRC was mere an estimation of projected revenue for next financial year which does not take into account any factor such as traffic diversion, traffic mix, political situations/dharna, contract period (8, 10 or 12 months), and law and order situation, whereas the bidder had to cater for all these factors in order to work out his net guaranteed bid. The Executive Board is vested by NHA code to accept the bids which were 10% above or below the estimate. As the bids under discussion were less than 5% of reserve price and the same was also approved by NHEB. DAC directed that NHA should adopt more scientific approach and proper computer generated

count/data for determination of proper reserve price. DAC directed NHA to share efforts made by NHA to improve the system with Audit along with supporting record and outcome.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 113)

4.4.52 Non-rationalization of cost of vehicles as per the current market prices resulted in excess cost - Rs 156.865 million

As per Rule-4 of PPRA, 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 NHA invited bids for construction of Peshawar Karachi Motorway Section-II Multan-Sukkur Section (392 KM) with estimated cost of Rs 240,158.390 million. Three Chinese firms participated and M/s China State Construction Engineering Corporation Limited submitted lowest bid of Rs 406,332.270 million. As the bid was on higher side, negotiations were held with the bidder and after some meetings the bidder submitted a rationalized bid amounting to Rs 294,352.00 million and the same was accepted by the Authority and work awarded accordingly. Audit further noted that the rationalized bid/BOQ of the contractor was put in the PC-I and the ECNEC approved the revised PC-I of the project accordingly in December 2015.

Audit observed that at the time of rationalization of bid, the rates of vehicles quoted by the contractor were not objected by the management nor any rationalization was made by the contractor. Audit compared the rates of the vehicles provided in the agreement with the current market rates and found that the quoted rates of the contractor were two to three times more than the current market price of 2017, whereas, the said

agreement was signed in December 2015. This resulted in excessive cost for vehicles amounting to Rs 156.865 million, as detailed below:

Vehicle	Rate provided (Rs)	Market rate plus 25% contractor overhead/profit (Rs)	Difference (Rs)	Quantity	Amount (Rs)
Toyota Fortuner	10,351,774	6,748,750	3,603,024	2	7,206,048
Toyota Double Cabin	6,625,136	4,561,250	2,063,886	28	57,788,808
Toyota Single Cabin	6,211,065	2,930,000	3,281,065	28	91,869,820
Total					156,864,676

Audit was of the view that non-rationalization of cost of vehicles was due to weak internal controls.

Audit pointed out the issue during August-September 2017 but the management did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, DAC observed that high rates were provided in the cost estimate of the project as compared to prevailing market rates of vehicles. DAC directed NHA to take up the matter with contractor for adjustment of rates.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive and rationalization of cost of vehicles.

(DP. 184)

4.4.53 Inadmissible payments of price escalation - Rs 156.156 million

According to Para A (2) of PEC's standard procedure & formula for price adjustment, the price adjustment shall be applicable only for the construction 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. Further, as per re-categorization of financial limits, PCP requirements of PEC, financial limit of C-5 category contractors was Rs 50.00 million.

Audit noted that NHA allowed and paid price escalation of Rs 3.518 million on tree plantation contracts during the financial year 2016-17 with accumulative effect of Rs 156.156 million.

Audit observed that trees plantation did not fall under the category of construction contracts and having value less than Rs 50 million in each contract. This resulted into inadmissible payment of price escalation amounting to Rs 156.156 million.

Audit pointed out the inadmissible payment in August 2017. The Authority replied that escalation clause was incorporated in the tender documents duly approved by the Member concerned. The reply was not tenable because price adjustment/escalation was not admissible on tree plantations contracts as tree plantation/afforestation works were not falling in the category of civil works.

The matter could not be discussed in the DAC meeting despite best efforts by Audit.

Audit recommends early recovery of inadmissible payment.

(DP. 231)

4.4.54 Overpayment of escalation through post bid amendment by enhancing factor C - Rs 139.484 million

As per Appendix-C (Revised) of Bidding Documents, the maximum adjustable limit of prices was required to be paid to contractor @ 55%.

Audit noted during scrutiny of record of the General Manager, National Highway Improvement Program (NHIP) Islamabad that a

contract was awarded to M/s Saad-Ullah Khan and Brothers against contract No. C-03 on account of Rehabilitation works on National Highway N-5, Moro-Ranipur (88.5 km) for Rs 1,110.200 million.

Audit observed that as per agreement Appendix-C, the variable portion of Factor-C was upto 55%. The NHA enhanced the Factor-C during execution of work and allowed 65% price variation. This resulted in overpayment of Rs 139.484 million to the contractor up to 2014-15.

Audit pointed out the overpayment in September 2015. The Authority did not reply.

The matter could not be discussed in the Departmental Accounts Committee meeting despite best efforts by Audit.

Audit stresses for inquiry and action against the responsible(s).
(DP 427/2015-16)

4.4.55 Inadmissible provision of expenditure on Control & Monitoring Office in the contract - Rs 134.159 million

As per Rule-4 of PPRA, 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 NHA invited bids for construction of Peshawar Karachi Motorway Section-II Multan-Sukkur Section (392 KM) with estimated cost of Rs 240,158.390 million. Three Chinese firms participated and M/s China State Construction Engineering Corporation Limited submitted lowest bid of Rs 406,332.270 million. As the bid was on higher side, negotiations were held with the bidder and work was awarded for Rs 294,352.00 million. Audit further noted that the rationalized bid of the contractor was put in the PC-I and the ECNEC approved the revised PC-I of the project accordingly in December 2015.

Audit observed that an item i.e. “Provision of employer’s representative control and monitoring office at Islamabad” @ Rs 621,106 per month for 36 months involving an amount of Rs 22.360 million was included in Bill No. 3 of all the seven sections of the project, whereas, Audit was of the view that there shall be only one monitoring office at Islamabad therefore provision of such expenditure in all the sections seems unjustified and extra cost involving Rs 134.159 million (22,359,833 x 6).

Audit pointed out the issue during August-September 2017 but the management did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA admitted the irregularity and committed that no expenditure shall be incurred on remaining six sections on account of monitoring offices. The DAC directed that Control and Monitoring Office be maintained in one section of the project only and expenditure be restricted accordingly.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC’s directive.

(DP. 185)

4.4.56 Unjustified extra provision of training in China by the contractor without provision in the tender documents - Rs 121.393 million

As per Bill No. 7 item 702a of the tender documents there was a provision of 24 at site trainee engineers for 288 man-months. The contractor was required to offer rates against this item.

Audit noted that the work “Construction of Thakot-Havelian (120 Km)” was awarded to M/s China Communication Construction Company

on 22nd December 2015 for Rs 133.980 billion on Engineering, Procurement and Construction (EPC) basis.

Audit observed that the contract was signed for 24 trainee engineers in China for Rs 135.793 million, whereas, the requirement of the project was to appoint trainee engineers on site. Audit was of the view that due to inclusion of training in China extra cost of Rs 121.393 million was agreed and entered in the contract agreement.

Audit was of the view that extra cost was due to weak internal/financial controls.

Audit pointed out the issue in September 2017. The Authority replied that the bidder quoted Rs 135.792 million against the head of “Trainee Engineers” in Bill No. 7. This amount was very high. Therefore, the description of the nomenclature was changed from “Trainee Engineers” to “Training in China for twenty four (24) NHA graduated engineers for 12 months each including boarding and lodging”.

The reply was not accepted because the provision of Trainee Engineers is meant for on the works training/experience of fresh graduate engineers. As replied as the quoted rates of the bidder were on higher side, during clarification/negotiation meetings with the bidder, local training was converted in foreign training. First of all foreign training does not fulfill the purpose of provision of trainee engineers in the work. Secondly, there is no modality in place for selection of engineers by NHA. The cost of foreign training of NHA graduate engineers was against the purpose of trainee engineers.

The matter was discussed in the DAC meeting held in December 2017, wherein, DAC directed NHA that proper curriculum/module be prepared for training in Tunnel Engineering and training be materialized within two months. DAC further directed that training be arranged in proportion of 50% trainee engineers and 50% NHA employees.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 257)

4.4.57 Undue financial burden on the public exchequer on account of storage charges - Rs 117.14 million

Para 228 of CPWD Code regarding secured advanced provides to ensure that the quantities of materials upon which the advances are made have actually been brought to site, that the contractor has not previously received any advance on that security and that materials are all required by the contractor for use on items of work for which rates for finished work have been agreed upon

Audit noted that NHA (Lyari Expressway Project) approved variation order No.10 containing bill of quantities for item PS 17(ii) continuation of storage accommodation including its maintenance and insurance of reinforced earth material supplied by M/s Reco for Rs 37.376 million.

Audit observed that the item PS 17 (ii) was paid in excess of approved cost upto Rs 62.815 million against provision of 37.376 million. This resulted in excess expenditure of Rs 27.439 million.

Audit further observed that the secured advanced was allowed on the material of reinforced earth i.e. Paraweb Grade 50, 75,100, Connectors Grade 50 & 75/100, Dowel, EPDM Pads and Foam Geotextile, whereas, the said material was not required due to change in design, whereas, an amount of Rs 177.106 million was continuously paid and recovered as secured advance without utilization of material. Audit hold that secured advance against surplus material is not only a financial aid to the contractor but also a recurring loss of interest (if the amount remained in Govt. accounts). Due to mismanagement and unjustified payment of secured advance Government exchequer sustained a loss on account of

interest amounting to Rs 31.907 million. Audit also observed that an amount of Rs 57.795 million was paid to the contractor on account of storage & accommodation including maintenance and insurance of the enforcement earth material which was unjustified as the material against the secured advance paid is the property of NHA who is responsible for the same. Audit was of the view that unjustified payment of secured advance and storage charges to contractor beyond approved cost resulted in undue financial burden on the public exchequer worth Rs 117.14 million.

Audit was of the view that incurring the unauthorized and irregular expenditure put additional burden on the exchequer. This violation of rules occurred owing to a weak oversight mechanism for exercising the internal controls.

Audit communicated the irregularity in August 2017. The Authority replied that as clearly mentioned in the working paper and justification in VO-10 till the completion of project, the monthly mentioned amount would be practiced thus the same amount against the item PS 17(ii) was being paid accordingly. The Authority further replied that stiff resistance was experienced in some hard areas, hence, it was decided that the project be realigned with two elevated bridges between Sindhi Hotel and Teen Hatti and Mangho Pir to Meva Shah. This resulted into sparing the balance reinforced earth materials. NHA HQ had been approached to use the spared reinforced earth material on some other projects and the matter was under consideration. The remaining material be used on other projects as the material is not perishable. Adjustment would be made after shifting of material. The reply was not tenable because payment on account of storage and secured advance against surplus material was unjustified and resulted undue financial aid to contractor and undue financial burden on public exchequer.

The matter was discussed in the DAC meeting held in December 2017, wherein, the DAC directed NHA to conduct a Fact Finding Inquiry and report be submitted within two weeks. DAC further directed that an early decision/plan be made for disposal of the material. Moreover,

inadmissible charge of expenditure on storage to the project cost may be rectified/regularized.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 58)

4.4.58 Loss to the government due to non-rectification of the damaged work at contractor's expense - Rs 116.766 million

Clause 20.1 of conditions of contract (part-I) of the contract agreement for the work "Construction of Baba Farid Bridge over River Sutlej" provides that the contractor shall take full responsibility for the care of 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. Clause-20.2 provides that if any loss or damage happens to the works or any part thereof, or materials or plant for incorporation therein, during the period for which the contractor is responsible for the care thereof, from any cause whatsoever, the contractor shall at his own cost, rectify such loss or damage so that the permanent works conform in every respect with the provisions of the contract to the satisfaction of the engineer.

Audit noted that in the Engineer's Estimate/BOQ quantities of item No.509-b rip rap, 509-h filter layer of granular material and SP-8 stone apron guide bank was provided as under:

509-b rip rap,	52,840 cu.m
509-h filter layer of granular material	12,220 cu.m
SP-8 stone apron	115,383 cu.m

Audit observed that these items were measured at left guide bank & right guide bank to the extent of 8,064.577 Cu.m, 1,455.882 Cu.m and 67,756.039 Cu.m respectively but the measurement was multiplied with the 0.5 and payment of half work executed was paid to the contractor.

Later on, the work was remained abandoned/suspended up to 2015 due to various reasons and subsequently assigned to the petty contractor in April 2015. The assignee was executing the earth work on both guide banks and measurements on MB showed that construction of guide banks was still underway.

Audit further observed through review of the engineer's report that during the suspended period flood occurred and all the protection work was washed away and during site visit by the audit team that no sign of execution of stone work existed at site, when it was questioned to consultant they responded that entire stones were washed away.

Audit held that the care of work up to issuing of taking over certificate was the responsibility of the contractor and subsequently to the assignee, therefore, this work was required to be got executed at the contractor's expense rather the charging to work, but no such work was rectified at the contractor expense, hence the earlier work wasted which was ultimate loss to the Authority. Non-adherence to contract caused loss to the government due to non-rectification of the damaged work at contractor's expense for an amount of Rs 116.766 million.

Audit was of the view that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out loss in April 2017 but the management did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA explained that flood during the suspended period did not wash away protection works of guide banks i.e. stone pitching and stone apron. All measured work was intact some minor rectifications were required where flood affected the works. No further payment made to contractor on this account after resumption of work. As all work was intact at site and no duplicate payment was involved. The DAC was not

satisfied and directed to conduct fact finding inquiry by NHA and submit report to Audit along with complete record.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 222)

4.4.59 Excess payment on account of escalation beyond the provision of PC-I - Rs 94.396 million

According to PC-I of the Project Khushal Garh Bridge at District Kohat, approved by the ECNEC in its meeting held on 26th May, 2011 for Rs 1,538.00 million as conveyed by the Planning & Development Division, OM. No. 16(101)/PIA-III/PC/09-10 dated 2nd June, 2011, a sum of Rs 34.497 million was provided on account of price escalation as under.

Total cost of project	Rs 1,326.816 million
Provision of escalation	Rs 34.487 million (6.5% of 40% of Project cost)

Audit observed that Project Director Khushal Garh Bridge NHA paid Rs 128.893 million on account of escalation against the PC-I provision of Rs 34.497 million to the contractor M/s Usmani Associates through EPC-14. This resulted in an excess payment of Rs 94.396 million without revision/approval of PC-I from the competent forum.

Audit pointed out the excess payment in August-September, 2014. The Authority replied that Revised PC-I with escalation provision of Rs 157.070 million was under process of approval at Planning Commission from June 2013. The reply of the authority was not tenable as approved PC-I of the project provides the payment of escalation as 6.5% of the 40% of the project cost. So provision in the agreement was required to be made accordingly.

The matter was discussed in DAC meeting held in November 2014 wherein the DAC directed Member (Finance) to examine the matter regarding payment of escalation beyond provision in the PC-I prior to approval of revised PC-I.

Compliance to the DAC's directive was not made despite lapse of three years.

Audit recommends early compliance to the DAC's directive besides action against the person(s) responsible.

(DP 127/2014-15)

4.4.60 Irregular payment due to allowing escalation on disputed value of work - Rs 93.186 million

According to Clause 13.8 of agreement, the amounts payable to the contractor shall be adjusted for rise or fall in the cost of labour, goods and other inputs to the work by the addition or deduction of the amounts determined by the formula prescribed in this sub-clause. No adjustment is to be applied to work valued on the basis of cost or current prices.

Audit noted that the National Highway Authority (Sukkur-Jacobabad Section N-65) re-fixed rates of item No SP-13c, 201, SP-13a and 404b due to increase in quantities beyond prescribed limits and were paid at revised/reduced rates in IPC-11.

Audit observed that difference between the BOQ and revised rates was included in value of work done as Rs 232,967,444 and calculated escalation accordingly. Release of escalation on disputed amount of work done without final decision was irregular. This resulted in irregular/excess payment of escalation of Rs 93.186 million.

Audit was of the view that irregularity occurred due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out the irregularity in August 2015. The authority did not reply.

The matter was discussed in the DAC meeting held in January 2016, wherein, Audit contended that escalation was allowed contrary to the provision of the PEC standard procedure on the material having lesser than 5% element of cost, material not used in the currency of the respective IPC, paid on provisional sums and general items, temporary works. NHA informed that escalation was allowed as per provision of contract. Audit also informed that the identical nature paras were already printed in previous audit report and presented to PAC for final decision. The DAC pended the para till receipt of the decision by the PAC.

(DP. 137/2015-16)

4.4.61 Grant of additional mobilization advance through post-bid amendment - Rs 107.594 million and non-recovery of balance amount - Rs 86.902 million

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 NHA awarded the work “Construction of road from Gharo to Keti Bunder (Package –III)” to the contractor M/s Zarghoon Enterprises (Pvt) Ltd at bid cost of Rs 1,095.050 million on 5th April, 2010 with completion period of 548 days i.e. upto 24th December, 2011. The contract cost was revised vide variation order No. 1 and completion period was extended upto 25th December, 2012. Audit further noted that mobilization advance under contract clause 60.11 was admissible @ 10% of the contract price stated in the letter of acceptance (less provisional sum).

Audit observed from the monthly progress report No.67 for the month of June, 2015 that NHA allowed/paid additional Mobilization Advance to the contractor beyond the contract provisions to the contractor. This resulted in undue financial benefit through post-bid amendment of Rs 107.594 million out of which an amount of Rs 53.797 million was recovered leaving a recoverable balance of Rs 53.797 million. Audit

further observed mobilization advance paid previously amounting to Rs 107.594 million was not recovered completely and additional amount of Rs 33.105 million was also outstanding. This resulted in grant of additional mobilization advance in violation of contractual provisions amounting to Rs 107.594 million and non-recovery of Rs 86.902 million.

Audit was of the view that the violation occurred due to weak oversight mechanism for exercising the financial and internal controls.

Audit communicated the non-recovery in August 2017. The Authority replied that the work of Package-III was suspended by the contractor due to dispute in settlement of his claims against item No.SP-24. The matter is in the honorable Supreme Court of Pakistan, Islamabad Bench. After the decision of honorable court and subsequent re-mobilization of the contractor, the mobilization advances would be recovered accordingly. The reply was not tenable because justification for additional mobilization advance was not given. However, the matter may be expedited for early settlement of the dispute to save the project from further losses and recovery of the advances.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA explained that the work is suspended and the matter is subjudice in court of law. Additional Mobilization Advance was paid under Amendment No.1 to the contract agreement with an interest at the rate of 9% per annum. The outstanding Mobilization Advance would be recovered from the contractor with interest after resumption of work. The DAC directed NHA that recovery be ensured immediately for which ways and means be decided by NHA.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive regarding recovery.

(DP. 62)

4.4.62 Unjustified expenditure of pay and allowances - Rs 77.464 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.

As per Clause 4.2 of the Concession Agreement, the concessionaire shall commence routine and periodic maintenance of the project assets and continue the same until the concession end date in accordance with the O&M Manual.

4.4.62.1 Audit noted that National Highway Authority (General Manager Maintenance (M-2,M-3) Kallar Kahar) booked an expenditure of Rs 20.067 million during 2014-15 for pay & allowances of the staff of Trauma centers.

Audit observed that the NHA Board in its 171st meeting held on 8th May, 2009, created 176 posts for serving in different Trauma centers at motorway. Out of 176 posts, 65 employees were deployed by NHA at different locations for serving in Trauma centers. Now the 65 employees are attached with National Highway & Motorway Police (NH&MP) for fine collection purposes. It is pointed out that the Trauma centers were not established as well as non-operational on motorway up till now. The deployment of staff against non-operational Trauma Centers has resulted into unjustified expenditure of Rs 20.067 million in the shape of pay and allowances.

Audit pointed out the irregularity in August 2015. The department did not furnish reply.

The matter was discussed in the DAC meeting held in January 2016, wherein the para was discussed at length. NHA informed that

employees were appointed against the 176 posts but only one trauma center on M-I is operative. 65 staffs were attached with NH&MP for fine collection purpose whose salaries were paid on 50:50 share basis. Audit contended that trauma centers on M-2 are the responsibility of M/s More as the project has been handed over to them and both centers are inoperative. DAC directed to withdraw or transfer the employees to NH&MP and utilize/handover the services, if required, or their contracts will be terminated.

Compliance to the DAC's directive was not made despite lapse of a period of two years.

Audit recommends early compliance to the DAC's directive.

(DP. 405/2015-16)

4.4.62.2 Audit noted that National Highway Authority (General Manager Maintenance (M-2, M-3) Kallar Kahar) executed a concession agreement for overlay and modernization of M-2 (Motorway) with Motorway Operations and Rehabilitation Engineering Pvt. Ltd (MORE) on 23rd April, 2014.

Audit observed that 98 employees of NHA were deployed on M-2 project during 2014-15 at different locations. The concessioner M/s MORE taken over the charge of work in April, 2014 on M-2 and started the overlay work. After handing over the M-2 (motorway) to concessioner, there was no need to deploy the NHA staff there. This resulted in into unjustified expenditure of Rs 57.397 million on pay and allowances.

Audit pointed out the irregularity in August, 2015. The department did not furnish reply.

The matter was discussed in the DAC meeting held in January 2016, wherein the NHA explained that the Officers and staff are working with dual charge and staff has been reduced from 149 to 81. DAC directed to rationalize the staff/strength and submit revised reply with justification.

Compliance to the DAC's directive was not made despite lapse of two years.

Audit recommends early compliance to the DAC's directive.

(DP. 407/2015-16)

4.4.63 Unjustified change in scope of work through Variation Orders - Rs 64.483 million

According to Para 101 of NHA Code, 2005 (Volume-I) when it is found that a variation / change or order or amendment is necessitated owing to a defect in design, estimates or drawing etc., the engineer concerned/consultant who prepared the design, estimates or the drawing shall be called upon to explain reasons for preparation of a defective design. Issuance of variation orders in such a situation shall require reasons to be recorded clearly in writing. Necessary procedure specifying the action to be taken in different cases of this nature shall be issued by the Member/Director General (Admn) in consultation with Member (Planning)/Member (Operations) / (Construction). 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 "Periodic Maintenance work (Structural overlay) between Km 00+000 - 06+000 on N-50" vide Contract No. PM-13-14-BN-03) to M/s Ghazi Enterprises on 16th September, 2014 for Rs 76.728 million against Engineer Estimate of Rs 91.473 million having completion Period of 180 days. Audit further noted that after award of work, consisting Asphaltic Base Course and Wearing Course on 06 Km i.e. from 00+000 to 06+000, the scope of work was changed towards treatment of earthen shoulders to treated shoulders from Km 000 to 28+500 with Aggregate Base Course and Double Surface Treatment (DST). The Authority also approved VO-II

of Rs 76.728 million through re-appropriation and 6th & final bill was recorded for Rs 64.483 million.

Audit observed that after award of work, change of location and addition of new road portion in the already awarded work was against the provisions of the NHA Code and violation of the directions of the PAC. This resulted in an unjustified change of location and scope of work of Rs 64.483 million.

Audit was of the view that irregularity was due to weak internal controls.

Audit pointed out the issue in October 2017. The Authority replied that change in location was due to the fact that the existing 06 Km road section was in good condition without any major defect in pavement. Earthen shoulders from Km 00+000 to 28+500 having defective stretches were treated with aggregate base course followed by Double Surface Treatment (DST) to save the existing pavement structure, to maximize the road users benefit and structure safety of NHA route. The reply was not acceptable as tender was called for Asphaltic Base Course and Wearing Course on six (06) Km road which was substituted for execution of the work on shoulders (28.5 Km) without open competitive bidding / post-bid amendment and defective estimation provided undue benefit due to major change in scope of work. Competition was based on “Structural Overlay” where the lowest bidder offered rebate 16.12% below but scope of work was changed to “treatment of earthen shoulders” comparatively cheaper item and having lesser efforts for execution. Had scope clearly defined it would have fetched competitive and economical rates.

The matter was discussed in DAC meeting held in January 2018. Audit contended that post-bid amendment was made to favour the contractor. Structural overlay was replaced with less sustainable activity of treatment of earthen shoulder. DAC directed NHA that issue may be examined by General Manager (Internal Audit) and report along with action taken be submitted to Audit for verification.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends investigation and corrective measures.

(DP. 301)

4.4.64 Non-recovery of ROW dues from filling stations and other business operators - Rs 53.636 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.

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.

Audit noted that 128 filling station users of NHA ROW were running their business under jurisdiction of GM (Maintenance) Northern Areas and GM (Gilgit-Baltistan) without payment of ROW charges/NHA dues. Among the defaulters are the owners of CNG Filling Stations, Petrol Pumps. Audit further noted that authority did not take any action against the other business operators (plazas, hotels Etc.) using right of way of NHA which put the Authority in to loss of millions of rupees.

Audit observed that these users were operating their business for many years without paying the ROW dues to the NHA, Authority was,

therefore, deprived of revenue amounting to Rs 53.636 million. Non-adherence to rules/SOP caused non recovery of ROW dues.

Audit communicated the non-recovery in July 2017. The Authority admitted the recovery.

The matter was discussed in the DAC meeting held in November 2017, wherein, NHA explained that efforts were being made to recover the outstanding dues. An amount of Rs 9.8 million had been recovered and fresh notices served to defaulting operators. NHA further explained that digitization/data base of NHA RoW is under process and dedicated efforts are underway to improve system and enhance revenue. DAC directed NHA to generate computerized bills and provide progress report on digitization and revenue collection to Audit for verification.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides recovery of ROW dues.

(DP. 09, 165)

4.4.65 Unauthorized expenditure on construction of service road outside Motorway fence on NHA Land for the benefit of Private Housing Societies - Rs 53.331 million

As per rule 10 and 10 (iv) of General Financial Rules (Volume-I) every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Public moneys should not be utilized for the benefit of a particular person or section of the community.

Audit noted that as per approved PC-I of M-1 Motorway project, a longitudinal ditch was proposed at the toe of the embankment to catching terrain run off. The ditch was provided to prevent unauthorized access to the ROW, to serve as a drain and dispense with the need of a fence. It was

also anticipated that in areas where the water table is high, the ditches will also function as scarp drains. There was no provision of service roads along motorway in the approved PC-I.

Audit observed that service road within the ROW was constructed unauthorisedly near Hakla Service Area without approval of competent forum i.e. ECNEC. Service road was constructed outside the fence, therefore, of no utility for NHA. This road was not in the use of NHA and being used by different Housing Societies i.e. Gulshane Sehat, Army Welfare Trust Scheme, Margalla View Housing Society etc. as Access Road to Fateh Jang Road. The expenditure on this service road (Construction cost only) was Rs 35.554 million. Land acquisition cost of the area under service road was not available with NHA, which is approximately 50% of the construction cost i.e. Rs 17.777 million. Thus NHA incurred an expenditure of Rs 53.331 million on service road unauthorisedly at the cost of public exchequer against the rules.

Audit was of the view that irregularity occurred due to weak financial controls.

Audit pointed out the matter in August 2014. The Authority replied that construction of Motorway (M-1) not only caused to split the lands of the locals but also caused to separate the houses of the nearby villages. The passage of the locals across motorway became impossible and they faced a lot of difficulties to reach their lands from one side to another. Due to this reason, the affected peoples had protested and demanded service roads to inter connects already constructed cattle creeps and underpasses in order to facilitate the passage of general public of the concerned localities across the motorway. Moreover, all constructed service roads have been provided within ROW and no new land has been acquired for this purpose. Provision of cost for all these service roads had been included in Revised PC-1, approval of which was under process.

The reply was not tenable because service roads within ROW were provided by NHA to facilitate private housing schemes against PC-I

provision of the project. Approval of competent forum ECNEC was also not obtained.

The matter was discussed in the DAC meeting held in November 2014 wherein the DAC observed that Service Roads were constructed and huge expenditure was incurred by NHA on its ROW without provision in the PC-I of the M-1 Project that was beyond the approved project. NHA informed that the expenditure incurred was incorporated in the revised PC-I of the Project which was pending for approval due to litigation with the Contractor for main Project. Audit contended that the expenditure on service roads was incurred to facilitate the private housing societies. DAC directed NHA to get the process of approvals with justifications verified from Audit.

Compliance to the DAC's directive was not made despite lapse of a period of more than three years.

Audit recommends early compliance to the DAC's directive besides action against the person(s) responsible.

(DP 81/2014-15)

4.4.66 Non-completion of works by contractor - Rs 10.230 million and non-imposition of liquidated damages - Rs 7.800 million

As per conditions of agreement, the completion period for the project Wazirabad Bypass was nine (09) months.

Audit noted that Rehabilitation of Wazirabad Bypass project on N-5 (NBC&SBC) was awarded to M/S KNK (Pvt) Ltd. for a bid cost of Rs 78.003 million. Completion period of the project was 09 months. The commencement date was 16th February, 2004. The work was to be completed by 16th November, 2004 but extended up to 10th January, 2006.

Audit observed that the contractor failed to complete the whole work assigned to him and left 30% work incomplete. The cost of left over work was calculated for Rs 10.230 million by Project Director vide letter

No.PD(WBP/NHA/WZD/6/280 dated 19th May, 2006. Audit was of the view that left over work be completed through contractor or it will be carried out from someone else at the risk and cost of M/S KNK Pvt. Ltd.

Audit further observed that the Authority did not impose the penalty in shape of liquidated damages on the contractor amounting to Rs 7.800 million.

Audit pointed the issue in April 2017. The Authority did not furnish reply.

The matter could not be discussed in the DAC meeting despite requests by Audit.

Audit recommends for investigation and fixing of responsibility.

(DP. 312,314)

4.4.67 Unauthentic execution of work against day-work - Rs 40.099 million

According to Para 209 (d) of CPWA Code, as all payments for work done are made on the basis of quantities recorded in the Measurement Book (MB), it is 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 the contents or area.

Audit noted during scrutiny of last running bills paid against all four packages of the project Alpuri-Besham that day-work for Rs 40.099 million was paid to the contractor.

Audit observed that record entries of the day work with justification/calculation of rates paid were not made in the measurement books. This resulted in unauthentic execution of work for Rs 40.099 million.

Audit was of the view that non-recording of details of day work in the measurement books was due to weak internal controls.

Audit pointed out the matter in March 2017 but the Authority did not reply.

The matter was discussed in the DAC meeting held in November, 2017 wherein, NHA explained that entries had been recorded in M.B. DAC directed that addendum-1/contractual provision, approval of the Day work and basis of the applied rates of Machinery hours and labour manpower be got verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 88)

4.4.68 Excess percentage of overheads than the salary cost in violation of RFP resulted in excess payment of Rs 34.704 million and US\$ 170,599

As per FIN-2 of RFP regarding breakdown of rates for consultancy contract in respect of hiring of Assistant to Employer (AER) on Karachi Lahore Motorway Multan-Sukkur Section, eight (08) columns were provided as:-

1	2	3	4	5	6	7	8
Basic Salary per month	Social Charges (% of 1)	Overhead (% of 1&2)	Sub Total	Fee (% of 4)	Rate per month for project office	Field Allowance	Rate per month for field work

Further, the note-1 regarding the above items provides that the minimum percentage of item (1) should be preferably 50% of (8).

Audit noted that NHA awarded a contract for Assistant to Employer (AER) on the above said project to M/s SMEC Pty. Ltd in JV

with M/s EGC-ACE, IAC, ECSP, NDC and M/s TRS with the bid cost of Rs 1,112.618 million and US\$ 3.849 million.

Audit observed that the consultant provided basic salary rates as 33.84% of the total rate per month and overheads were provided as 168.6% of salary cost in violation of RFP. Audit was of the view that the salary rate was decreased by the consultant from 50% to 33.84% in violation of RFP just to enhance their profit and the employees were paid less. Audit recommends that the overheads and other fees, etc. should be equal to the salary cost i.e. 50% - 50%. This resulted in excess provision of overheads Rs 286.548 million and US\$ 1.073 million. An update amount of Rs 107.377 million and US\$ 527,845 was paid to the consultant, which involved an excess payment of Rs 34.704 million and US\$ 170,599.

Audit was of the view that excess payment was due to weak internal/financial controls.

Audit pointed out the issue during August-September 2017. The Authority replied that the minimum percentage of item(1) should be preferably 50% of (8) but it is not binding. Moreover, actual basic salary rates percentage of the total billing rate is not 33.84% as AER reduced their final billing rates by reducing their overheads. The reply was not tenable because the consultant reduced their rates but the percentage applied for salary cost and overheads are same. It was clearly mentioned in the RFP that the salary should be 50% of the total rate. The consultant just enhanced the overheads for the profit of the company and employees are paid less.

The matter was discussed in the DAC meeting held in December 2017, wherein, DAC directed NHA to ensure implementation of contract clause and take up the matter with consultant to maintain proportion of salary of staff @ 50% of the total charges as agreed in the contract agreement.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 191)

4.4.69 Un-authorized change in rate and quantities after rationalized bid and approved PC-I resulted in extra benefit to the contractor - Rs 30.590 million

As per approved revised PC-I of the project Peshawar-Karachi Motorway, Multan-Sukkur Section, under Bill No. 2, maintenance cost of operation, training and maintenance of ITS System was provided @ 182,082 per month with a quantity of 36 months involving Rs 6.555 million for one section.

Audit noted that NHA invited bids for construction of Peshawar-Karachi Motorway Section-II Multan-Sukkur Section (392 KM) with estimated cost of Rs 240,158.390 million. Three Chinese firms participated and M/s China State Construction Engineering Corporation Limited submitted lowest bid of Rs 406,332.270 million. As the bid was on higher side, negotiations were held with the bidder and after some meetings the bidder submitted a rationalized bid amounting to Rs 294,352.00 million and the same was accepted by the Authority and work awarded accordingly. Audit further noted that the rationalized bid/BOQ of the contractor was put in the PC-I and the ECNEC approved the revised PC-I of the project accordingly in December 2015.

Audit observed that during execution of the project, the rate of above item was increased as Rs 546,246 per month and the quantity was decreased to 12 months for keeping the item cost within the BOQ amount. This resulted in irregular change of rate and quantities after rationalized bid and approved PC-I resulted in extra benefit of Rs 30.590 million to the contractor.

Audit was of the view that irregularity was due to weak internal/financial controls.

Audit pointed out the issue during August-September 2017 but the management did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, DAC directed NHA to take-up/re-negotiate the matter with contractor to enhance the period to 36 months in line with defect liability period without any effect on overall contract cost.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 183)

4.4.70 Non-deduction of sales tax from the consultant's payments - Rs 27.092 million

As per letter No. 6(174)GM(Engg. Coord)/HQ/NHA/16/260, dated 2nd September, 2016 addressed to Director Asian Development Bank Manila for approval of Addendum-4 in respect of consultancy services by the GM Engineering Coord NHA Islamabad, Remuneration and Out of Pocket Expenditure (OPEs) are subject to Income Tax @ 15% for foreign component and 8% for local component. The General Sales Tax is applicable @ 15% on foreign as well as local component. Taxation is followed as per the law of Government. However, if any change in the contract cost arises, during the currency of the contract, due to modification in the mode of applicability of GST, a subsequent addendum will be forwarded to ADB for their concurrence.

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 01st July, 2015.

Audit noted that NHA awarded a contract for Design Review and Construction Supervision to M/s Minconsult and agreement was signed on 14th June, 2006 with the cost of Rs 169.093 million and US\$ 2.412 million. Audit further noted that two projects were awarded on N-70 and N-50 on 14th January, 2016 for which the consultancy was also awarded to the same consultant and agreement rates were increased through addendum-4. The total agreement cost revised as Rs 505.317 million and US\$ 5.253 million.

Audit observed that as per above letter the Authority clearly provided to ADB that the remunerations and out of pocket expenses were subject to sales tax @ 15% but during the year 2016-17, the Authority paid an amount of Rs 180.611 million (Rs 70.301 million as local currency and Rs 110.310 million as foreign currency) on account of consultancy services to M/s Mincounsel without deduction of 15% sales tax. This resulted in overpayment due to non-deduction of sales tax amounting to Rs 27.092 million.

Audit was of the view that overpayment was due to weak internal/financial controls.

Audit pointed out the issue during September 2017. The management replied that NHA had approved the GST at the rate of 15% in Addendum-4. The Minconsultant International Ltd, are regularly depositing the required GST. The reply was not tenable because as per payment vouchers, deduction of sales tax was not verified. Moreover, as per Trial Balance of the project there was no head of account regarding General Sales Tax.

The matter was discussed in the DAC meeting held in December 2017, wherein, DAC directed NHA to authenticate the deposit by FBR.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 210)

4.4.71 Overpayment due to allowing enhanced rate - Rs 25.364 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. Provided further that no change in the rate of any item contained in the contract shall be considered unless such item accounts for an amounts more than 2 percent of the contract price, and the actual quantity of work executed under the item exceeds or falls short of the quantity set out in BOQ by more than 30% and applicable to the varied quantity only i.e. starting from 130 percent to onward and if quantity of an BOQ item is reduced more than 30 % the change in rate will be applicable for to all left over remaining quantity.

Audit noted that BOQ quantity of item of work "Asphaltic Base Course" was decreased from 27,000 Cu.m to 16,944 Cu.m due to reduction in thickness from 14cm to 8cm. Audit further noted that the NHA Board in its 272nd meeting held on January 16, 2017 approved in principal the variation of item and its re-rating @ Rs 19,158 per Cu.m for a quantity of 11,861 Cu.m out of 16,944 Cu.m. The Authority executed and paid said item for a quantity of 7,792.885 Cu.m upto IPC No14.

Audit observed that NHA Board approved revised rate for quantity 11,861 Cu.m and balance quantity of 5,083 Cu.m (16,944-11,861) was required to be paid at BOQ rate i.e. Rs 12,608 Cu.m. But the Authority measured and paid quantity of 1,210.537 Cu.m at BOQ rates and allowed revised rate @ Rs 19,158 Cu.m for quantity 6,582.346 Cu.m. Hence, allowing enhanced rate resulted in overpayment of Rs 25.364 million.

Audit pointed out the overpayment in September 2017. The Authority replied that only approval of amendment was required by NHA Executive Board. As per COC, clause 52.2 the new rate were to be applied on whole quantities (in case of reduction more than 30%). The reply was

not tenable as per contract agreement 100+30 was effective contract price, the revised rate duly approved was applicable on the quantity increasing/ decreasing this limit and NHA Board had already clarified application of revised rate for a quantity of 11,861 Cu.m.

The matter could not be discussed in the DAC meeting despite best efforts by Audit.

Audit recommends early recovery.

(DP. 397)

**4.4.72 Loss due to toll operation departmentally on interim basis -
Rs 24.242 million**

As per para 12(a) and (d) of NHA Code Volume-I chapter 11 provides that, "In the event of an emergency arising from the premature termination of contract or due to suspension of the toll collection by the contractor for reasons beyond his control, the General Manager (Region) after seeking approval of the Chairman, NHA, shall collect the toll revenues departmentally till award of a fresh contract. d) Upon finalization of the procurement plan and preparation of the tender documents, a notice for procurement of O&M Contractor shall be issued in the leading daily newspapers, preferably 30 days before the day fixed for holding the proposed procurement.

Audit noted that NHA awarded five (05) contracts for the period of one year. As per the revenue statements F.Y 2014-15 & 2015-16 provided by Revenue Section (Finance Wing) after its expiry the toll plazas were handed over to regional G.Ms for running which was not acceptable as per NHA code as handing over should be done only if the contractors stop running toll plazas before expiry of its period due to any default or premature termination by NHA or reasons beyond control of contractor.

Audit observed that contractors performed well in their awarded periods after expiry without any reason the NHA management run these toll plazas on interim basis for more than 7 months with less revenue as

compare to the amount received after re-awarding. Audit was of the view that tendering process should be completed before expiry of contracts which was not done by NHA management and keeping of toll plazas without any emergency or premature termination of contracts before expiry was totally unjustified. This resulted into a loss of Rs 24.242 million.

Audit was of the view that this mismanagement of NHA was due to negligence, weak internal and financial controls.

Audit pointed out loss in April 2017, but the Authority did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, Audit contended that there was huge difference in departmental collection and bid. DAC directed NHA to conduct a fact finding inquiry.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides fixation of responsibility for loss.

(DP. 120)

4.4.73 Overpayment due to paying excavation cost twice - Rs 21.399 million

Contract specification item No. 106.3.1 provides that cost of excavation of material which is used anywhere in the project shall be deemed to be included in the pay item relating to the part of the work where the material is used.

Audit noted that work Widening/Improvement of Alpuri-Basham Road (N-90) Lot-I was awarded to M/s AM & Co at agreed cost of Rs 353.115 million and Widening/Improvement of Alpuri-Basham Road

(N-90) Lot-II was awarded to M/s Muhammad Irshad & Co at agreed cost of Rs 332.521 million (Revised cost through VO-I Rs 488.259 million).

Audit observed that stone masonry work for a quantity of 35,072 Cu.m was executed under item No. 411a, 411b & 412a. Audit further observed that 35,073 Cu.m of rock/stone was utilized in stone masonry work so it should not be paid separately under item No. 106d(i) because cost of excavation was already included in the stone work item where the excavated material was used. Due to paying excavation once under item No. 106d(i) and secondly under item No. 411(a), 411(b) & 412(a) the contractor was overpaid for Rs 21.399 million

Audit was of the view that the overpayment occurred due to non-adherence to the provision of contract agreement/specification and ineffective implementation of technical, financial and internal controls.

Audit pointed out the irregularity in August 2017. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, NHA informed the Committee that recovery of Rs 6.994 million out of Rs 10.266 million in one case and Rs 1.436 million out of Rs 11.133 million in other case has been made. DAC directed NHA to effect remaining recovery and get the record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive regarding remaining recovery.

(DP. 91)

4.4.74 Overpayment due to allowing escalation on provisional sum items - Rs 18.362 million

According to Clause 13.8 of agreement, the amounts payable to the contractor shall be adjusted for rises or falls in the cost of labour, goods and other inputs to the work by the addition or deduction of the amounts determined by the formula prescribed in this sub-clause. To the extent that full compensation for any rise and fall in costs is not covered by the provisions of this or other clauses, the accepted contract amount shall be deemed to have included amount to cover the contingency of other rises and falls in cost. The adjustment to applied to the amount otherwise payable to the contractor, as valued in accordance with the appropriate schedule and certified in payment certificates, shall be determined from formula for each of the currencies in which the contract price is payable. No adjustment is to be applied to work valued on the basis of cost or current prices.

Audit noted that National Highway Authority allowed escalation on value of work done Rs 9,723.186 million for Qila Saifullah-Zhob and on Rs 8,401.343 million for Sukkur-Jacobabad Project.

Audit observed that price escalation due to increase in rates of specified material was calculated including value of provisional sums utilized on current prices and escalation was not admissible on work valued on the basis of cost or current prices. This resulted in overpayment of Rs 18.362 million.

Audit was of the view that overpayment occurred due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out overpayment in August 2015. The Authority did not reply.

The matter was discussed in the DAC meeting held in January 2016, wherein Audit contended that escalation was allowed contrary to the provision of the PEC standard procedure on the material having lesser

than 5% element of cost, material not used in the currency of the respective IPC, paid on provisional sums & general items, temporary works. NHA informed that escalation was allowed as per provision of contract. Audit explained that the identical nature paras were already printed in previous Audit Report and presented to PAC for final decision. The DAC pended the para till receipt of the decision by the PAC.

(DP. 139/2015-16)

4.4.75 Non-forfeiture of performance bond due to non-commencement of work - Rs 17.748 million

According to Clause 41.1, the contractor shall commence the works on site within the period provided in Appendix-A to Bid from the date of receipt by him from the engineer of a written notice to commence. Thereafter, the contractor shall proceed with the works with due expedition and without delay. According to agreement signed with the Contractor on 28th August, 2015, the Contractor was required to commence the work within 14 days from the date of receipt of Engineer's notice to commence which shall be issued within fourteen (14) days after signing of contract agreement.

Audit noted that the General Manager (Maintenance) Baluchistan (West) NHA, Khuzdar, called and opened tenders for the work "Periodic maintenance (Functional overlay) between km 282+000-km 344+000, km on N-10 (Contract No. PM-2013-14-BS-01)" on 27th April, 2015. The work was awarded to M/s HRK & Co on 23rd June, 2015 at agreement cost of Rs 177.489 million which was 2% above the engineer estimate of Rs 174.008 million based on NHA CSR, 2011 plus 15%. Agreement was signed on 28th August, 2015 and date of commencement of work was reckoned from 2nd October, 2015 and was to be completed upto 4th April, 2016.

Audit observed that the contractor failed to start the work which was required to be commenced on 2nd October, 2015 and to be completed in all respect upto 4th April, 2016. But the Authority did not initiate action against the contractor toward encashment of Performance Bond under the

provisions of the agreement. This resulted in non-forfeiture of performance bond submitted by the contractor of Rs 17.748 million.

Audit was of the view that the performance bond of the defaulting firm was not encashed due to poor monitoring system and internal controls.

Audit pointed out the non-forfeiture of performance bond in October 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held in January 2017, wherein, the DAC directed NHA to conduct inquiry and get the record verified from Audit.

Compliance to the DAC's directive was not made despite lapse of a period of one year.

Audit recommends early compliance to the DAC's directive.

(DP. 203/2016-17)

4.4.76 Overpayment due to incorrect implementation of revised rates - Rs 15.312 million

According to Condition No. 12.3 of General Conditions of Contract, for each item of work, the appropriate rate or price for the item shall be the rate or price specified for such item in the contract or, if there is no such item specified for similar work. However, a new rate or price shall be appropriate for an item of work if the measured quantity of the item is changed by more than 25 % from the quantity of this item in the Bill of Quantities (BOQ) or other Schedule.

Audit noted that NHA awarded the work "Construction of Hassanabadal-Havelian Expressway (E-35)" to M/s China Gezhouba Group Company Limited – M/s Ghulam Rasool & Company (Pvt) Ltd (JV) with an agreed cost of Rs 7,376.968 million. Audit further noted that

due to change in scope of work, 03 items were rerated and cost per unit was increased.

Audit observed that General Manager of the project implemented revised cost per unit on 25% increased quantities as well whereas as per rule referred above it should be implemented on the measured quantity which is increased by more than 25%. This resulted into overpayment of Rs 15.312 million due to higher rates.

Audit was of the view that overpayment was made due to weak internal financial controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out overpayment in August 2017. The Authority replied that as per contract clauses 12.1, 12.2, 12.3 and 13, the rate of any items, once re-appropriated under the above said provision of Sub-Clause-12.3(a), shall be applicable to quantities enhanced to 125% under the revised BOQ. No condition of the Contract provides that the said re-appropriated rate shall be applicable only to the quantities in excess of 125%.

The reply was not acceptable because the rate was to be changed when quantity against that individual item exceeded 25%. The revised rate was therefore, applicable to the quantity in excess of 25%.

The matter was discussed in the DAC meeting held in November 2017, wherein, the DAC was of the view that already established principle be followed. DAC directed that GM (B&A) and GM (IA) will examine the issue and submit report.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides recovery of overpaid amount.

(DP. 48)

4.4.77 Overpayment due to non-reduction in quoted rate of BOQ item - Rs 14.547 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. Provided further that no change in the rate of any item contained in the contract shall be considered unless such item accounts for an amounts more than 2 percent of the contract price, and the actual quantity of work executed under the item exceeds or falls short of the quantity set out in BOQ by more than 30%.

Audit noted during audit of Jalalpur Pirwala-Uch Sharif Section of Shujabad TMA Road project, Package-III, that BOQ quantity of item of work “Formation of embankment from borrow excavation in common material” was provided for a quantity of 392,399 Cu.m. The Authority in 2011 got approved additional quantity of 327,608.88 Cu.m @ Rs 399 per Cu.m of said item of work and paid accordingly through variation order No. 01. Audit further noted that the rate of item in CSR 2011 NHA for District Bahawalpur was Rs 351.24 Cu.m but the department did not revise/ re-fix the rate of item under clause 52.1 for excess quantity.

Audit observed that the quantity of said item was increased by more than 30% during execution; hence, the rate of the item should also be re-fixed. The item was required to be paid under item 108c of CSR 2011 for District Bahawalpur “Formation of Embankment from Borrow Excavation in Common Material” @ of Rs 351.24 Cu.m. Thus, allowing of higher rate than the admissible resulted in overpayment of Rs 14.547 million.

Audit pointed out non-recovery in September 2017. The Authority replied that due to change in alignment the quantities of embankment increased more than 30% and the VO-01 prepared. The rate of HSD enhanced up-to Rs 106 per Liter. The contractor was not willing even on

his quoted rates. Neither rates were enhanced nor the CSR-2011 approved during the preparation of VO-01. As the rates of Bid amount paid after taking of undertaking from contractor, so observation may please be dropped. The reply was not satisfactory because rate of item where contractor quoted high rate was not reduced by the Authority on the same basis where rates of items were enhanced and quoted rate was on lesser side.

The matter could not be discussed in the DAC meeting despite best efforts by Audit.

Audit recommends early recovery.

(DP. 398)

4.4.78 Less recovery from the toll plaza contractor - Rs 9.561 million

As per para 1.37 of NHA Financial Manual, the General Manager Finance shall coordinate with all the Regional/Project Accounts Offices in the matters of preparation of budgets, consolidation of expenditure and income accounts.

Audit noted that toll income for the financial year 2015-16 was Rs 15.574 billion, whereas in the financial year 2014-15 the income for the toll plaza was Rs 16.048 billion, as evident from the financial statements for the year 2015-16.

Audit observed that quantum of vehicles was being increased day by day whereas the toll income had been decreased. Further, probe into the matter reveals that the less recovery was effected from the contractors of toll plazas.

The case of Harro ETTM (toll plaza) was examined and observed that the toll plaza was awarded to M/s Abdallian Brothers with contract value Rs 241.500 million per annum. The contract was effective up to 30th June 2014, whereas contract was ended on 8th December, 2015 without obtaining any extension orders from the competent authority. After vacation the toll plaza was handed over to NHA staff on 09th December,

2015. The contractor deposited Rs 96.963 million for the period 1st July, 2015 to 8th December, 2015 (161 days) @ Rs 0.602 million per day whereas recovery to be effected was Rs 106.525 million @ Rs 0.662 million per day as per contract agreement. This resulted in less recovery of Rs 9.561 million from contractor M/s Abdali Brothers.

Audit was of the view that less recovery occurred due to lack of oversight mechanism for exercising internal and financial controls.

Audit pointed out less recovery in May 2017, but the Authority did not reply.

The matter was discussed in the DAC meeting held in January 2018 wherein, NHA explained that the case was under arbitration and arbitral award was yet to be made a rule of court by competent authority. Therefore, final recovery would be effected accordingly. DAC directed NHA to expedite rule of court, effect recovery and get it verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early recovery.

(DP. 140)

4.4.79 Overpayment due to price adjustment - Rs 9.540 million

As per Para 6.1 of standard procedure and formula of price adjustment, 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.

Users of the formula may add, substitute or delete any element as deemed appropriate. They would then decide on the weightages or coefficients for the elements.

Audit noted that National Highway Authority (GM North Punjab Lahore) got executed the work Construction of NH & MP office building at Babu Sabu Lahore (Package-1) by M/s Zoraiz Engineers (Pvt) Ltd for Rs 93.359 million against PC-I/estimated cost of Rs 82.765 million with a stipulated period of two years.

Audit observed that the Authority calculated and paid price escalation on steel, aluminum and skilled labour which was not admissible as per PEC clarification. This resulted into an overpayment of Rs 9.540 million.

Audit was of the view that overpayment was due to weak internal/financial controls.

The matter was discussed in the Departmental Accounts Committee meeting held in December, 2014 wherein the DAC directed NHA to get the record verified from Audit.

Compliance to the DAC's directive was not made despite lapse of a period of three years.

Audit recommends early compliance to the DAC's directive besides recovery of overpaid amount.

(DP 343/2014-15)

4.4.80 Unjustified and irregular lease of commercial land without competition and at lesser rent - Rs 8.996 million

Rule 20 of Public Procurement Rules, 2004 provides that the procuring agencies shall use open competitive bidding as the principal method for the procurement of goods, services and works.

Audit noted that NHA signed a lease agreement to allot a piece of commercial land to Miss. Mehwish Amin Khan for petrol pumps in Gujar Khan in the year 2003 which was remained active upto June 2012.

Audit observed that location of commercial property was changed on the request of the licensee and the Chairman NHA accorded approval for the change of location for Gulino Chowk Gujar Khan to 26 No. Chungi, Jhangi Syedan near Motorway Chowk Islamabad. 03 kanal 09 marlas commercial land on prime location was allotted on nominal rent. Cost of land was assessed Rs 25,000 per Marla i.e. Rs 500,000 per kanal for Jhangi Syedan, Islamabad on which rent was worked out. Commercial land was allotted on lease without competition and lawful authority. Much less cost was worked out @ Rs 25,000 per marla whereas, rates for commercial property in that area were Rs 1,500,000 to Rs 2,000,000 per Marla. The lease agreement for allotment of commercial land was made without observing codal rules, by giving undue favour to the allottee/licensee. This resulted into unjustified/irregular leasing of commercial land at much lower rent, which was loss to the NHA of Rs 8.996 million.

Audit was of the view that loss was due to weak internal/financial controls.

Audit pointed out the loss in September 2017 but the Authority did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit.

Audit recommends investigation into the matter for fixing responsibility against the person (s) at fault besides re-assessment of the actual sale price of commercial land and amendment of lease as per actual market rates.

(DP 352)

4.4.81 Overpayment due to allowing price escalation on un-justified weightage - Rs 8.395 million

As per PEC standard procedure and formula for price adjustment March 2009 “C” procedure, each cost element determined as above, shall be divided by the total amount of Engineer’s Estimate to determine various weightage.

Audit noted that the project “Rehabilitation of Kohala Muzaffarabad Road “S-2” Package-I damaged due to rain and 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 the weightage of steel provided in Appendix C as 0.178 by weight. Audit further observed that quantity of steel was taken in BOQ as 3,000 Ton, but after increasing in scope of work 56% the quantity of steel utilized at site was 2,833 Ton. This clearly indicates that the weightage of steel provided in Appendix C was not correct. This resulted into un-justified payment of escalation of steel items for Rs 8.395 million.

Audit pointed out the violation in September 2015 the department replied that the bill of quantities had been worked out in the PC-1 by NESPAK. The inclusion of 3,000 tons of steel by NESPAK in the globally prepared estimate cannot justify by the PD (S-2) & Supervisory Consultant. The issue of working out formula for price adjustment March-2009 “C” procedure each cost elements determined as above, shall be divided by the total amount of engineer estimate to determine various Weightage.

In reply it was admitted that excess quantity of steel was taken for calculation of price adjustment by the NESPAK.

The matter was discussed in the Departmental Accounts Committee meeting held in January and February 2016, wherein Audit informed that factor-C of steel was calculated on the basis of 3000 ton

steel whereas only 2833 ton steel was utilized despite inclusion of the additional works. Therefore, factor-C was required to be recalculated for the price adjustment. The DAC directed that relevant record i.e. engineer's estimate, calculation of factor-C, BOQ, MBs, proof of actual execution and final bill may be provided to Audit for verification.

Compliance to the DAC's directive was not made despite lapse of two years.

Audit recommends early compliance to the DAC's directive besides recovery of overpaid amount.

(DP. 222/2015-16)

4.4.82 Less recovery of Income Tax on consultant payments - Rs 5.512 million

As per section 152(1) of Income Tax Ordinance 2001, "Every person paying an amount of royalty or fees for technical services to a non-resident person that is chargeable to tax under section 6 shall deduct tax from the gross amount paid at the rate specified in Division IV of Part I of the First Schedule". Further, as per Appendix-E of the contract agreement, the income tax was to be deducted on gross amount.

Audit noted that NHA awarded the work for consultancy service of Hassanabadal-Havelian Expressway (E-35) Project at an agreed cost of Rs 193.374 million vide acceptance letter No.13 dated 02nd January, 2015 to M/s Dohwa Eng Co. Ltd.

Audit observed during scrutiny of invoices paid to the consultant that Income Tax was deducted after the deduction of sales tax from the gross amount of the invoices whereas as per rule referred above it should be deducted on gross amount and not on net amount of payment. This resulted into non-recovery of Income Tax on gross amount of consultant fee for Rs 5.512 million.

Audit pointed out less recovery of income tax in August 2017. The Authority replied that necessary recovery will be effected in subsequent invoice and the same will be verified to the audit.

The matter was discussed in the DAC meeting held in November 2017, wherein, NHA explained that recovery has been made. DAC directed to get the recovery verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive regarding recovery of income tax.

(DP. 52)

4.4.83 Overpayment due to measurement of steel weight on higher side as compared to the steel actually used in the work - Rs 4.369 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.

Audit noted that the work Construction of Takhtbhai Flyover at Takhtbhai (N-45) was awarded to M/s RMC at agreed cost of Rs 582,124,070. IPC-16 was paid in March 2017 with total value of work done Rs 466,248,966.

Audit observed during examination of the sample test reports of steel by different Engineering Universities that steel of 10 mm to 36 mm dia was used as under dia/under size/underweight but while making payment of steel, the weight of steel measured theoretically as per weight computation table given under respective specification instead of actual weight as mention in the lab test reports. Due to measurement of steel

weight on higher side as compared to the weight of steel actually used in the project resulted into an overpayment of Rs 4.369 million.

Audit was of the view that the overpayment occurred due to non-adherence to the provision of government rules/interest of the authority and ineffective implementation of financial and internal controls.

Audit pointed out the irregularity in August 2017. The Authority admitted the overpayment and stated that its adjustment would be done in final bill of the contractor.

The matter was discussed in the DAC meeting held in December 2017, DAC directed that fact finding inquiry be conducted by Material Engineer (M&E) NHA within one week and report be submitted to Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 99)

4.4.84 Non-recovery of sales tax - Rs 5.410 million

As per Appendix C & D of Consultant Agreement sales tax on services was required to be deducted @ 15% and it was to be deposited with Punjab and Khyber Pakhtunkhwa Revenue Authorities immediately after its deduction at source.

Audit noted during Scrutiny of accounts record of Director (AP) Hassanabadal-Havelian Expressway E-35 that an agreement for consultancy services for social safeguard and management consultant (SSMC) for E-35 (Hassanabadal-Havelian) was signed between NHA and M/s International Development Consultants (IDC) for Rs 47.277 million dated 19th March, 2015. Audit further noted from computerized statement of invoices being paid to the consultant that total up to date gross amount of Rs 36.068 million was paid to consultant.

Audit observed that Authority ignored the Government rules and also agreement clause for deduction of sales tax at source @ 15%. This resulted into non-recovery of Rs 5.410 million.

Audit was of the view that irregularity occurred due to non-adherence to the income tax department rules and weak financial controls.

Audit pointed out non-recovery in August 2017. The Authority replied that necessary recovery would be effected in subsequent invoice and the same will be verified to the audit

The matter was discussed in the DAC meeting held in December 2017, DAC directed that Member (Finance) will arrange the record. DAC pended the para for revised reply within 2 days.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive besides recovery of sales tax from consultant.

(DP. 53)

4.4.85 Non-finalization of the matter regarding embezzlement of GPF amount - Rs 2.837 million

General Financial Rule-23 (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 noted during examination of the accounts record of Finance Section NHA that two employees namely Mr. Mushtaq Ahmad, Assistant

Director and Syed Maqsood Hussain Shah, Steno typist embezzled an amount of Rs 3,867,400 during the period from 14th June, 1993 to 30th June, 1995.

Audit observed that the amount was embezzled by withdrawing from NHA Account and depositing it in the Account No.1920-3, opened unauthorizably in the Muslim Commercial Bank I-9 Islamabad. Subsequently, the matter was enquired by the Authority as well as NAB and an amount of Rs 1.030 million was recovered from Mr. Mushtaq Ahmad and Syed Maqsood Hussain Shah leaving a recoverable balance of Rs 2.837 million. NAB, Rawalpindi after death of Mr. Mushtaq Ahmad (accused) and acknowledged recovery from Syed Maqsood Hussain Shah (accused) abated the inquiry proceedings and reached at logical end. Thereafter, NHA submitted the matter to NHA Executive Board for writing off the loss of Rs 2.837 million. The NHA Executive Board decided to defer the matter for obtaining the views of Law & Justice Division. The matter was yet to be finalized

Audit was of the view that occurrence of embezzlement and non-finalization of the embezzlement case so far was due to inefficiency of the supervisory staff and lack of administrative, financial and internal controls.

The matter was discussed in the DAC meeting held in January 2015 wherein the DAC directed to forward the case to Executive Board for writing off. DAC pended the para.

Compliance to the DAC's directive was not made despite lapse of a period of three years.

Audit recommends early compliance to the DAC's directive.

(DP. 464/2014-15)

4.4.86 Wasteful/irrelevant expenditure from project account - Rs 2.064 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 National Highway Authority awarded two contracts for Up-gradation, Widening & Improvement of Zhob-Mughalkot Section of NHA N-50, (Lot-1, Zhob-Killi Khudae-Nazar) to M/s LIMAK-ZKB JV for an agreement cost of Rs 4,803.218 million and (Lot-II, Killi Khudae-Nazar to Mughalkot) to M/s Maqbool-Zarghoon (JV) for an agreement cost of Rs 4,043.635 million on 14th January, 2016.

Audit observed that the Authority paid an amount of Rs 2,064,937 to M/s Midas Communication Pvt Ltd on account of Ground Breaking Ceremony of the Up-gradation, Widening & Improvement of Zhob-Mughalkot Section of NHA N-50 through Voucher No. 03 dated 24th May, 2016. Half page and Quarter page advertisements were published in Daily Jung, The News, The Dawn and Express through such expenditure. Audit was of the view that publication of such material in press through a project which is funded through loan is unjustified and against the cannons of financial propriety. This resulted in wasteful/irrelevant expenditure of Rs 2.064 million.

Audit was of the view that irregularity was due to weak internal/financial controls.

Audit pointed out the issue during September-October 2017. The Authority did not reply.

The matter was discussed in the DAC meeting held in December 2017, wherein, DAC pended the para for detailed justification of the expenditure.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 252)

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 dealt 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 offices.

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 143-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 2016-17 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	3,675.440	3,619.582	(55.858)	(1.52%)
51-Federal Lodges	88.773	89.299	0.526	0.59%
Sub-Total	3,764.213	3,708.881	(55.332)	(1.47%)
143-Capital Outlay on Civil Works	12,426.916	11,386.729	(1,040.187)	(8.37%)
Grand Total	16,191.129	15,095.610	(1,095.519)	(6.77%)

The total budget allocation for the year 2016-17 in non-development and development grants was Rs 16,191.129 million against which an expenditure of Rs 15,095.610 million was incurred. There was a saving of Rs 1,095.519 million representing 6.77% of total budget allocation. The main reason for saving was less utilization of development grant.

Audit observed that supplementary Grant of Rs 6,759.984 million and surrendered of Rs 130.145 million were made before cut-off date. Further, supplementary Grant of Rs 2,219.475 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	3,400.983	194.445	82.513	-	-	2.501	3,675.44
51-Federal Lodge	82.536	0.001	6.237	-	-	0.001	88.773
Sub-Total	3,483.519	194.446	88.75	-	-	2.501	3,764.213
139-Capital Outlay	6,794.553	6,565.538	2,130.725	130.145	-	2,933.755	12,426.916
Grant Total	10,278.072	6,759.984	2,219.475	130.145	-	2,936.256	16,191.129

- Original allocation under Grant No. 49-Civil Works for the financial year 2016-17 was Rs 3,400.983 million. The department received a supplementary grant of Rs 276.958 million which was 8.14% of the original grant. The department withheld an amount of Rs 2.501 million. The final grant came to Rs 3,675.440 million against which an expenditure of Rs 3,619.582 million was incurred. There was a saving of Rs 55.857 million which was 1.52% of the final grant.
- In Grant No. 51-Federal Lodges, original allocation for the financial year 2016-17 was Rs 82.537 million. The department received a supplementary grant of Rs 6.238 million which was 7.55% of the original grant. The department withheld an amount of Rs 0.001 million. The final grant came to Rs 88.773 million against which an expenditure was Rs 89.299 million was incurred. There was an excess expenditure of Rs 0.526 million representing 0.59% of the final grant.
- Under Grant No. 143-Capital outlay on civil works, original allocation was Rs 6,794.553 million during financial year 2016-17. Supplementary grants of Rs 8,696.263 million were received. An amount of Rs 130.145 million was surrendered before the target date. The department withheld an amount of Rs 2,933.755 million during the financial year 2016-17. The final grant/appropriation came to

Rs 12,426.916 million against which an expenditure of Rs 11,386.729 million was incurred which constituted the 91.63% of the final grant. There was a saving of Rs 1,040.186 million which was 8.37% of the final grant.

Above variance analysis showed that department utilized development grant lesser than the available budget resulting delay in transfer of inherent benefits to the public.

Receipts

(Rs in million)

Head of Account	Estimated Receipts	Actual Receipts	Less	%age Less
Recovery adjusted in reduction of expenditure	400.00	120.541	279.459	69.86%

As per original estimates for 2016-17, miscellaneous receipts were estimated for Rs 400.00 million against which Rs 120.541 million was collected by Director Budget and Accounts (DBA), Pak. PWD, representing 69.86% less than the budgeted receipts. Above state of affairs indicated that targets of receipts collection were not 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 2016-17 is tabulated below:

(Rs in million)

Original Grant	Final Grant	Expenditure	Excess/ (Saving)	%
138.103	132.893	118.082	(14.818)	(11.15%)

Final Grant was Rs 132.893 million, against which an expenditure of Rs 118.082 million was incurred resulting into saving of Rs 14.818 million which was 11.15% of Final Grant.

Receipts

(Rs in million)

Head & Description	Estimated Receipt	Actual Receipt	Excess/ (Shortfall)	%
C 02701 – Works Building Rent	520.00	104.015	(415.985)	(80%)

The buildings rent recovery of Rs 520.00 million was estimated against which an amount of Rs 104.015 million was collected by the Estate Offices, which was 80% less than the estimated 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	-

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
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	87.50
2002-03	9	9	3	6	33.33
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	37	09	68	11.68
2015-16	28	28	-	28	-

Note: Audit Reports for 2011-12, 2012-13, 2014-15 and 2016-17 have not been discussed by PAC till the finalization of this Audit Report. Audit Report for the year 2013-14 has been partially discussed. SAR stands for Special Audit Report and PAR for Performance Audit Report.

5.4 AUDIT PARAS

Irregularity and Non-compliance

5.4.1 Award of works at higher rates - Rs 229.216 million

According to Rule 10 (i) of General Financial Rule (GFR) Volume-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. Further the rate of the item “excavation / cutting in ordinary soil was provided in Market Rates System 2017 of Khyber Pakhtunkhwa as Rs 2.53 per cft, whereas the rate of that item in the Pak PWD Schedule of Rates, 2012 was Rs 4.36 per cft.

PPRA Rule-33 provides that procuring agency may reject all bids or proposals at any time prior to the acceptance of a bid or proposal. The procuring agency shall upon request communicate to any supplier or contractor who submitted a bid or proposal, the grounds for its rejection of all bids or proposals but is not required to justify those grounds.

Audit noted that the Executive Engineer Central Civil Division -II, Pak PWD Peshawar called tenders for three (03) road works in District Shangla during December, 2015. In the bidding process 7 to 11 contractors participated and works were awarded to M/s Upsum builders at 45% below. Audit further noted that the department called tenders for the work “Development schemes (NA-31) District Shangla (SH: construction/ Improvement of 25 roads) from prequalified contractors wherein only three (03) bidders participated and work was awarded to M/s Khattak Allied construction Co. at 2% below the NIT. Further, the tenders for 43 road works were called from prequalified contractors and in each case three (03) contractors participated and works were awarded during April to June 2017 at 1% to 3% below the NIT.

Audit observed that if open tenders were called, most economical rates should have been achieved. The situation indicates that fair

competition was not made and works were awarded to prequalified contractors at higher rates resulting in excess expenditure of Rs 229.216 million.

Audit pointed out the award of works at higher rates during August, 2017. The department replied that the rates of the contractors were analyzed and found well within T.S estimate.

The reply was not accepted because there was a huge difference between the rates but the department simply replied that rates were analyzed and found within the T.S estimate. The department did not furnish detailed reply with justification.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to submit detailed justification to Audit for verification.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 79)

5.4.2 Non-recovery of Mobilization Advance - Rs 95.968 million

As per clause 60.11 (Financial Assistance to contractor) of Particular Conditions of Contract:

- (a) 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 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 an insurance company acceptable to the Employer.

- (b) This 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 as per clause 43 hereof.

Audit noted that the Executive Engineers, Pak PWD Gujranwala and Lahore awarded four works to the contractors during the year 2009 and 2010 and paid mobilization advance of Rs 209.501 million as below:-

(Amount in million)

DP No	Name of Work	Work award year	Mobilization Advance paid
227	Widening/Improvement of Road from Gillwala to Ghumanwala via Botala Jhanda Singh and Qilla Dedar Singh District Gujranwala	2010	38.626
	Widening/Improvement of Road from Eastern Bypass (Pipliwala) to Tatlay Wali via Emanabad District Gujranwala	2010	14.321
237	Construction of metalled road from Kanganpur to Ganda Singh wala Dist. Kasur Phase-I and Phase-II	2009	78.053
	Widening/ Improvement of metalled road from Kot Radha Kishan to Pajian bypass” Phase-I and Phase-II	2009	78.501
Total			209.501

Audit observed that mobilization advance amounting to Rs 95.968 million was still recoverable from the contractors despite lapse of eight years. This resulted in non-recovery of mobilization advance of Rs 95.968 million. Audit further observed that in case of works pertaining to Gujranwala mobilization advance bonds guarantees were also expired in 2013.

Audit was of the view that non-recovery of mobilization advance was due to weak internal controls.

Audit pointed out the non-recovery in October 2017. The department replied that the mobilization advance was paid to the contractors as per clauses of the agreement and its recovery was to be made as per progressive payments. The payment remained stopped due to non-availability of funds, therefore the apparent deferment of recovery was consequential and not a fault of the department. The work is in progress and remaining amount shall be recovered in the next bills before completion.

The contention of the department was not acceptable because, a huge amount was under the utilization of the contractors since 2009 resulting in an undue financial benefit to the contractors.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to pursue recovery and share the outcome with Audit. In cases of works pertaining to Lahore, the DAC directed the department to get the record verified that recovery of advance is being made as per schedule.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 227, 237)

5.4.3 Irregular award of work - Rs 94.799 million

As per Clause-38 of PPRA Rule 2004 "the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity", and as per clause-30 all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents. Same as provided for in sub-clause (iv) of clause (c) of rule 36 no evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents.

Audit noted that Executive Engineer Central Civil Division-VII Pak PWD, Islamabad awarded a work “Establishment of Federal College of Home Economics & Management Sciences for Women at Sector F-11/1 Islamabad (Sub-Head) Admn Block Multipurpose Hall Entry Hall” against agreement amount of Rs 94.799 million.

Audit observed that M/s Zeshan Enterprises quoted premium 127% above, and M/s Khanz Engineering & Contractor (Pvt.) Ltd quoted premium 129% above. The work was awarded to M/s Khanz with the reasons that M/s Zeshan left blank the M&R part of the work in bidding documents. The department meant it as 127% above whereas M/s Khanz quoted “AT PAR” against M&R portion, therefore, on technical grounds M/s Khanz became the first lowest. As no criteria in the bidding documents was mentioned, therefore, the award of work to 2nd lowest bidder was irregular.

Audit pointed out the irregularity in September 2017. The department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed that inquiry report already conducted by the department may be examined by the Director General PPWD and outcome/comments be shared with Audit.

Compliance to the DAC’s directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC’s directive.

(DP 104)

5.4.4 Unjustified advance payment - Rs 53.758 million

Para 208 and 209 of Central Public Works Account Code states that payment for all work done otherwise than by daily labour and for all supplies are made on the basis of measurement recorded in Measurement

Book (M.B). As all payments for works or supplies are based on the quantities recorded in the Measurement Book, 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 M.B, the figures for the “contents or area” column. Measurement Book, a reliable record is the object to be aimed at as it may have to be produced as evidence in a Court of Law.

Audit noted that the Executive Engineer, Project Civil Division-II Pak. PWD, Islamabad awarded different works to the various contractors at an agreed amount of Rs 57.472 million. Audit further observed that the Executive Engineer Central Civil Division-II Pak PWD Islamabad awarded the work Construction of NAB Headquarter Building at G-5/1 Islamabad to M/S Shah Zaman (Pvt) Ltd at an agreement cost of Rs 449.902 million.

Audit observed that the works related to PCD-II were awarded in the last month of financial year 2016-17. Funds of these schemes were also released in last week of June 2017. The department made payment of Rs 41.518 million to the contractors in the shape of mobilization advance and work done but not measured, only to provide financial benefit to contractors as well as to utilize the budget to avoid lapse of funds. Audit further observed that in case of Construction of NAB Headquarter, payment of Rs 12.210 million was made to the contractor on account of work done but not measured. This resulted in unjustified advance payment of Rs 53.758 million.

Audit was of the view that unjustified advance payment was due to weak internal controls.

Audit pointed out the unjustified advance payment in September 2017. The department did not reply in case of PCD-II. In case of CCD-II, the department replied that the measurements of the item under observation have since been done, verified by the Consultant and will be adjusted on receipts of funds during the current financial year 2017-18. The department admitted the irregularity.

The matter was discussed in the DAC meeting held in January 2018, wherein, the department explained in case of PCD-II, that work was executed but could not be inspected in short spell. Therefore, payment was made and measurement was recorded in detail after June 2017. DAC directed the department to get the record verified from Audit.

In case of CCD-II, the department explained that the actual amount paid to the contractor was much less than the work executed at site to maintain the smooth progress of the work. The paid amount was measured and adjusted in the next running bill. DAC directed the department to get the record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.
(DP. 191, 178)

5.4.5 Irregular award of work due to excess over PC-I - Rs 25.533 million

According to para 9.1 of Guidelines for Project Management, after the approval of the project, the executing agency implements the project according to the provisions of PC-I. There is no need for revision of PC-I if completion cost is within the permissible limit of 15% of the approved cost and scope of the project as approved in the PC-I

Audit noted that the Executive Engineers, Project Civil Division-II Pak. PWD, Islamabad and Central Civil Division Abbottabad awarded two works valuing Rs 51.714 million to the contractors.

(Amount in million)

DP No	Division	Name of Work	PC-I Cost	Award Amount	Excess %age
188	CCD-II Islamabad	Establishment of Inland Revenue Office at Chakwal	15.473	20.013	29.34%

DP No	Division	Name of Work	PC-I Cost	Award Amount	Excess %age
09	CCD Abbottabad	Bridge	10.708	31.701	196%
Total			26.181	51.714	

Audit observed that as per PC-I total cost of the works was Rs 26.181 million whereas the department awarded the works for Rs 51.714 million over and above the PC-I cost. This resulted in irregular award of works involving excess of Rs 25.533 million.

Audit pointed out the irregularity in September 2017. The department replied in case of DP 09 that the estimate was prepared and got technically sanctioned from competent authority according to the site situation and requirement of the inhabitants of the area. Furthermore the payment against the work done was released up to the available funds whereas the revised PC-I was forwarded for accord of approval, which would be shown to audit in due course of time. In other case, the department did not furnish reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC pended the para till approval of revised PC-I in case of DP 188.

In case of DP 09, the DAC was not satisfied with the reply of the department and directed the department to submit comprehensive reply giving justification.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

5.4.6 Unjustified payment - Rs 27.113 million

According to Land Acquisition Manual whenever it appears to the Collector of the District that land in any locality is needed or is likely to be needed for any public purpose or for a Company, a notification to that effect shall be published in the official gazette, and the Collector shall cause public notice of the substance of such notification to be given at convenient places in the said locality.

Audit noted that the Executive Engineer, Project Civil Division-II Pak. PWD, Islamabad made a payment of Rs 27.113 million directly to the owners of land at Murree and Attock for establishment of Inland Revenue Offices.

Audit observed that the department has made payment directly to the owner of land without observing the criteria referred above. Further, no record i.e. DCO rates of land along with mutation in the name of department were found attached with the vouchers.

Audit pointed out the unjustified payment in September 2017. The department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC explained that a Committee was constituted by the FBR for purchasing land in both the cities. On the recommendation of the Committee duly vetted / approved by the FBR, this office was directed to pay the cost of land to concerned owner through FBR. as such, this office has only honoured the direction of FBR in this regard.

The DAC directed the department to justify the payment duly substantiated with rates of land determined by authorized source.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 192)

5.4.7 Unauthentic payment without recording detailed measurement of work in Measurement Book - Rs 10.196 million

As per Para 208 of Central Public Works Accounts Code, payments for all work done are made on the basis of measurements recorded in the Measurement Book (Form 23) in accordance with the rules in Para 209 of CPWA Code. The Measurement Books should, therefore, be considered as very important accounts record. Para 209(b) states that all measurements should be neatly taken down in a Measurement Book.

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 measurement book. It is incumbent upon the person taking measurements to record the quantities clearly and accurately. He should also work out and enter in the measurement book the figure for the contents or area column.

Audit noted that the Executive Engineer Central Civil Division-II Pak PWD Islamabad awarded a work “Construction of Ancillary works for conference room and offices at Prime Minister House Islamabad” on 13th April, 2017 with agreement cost of Rs 139.833 million. Audit further noted that department executed two (02) additional items i.e. providing and fixing of fountains etc. & False ceiling (first floor) providing/installing tiles handmade etc. and payment of Rs 10.196 million was made to the contractor against the execution of said additional items of work.

Audit observed that measurement of said items were not recorded in the measurement book and lump sum quantities were recorded in the abstract of bill for the payment purpose. Audit further observed that said items were executed through post bid changes and rate analysis of both items were also not produced to audit. This resulted in an unauthentic

payment due to non- recording of detailed measurement for Rs 10.196 million.

Audit pointed out the irregularity in September 2017. The authority replied that the detailed measurement was recorded in the measurement books. The reply was not acceptable because abstract of cost instead of detailed measurement was recorded in the measurement book.

The matter was discussed in the DAC meeting held in January 2018, wherein, the department reiterated its previous stance. DAC directed the department to get the record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 187)

Internal Control Weaknesses

5.4.8 Overpayment due to non-application of price adjustment clause - Rs 716.623 million

Clause 70.1 of the contract agreement provides that the amounts payable to the contractor shall be adjusted in respect of rise or fall in the cost of labour, material and other input to the works by applying to such amount according to prescribed formula.

Audit noted that various divisions of Pak PWD executed six (06) building and road works during the financial year 2016-17 as below:-

(Rs in million)

S No	DP No.	Division	Name of Work	Amount
1	137	CCD-V Islamabad	Mandra Chakwal project	535.140
2		-do-	Sohawa Chakwal project	164.369
3	63	CCD Muzaffargarh	Musa Khil Taunsa Road	10.928
4	193	PCD-II Islamabad	Training Block in H-11/1 Islamabad	4.293

S No	DP No.	Division	Name of Work	Amount
5	83	CCD-III Peshawar	Construction of warehouse and sepoy barracks Peshawar	1.115
6	171	CCD-I Lahore		0.778
Total				716.623

Audit observed that during the execution period, prices of fuel, steel and bitumen were reduced up to 40% but de-escalation was not calculated by the department. This resulted in overpayment of Rs 716.623 million.

Audit was of the view that overpayment was due to weak internal controls.

Audit pointed out the overpayment in August to October 2017. The department did not furnish the reply.

The matter was discussed in the DAC meeting held in December 2017 and January 2018, wherein, the department explained that escalation payment bills have been sent to the consultant for verification. The DAC directed the department to complete the process within one month and get the record verified from Audit.

In case of DP 83 & 171, the DAC directed that DG PPWD shall issue instructions to delete clause of price adjustment in contract agreement below the financial limit of category of C-5 of PEC and necessary corrections be made in the contract agreement. Compliance be got verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

5.4.9 Unjustified payment of escalation beyond the provision of PC-I /agreement - Rs 462.811 million

According to Clause 70.1 of the agreement the amount payable to the contractor, pursuant to sub-clause 60.1 shall be adjusted in respect of the rise/fall in the cost of labour, materials and others up to the works by applying such amount according to the formula prescribed in this sub-clause.

Audit noted that Executive Engineers of various Pak PWD Divisions executed building and road works during the year 2016-17 and made payment of Rs 462.811 million on account of escalation to the contractors as below:-

(Amount in million)

S No.	DP No.	Division	Name of Work	Escalation Paid
1	177	CCD-II Islamabad	Construction of NAB Headquarter Building at G-5/1 Islamabad	159.065
2	233	CCD-II Lahore	Construction of metaled road from Kanganpur to Ganda Singh wala Dist. Kasur Phase-I & II	143.637
3	-do-	-do-	Widening/Improvement of metaled road Kot Radha Kishan to Pajian bypass Phase-I & II	
4	212	CCD Bahawalpur		79.583
5	221	CCD Gujranwala	Widening & Improvement of Bucheki to Sial More via Syed Wala Bridge (40 KM) and Pacca Qilla to Bara Garh (42 KM)	49.366
6	209	CCD-VIII Islamabad	Project to resolve traffic problems at Railway Road / Level Crossing Intersection at Gujar Khan	31.160
Total				462.811

Audit observed that provision of price escalation did not exist in the contract agreements/PC-I of the said works. Hence, without provision of such condition, payment on account of escalation stood unjustified amounting to Rs 462.811 million.

Audit was of the view that unjustified payment was due to weak internal controls.

Audit pointed out the matter in September - October 2017. The department replied in one case that provision of price escalation in the revised PC-I had been approved by the competent forum. The reply was not acceptable because provision of escalation was a result of post bid amendment.

In case of DP-233, the department replied that the administrative approval was issued for these works with the condition to provide funds within 12 months and thereafter the amount of escalation was deleted “conditionally”. The complete funds for the said projects could not be provided even after lapse of eight years till date. The price variation/escalation was a time dependent factor which came into force due to lapse of the department/Government to provide funds as committed in administrative approval. The payment of price variation was not dependent on its provision in PC-I rather it was a time dependent factor.

The departmental reply was not acceptable because the schemes were approved by the CDWP by deleting the escalation amount from the PC-I. The department did not furnish reply in other cases.

The matter was discussed in the DAC meeting held in December 2017, wherein, the DAC directed the department to fix responsibility against the person at fault and call explanation in case of DP. 177.

In case of DP.212, the department explained that provision has been included in the revised PC-I which is under approval.

Audit contended that base rate of bitumen taken by the department was for bulk bitumen but the current rate adopted by the department for calculation was pack bitumen. Moreover, base rate for labour was incorrectly applied.

The DAC pended the para till approval of revised PC-I and directed the department to get the record verified that price escalation was calculated in accordance with the instructions of PEC.

In case of DP.209, the department explained that approval of the revised PC-I and revised TS estimate on completion of the work has been accorded by the competent authority through which the amount paid to the contractor against the BOQ items, extra item and escalation stands approved. The escalation has been paid in accordance with contractual obligation.

DAC directed that a Fact Finding Inquiry may be conducted at Ministry level.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends for early compliance to DAC's directive.

5.4.10 Irregular expenditure on work charged establishment - Rs 429.269 million

According to standard formula work charged staff for maintenance allocated at 25 percent of the total maintenance expenditure on A133-Building and Structure should have been incurred in accordance with following proportion:-

- | | | |
|------|--------------------|------|
| i. | Work by contract | 65% |
| ii. | Work Charged Staff | 25% |
| iii. | Material | 10%. |

Para 2.03 (a) & (b) of Pak. PWD Code required that the work charged establishment should include such establishment as was employed upon the actual execution, as distinct from the general supervision of a specific work. The work charged establishment should not be engaged on any work unless provided for in the estimates as a separate sub-head for the estimate for that work.

Audit noted that the Executive Engineers of six (06) Pak PWD Divisions made payment of Rs 429.269 million on account of pay & allowances of work charged establishment.

(Amount in million)

S No	DP No	Division	Amount
1	203	CCD-VIII Islamabad	142.468
2	253	CCD -IV Islamabad	87.202
3	48	CE/M-I Karachi	74.150
4	194	PCD-II Islamabad	59.940
5	245	CCD-II Lahore	54.741
6	219	CCD Gujranwala	10.768
Total			429.269

Audit observed that the expenditure was charged to maintenance grant without observing ratio of manpower requirement in the maintenance cost i.e. at the rate of 25% of total maintenance cost of building as per standard departmental practice. 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. This resulted in an irregular expenditure of Rs 429.269 million.

Audit was of the view that irregular expenditure was a result of weak financial and internal control mechanism.

Audit pointed out the irregular/unjustified expenditure in September to November 2017. The department replied that expenditure on account of salaries of maintenance staff is inevitable and cannot be dispensed with as per GFR para 105. The salaries should be promptly made to the employees. As far as, the expenditure on account of

maintenance of building is concerned, the funds were not allocated as per schedule of demand; therefore expenditure on accounts of salaries was made in excess of permissible proportion of maintenance viz-a-viz salaries.

The reply was not acceptable because major portion of the funds was utilized on salaries of maintenance staff which remained idle due to non-availability of material.

The matter (DP. 48, 194, 245 and 219) was discussed in the DAC meeting held in January 2018, wherein, the committee was informed that the issue was discussed in DAC meeting held in November 2017 while discussing Para 5.4.13 for 2015-16 wherein DAC directed that the matter may be taken up with Finance Division, for at-least 10% regularization from total strength of work charged employees of Pak PWD in the each financial year. PPWD shall move a summary for further action by Ministry of Housing and Works. DAC upheld the earlier decision.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

5.4.11 Non-deduction of income tax - Rs 416.818 million

Clause 73.1 of the contract agreement provides that the contractor/ sub-contractor and their employees shall be responsible for payment of all their income tax, super tax and other taxes on income arising out from the contract. The rates and prices stated in the contract shall cover all such taxes.

As per clause 153(1) of income tax ordinance 2001, in case of execution of contract the rate of income tax was 7.5% during 2016-17.

Audit observed that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad made payment of Rs 4,478.034 million to the

contractor M/s NLC against the execution of work “Dualization and Improvement of Mandra Chakwal Road” and Rs 1,079.548 million for the “Dualization and Improvement of Sohawa Chakwal Road Project” up to June 2017, but the income tax amounting to Rs 416.818 million was not deducted from the contractor. This resulted in non-deduction of income tax of Rs 416.818 million.

Audit was of the view that non-recovery was due to weak administrative and internal controls.

Audit pointed out the non-recovery in October 2017. The department replied that as per Government of Pakistan Notification NLC is exempted from income tax.

The matter was discussed in the DAC meeting held in December, 2017. The DAC directed the department to provide latest exemption certificate issued by FBR to Audit for verification.

Compliance to the DAC’s directive was not made till the finalization of this Report.

Audit recommends for early compliance to DAC’s directive.

(DP. 149)

5.4.12 Excess payment due to taking excessive measurement - Rs 364.881 million

As per revised PC-I, of “Dualization of and Improvement of Sohawa Chakwal Road Project” the width of carriage way was 7.30 meter and width of shoulder was one to two meter (average 1.5 meters).

Para 101.2.1 of NHA specification provides that operation of clearing and grubbing shall no way be deemed to effect any level or volume change of area. After cleaning and grubbing, the compaction of area will be restored to its original level without any extra payment.

Revised PC-I of the Project “Dualization and Improvement of Mandra Chakwal Road provides shoulder width two meter in rural area and one meter in built up area and kerb stones were also provided on both side of the shoulder, in rural area. New Jersey barriers were designed in inner side of the road, and the drain was also provided adjacent to the road.

As per detail estimate/take off sheets, the thickness of lean concrete having 1:4:8 ratio was provided as 0.5 foot in basement for quantity of 76,348 cft (BOQ provision) at the rate of Rs 174 per cft.

5.4.12.1 Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work “Dualization and Improvement of Sohawa Chakwal Road project” at agreement cost of Rs 4,338.362 million. The contractor was paid 4th running bill in June 2017 for work done of Rs 1,079.548 million.

Audit observed that an item 201 Granular Sub-base material was executed and paid for a quantity of 188,845 Cu.m @ Rs 1,925 per Cu.m up to the 4th running bill. The granular sub-base was measured on right and left side of carriage way for 10 meters wide against the authorized/designed width of 7.3 meters. Further the same item was measured on road shoulder taking width of 2.27 meters against average width of 1.5 meters. Excessive measurement of width 3.47 meters resulted into excess payment of Rs 101.744 million.

Audit was of the view that the overpayment occurred due to weak internal and financial control mechanism.

Audit pointed out the excess payment in October 2017. The department replied that width of carriageway on Asphaltic Concrete Wearing Course (ACWC) level was 7.3 meter whereas the subsequent layers of Water Bound Macadam (WBM) were having width 7.56 meter and 7.86 meter and those of base layers were 8.16 meter and 8.46 meter for desired confinement as subsequent layers cannot be confined in total vertical position. Every consecutive layer was having 15 cm offset on both

sides in order to give proper slope 1:1 to the road. The reply was not accepted because the measurement was recorded more than revised PC-I.

The matter was discussed in the DAC meeting held in December, 2017. The DAC directed the department to get the facts/record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC's directive.

(DP. 148)

5.4.12.2 Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work "Dualization and Improvement of Mandra Chakwal Road (64 km) at agreement cost of Rs 4,199.642 million. Letter of start was issued on 28th July, 2014 and the work had to be completed by 27th January, 2016. The 11th running bill was paid for in June 2017 for updated work done of Rs 4,478.034 million.

Audit observed that a quantity of 69,155 Cu.m was measured and paid under item No.108c at the rate of Rs 475 per Cu.m. The quantity was measured in the same reaches where the cross sectional measurements were taken for quantity of 339,783 Cu.m. The whole filling area was measured by taking cross sectional measurement, further in the same area measurement made through 'Tape', which was to be deducted from the cross sectional measurement instead of adding therein. This resulted in overpayment of Rs 65.00 million.

Audit was of the view that overpayment occurred due to weak internal and financial controls.

Audit pointed out the overpayment in October 2017. The department replied that detailed calculations for built cross sections are under process and appropriate recovery will be made in next running bill.

The matter was discussed in the DAC meeting held in December, 2017. The DAC directed the department to effect due recovery within one month and get the record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.
(DP. 152)

5.4.12.3 Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work "Dualization and Improvement of Mandra Chakwal Road (64 km) at agreement cost of Rs 4,199.642 million.

Audit observed that the width of granular sub-base on shoulder was measured over width of 2.45 meters average against the provision of 1.5 width, both sides of road shoulder were supported by fixing kerb stone. The width of kerb stone was also included in the total width of shoulders. Measurement of excessive width of shoulders resulted in overpayment of Rs 59.656 million.

Audit was of the view that excess payment was made due to non-adoption of proper technical parameter and weakness of supervision.

Audit pointed out excess payment in October 2017. The department replied that detailed calculation pertaining to this para is under process at the Consultant Office and appropriate recovery will be made in one month.

The matter was discussed in the DAC meeting held in December, 2017. The DAC directed the department to effect due recovery and get it verified from Audit within one month.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC's directive.

(DP. 145)

5.4.12.4 Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work "Dualization and Improvement of Mandra Chakwal Road (64 km).

Audit observed that the road width for laying of water bound macadam was measured 08 meters for first layer and 7.7 meters for second layer against the provision of 7.30 meters. The item of water bound macadam was supported by the road shoulder. In presence of compacted / DST shoulder and kerb stone, measurement of extended width of carriage way resulted into excess payment of Rs 42.133 million.

Audit pointed out excess payment in October 2017. The department did not furnish the reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the department explained that width of carriageway on ACWC level was 7.3 meter. However, the subsequent layers of WBM were 7.56 meter and 7.86 meter and those of Base layers were 8.16 meter and 8.46 meter for desired confinement, as subsequent layers cannot be confined totally vertically. Every consecutive layer having 15 cm offset on both sides was provided in order to give proper slope 1:1 to the road as per X-Section, duly approved by consultant. Thickness was also increased to correspond to the increased width. The revised PC-I has been approved.

DAC directed the department to get the facts/record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 151)

5.4.12.5 Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work “Dualization and Improvement of Mandra Chakwal Road (64 km) at agreement cost of Rs 4,199.642 million.

Audit observed that the thickness of sub-base material on the road shoulder was measured 0.30 meter instead of 0.23 meter. Excessive measurement resulted in overpayment of Rs 35.898 million.

Audit pointed out the overpayment in October 2017. The department replied that detailed calculation pertaining to this para is under process at the Consultant Office and suitable reply will be furnished in one month.

The matter was discussed in the DAC meeting held in December, 2017. The DAC directed to submit comprehensive reply along with supporting record to Audit for verification within one month.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC’s directive.

(DP. 140)

5.4.12.6 Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work “Dualization and Improvement of Mandra Chakwal Road” (64 km).

Audit observed that originally, the width of each lane was approved 6.20 meter which was revised to 7.30 meters (two lane) The thickness of granular sub-base was laid 0.30 in two layers (each layer 0.150 meters) but its width was taken on 7.80 meters instead of 7.30 meters. Road shoulders on both sides were also constructed having width of 2 meters with granular sub-base material. Hence, in the presence of shoulder on end side of road, excessive measurement of 0.50 meters width of sub-base material resulted into overpayment of Rs 33.309 million.

Audit pointed out the excess payment in October 2017. The department replied that width of carriageway on Asphaltic Concrete Wearing Course (ACWC) level is 7.3 m whereas the subsequent layers of Water Bound Macadam (WBM) are having 7.56 m and 7.86 m and those of base layers are 8.16 m and 8.46 m for desired confinement as subsequent layers cannot be confined in total vertical position. Every consecutive layer is having 15 cm offset on both sides in order to give proper slope 1:1 to the road. The reply was not accepted because the measurement was recorded more than revised PC-I.

The matter was discussed in the DAC meeting held in December, 2017. The DAC directed the department to get the facts/record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC's directive besides action against person(s) at fault.

(DP. 144)

5.4.12.7 Audit noted that Executive Engineer Central Civil Division-IV Pak. P.W.D Islamabad awarded a work "Construction of Islamabad High Court Building at G-5 Islamabad" to M/s Habib Rafique Pvt. Ltd. at agreement cost of Rs 2,474.049 million with date of start of 10th June, 2015. The contractor was paid 20th running bill in June 2017 for updated work done of Rs 1,019.923 million.

Audit observed from lab test report that the actual weight of ½" dia (4 Nos.) steel was 0.637 lbs per foot against the standard weight of 0.668 lbs (0.303 kg) and 1.502 lbs (0.681 kg per rft). This reflects that weight of 0.0314 lbs and 0.027 lbs per rft was excessively paid for ½" dia and ¾" dia respectively. Similarly the weight of 3/8" dia and 1" dia steel was also taken in excess than actual weight as per test report. This resulted into excess payment of Rs 12.793 million.

Audit pointed out the excess payment in November 2017. The department did not furnish reply.

The matter could not be discussed in the DAC meeting despite the repeated requests made by the Audit.

Audit stresses upon recovery of overpayment along with disciplinary action against the person(s) at fault.

(DP. 250)

5.4.12.8 Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work “Dualization and Improvement of Sohawa Chakwal Road project at agreement cost of Rs 4,338.362 million.

Audit observed that the item water bound macadam was measured for a width of 7.50 meters against admissible width of 7.3 meters. Measurement of excessive width resulted into excess payment of Rs 6.952 million.

Audit pointed out the excess payment in October 2017. The department replied that width of carriageway on Asphaltic Concrete Wearing Course (ACWC) level is 7.3 m whereas the subsequent layers of Water Bound Macadam (WBM) are having 7.56 m and 7.86 m and those of Base layers are 8.16 m and 8.46 m for desired confinement as subsequent layers cannot be confined in total vertical position. Every consecutive layer is having 15 cm offset on both sides in order to give proper slope 1:1 to the road. The reply was not accepted because the measurement was recorded more than revised PC-I.

The matter was discussed in the DAC meeting held in December 2017. The DAC directed the department to get the facts/record verified from Audit.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC's directive.

(DP. 153)

5.4.12.9 Audit noted that Executive Engineer Central Civil Division-IV Pak. PWD Islamabad awarded a work "Construction of Islamabad High Court Building at G-5 Islamabad" at agreement cost of Rs 2,474.049 million with date of start 10th June 2015. The contractor was paid 20th running bill in June 2017 for updated work done of Rs 1,019.923 million.

Audit observed that the measurement of the item lean concrete was taken up to 04 feet thickness against the provided thickness of 0.5 foot which was up to 700% extra. The extraordinary thickness was measured and paid without revised drawing and approval of the competent authority. This resulted in excess payment of Rs 6.345 million.

Audit was of the view that overpayment was made due to weak internal and administrative control mechanism

Audit pointed out excess payment in November 2017. The department did not furnish reply.

The matter could not be discussed in the DAC meeting despite the repeated requests made by the Audit.

Audit stresses upon recovery of overpayment along with disciplinary action against the person(s) at fault.

(DP. 254)

5.4.12.10 Audit noted that the Executive Engineer CCD Pak PWD Gujranwala awarded the work "Renovation of residential accommodation of Cat-I & Cat-II at RTO Gujranwala" to a contractor on 02nd June, 2017 with the agreement cost Rs 1.917 million.

Audit observed that the BOQ item Porcelain tile was measured and paid with the quantity 13,082 sft at the rate of 17,882.39 sft against the approved quantity of 8,305 sft. Audit further observed the area of Cat-II

quarter was provided in the drawing/design and detailed estimate as 1,698 sft per quarter whereas the department measured and paid for 05 Cat-II quarters with the area of 1,846 sft per quarter instead of 03 quarters. Excessive measurement resulted in overpayment of Rs 1.051 million.

Audit was of the view that overpayment occurred due to lack of proper internal and financial control mechanism.

Audit pointed out the overpayment in October 2017. The department replied that the tenders were invited on the basis of demand of the client department and the work was awarded to the contractor after fulfilling of all the formalities related to the rules. During the execution of the work on the request of the occupants, the client department furnished the revised requests. All the excessive quantities will be submitted for approval from the Competent Authority after the completion of work and before the finalization of accounts of the contractor.

The reply was not convincing because item of work under observation was executed/measured in excess than provided in the drawing/design and T.S estimate. Further, item of work was measured/paid for 05 Cat-II quarters instead of 03 quarters as provided in the T.S Estimate.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to get the revised TS verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP.230)

5.4.13 Wasteful expenditure due to abandoned work/non-completion of works - Rs 271.342 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.

5.4.13.1 Audit observed during scrutiny of accounts record of Executive Engineer CCD-I, Pak PWD, Lahore, that execution of works against 60 PWP-I & II schemes was pending since long even after incurring of huge expenditure worth Rs 147.036 million on account of execution of partial work. Audit further observed that mostly schemes as per payment status were found 80% to 95% complete. Thus, the purpose of the execution of works approved under PC-I/Administrative Approval, could not be achieved resulting in the wasteful expenditure amounting to Rs 147.036 million.

Audit held that wasteful expenditure was incurred due to non-pursuance of the execution of the work timely & according to the specifications and due to the inadequate internal control system.

Audit pointed out the wasteful expenditure in September/October 2017. The Department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the department explained that funds were lapsed which had not been revalidated as yet. Accounts would be finalized after revalidation and release of funds.

DAC directed the department to pursue revalidation of funds and submit detailed reply.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 173)

5.4.13.2 Audit noted that the Executive Engineer, Central Civil Division, Pak PWD Gujranwala awarded two works “Widening / Improvement of Road from Gillwala to Ghumanwala via Botala Jhanda Singh and Qilla Dedar Singh District Gujranwala” and “Widening/Improvement of Road from Eastern Bypass (Pipliwala) to Tatlay Wali via Emanabad District Gujranwala” to a contractor on 28th December, 2010 at agreement cost of Rs 257.506 million and Rs 95.475 million respectively. Total payment of Rs 52.950 million and Rs 71.356 million was made to the contractor up to June 2012.

Audit observed that date of start of the works was 28th December, 2010 and time for completion of the works was allowed for 24 months and 18 months respectively. Audit further observed that after making payment to the contractor in June 2012, no work had been executed at site since 2012 by the contractor. As five (05) years had already been elapsed, the works of these roads are still incomplete. Audit was of the view that incomplete execution of works at site will be deteriorated with the passage of time. Due to non-execution of works at site since 2012, the expenditure incurred of Rs 124.306 million will be gone waste.

Audit pointed out the matter in October 2017. The department replied that the scheme were abandoned in the next year as unfunded and no allocation was made till to date, meanwhile the contractor filed a case in the Court of Law on which the decision is pending. Furthermore, the revision of the PC-I is in process.

The reply was not convincing as earthwork and Sub-Base/Base course were executed at the major portion of the roads whereas T.S.T. was executed at a nominal length of the roads. The execution of work at site without T.S.T will be deteriorated and gone waste with the passage of time as a period of five (05) years had already been elapsed. Strenuous efforts are required to be taken to complete the works without further loss of time.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to pursue the court case actively and outcome be shared with Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.
(DP. 229)

5.4.14 Unjustified inclusion of diesel in the component of asphaltic base course & wearing course worth - Rs 261.006 million

National Highway specification and job mix formula of asphaltic base course plant mix and asphaltic concrete for wearing course (class-A) do not contain diesel as a material component of bitumen to be used therein.

Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work "Dualization and Improvement of Mandra Chakwal Road (64 km) at agreement cost of Rs 4,199.642 million. The 11th running bill was paid in June 2017 for updated value of work done of Rs 4,478.034 million.

Audit observed that a quantity of 4500 liters and 5400 liters diesel was included in the rate analysis of the Asphaltic Base Course and Asphaltic Wearing Course for basic unit of 187.5 Cu.m of both the items. The project specification i.e. National Highway specification and job mix formula do not allow to use diesel in bitumen. The ratio of diesel was 28.8 liter per Cu.m whereas the percentage of bitumen was up to 3.9% of the aggregate material. Same situation was with the item of wearing course material. This resulted in unjustified inclusion of diesel valuing Rs 261.006 million in item of bitumen.

Audit is of the view that unjustified payment was made due to lack of proper internal and financial control mechanism.

Audit pointed out the unjustified payment in October 2017. The department replied that the lowest bid of M/s National Logistic Cell was

compared with NHA, CSR 2014. The comparison revealed that the lowest bid was 4.281% above NHA CSR-2014. The competent authority approved the lowest bid of M/s NLC being the lowest bidder and awarded the execution of Mandra Chakwal Road Project on “design cum build” basis. NLC claimed the bills on subject items as per approved rates of contract duly approved by the competent authority. The payment has been made to the contractor as per agreement. Reply was not accepted because inclusion of diesel component in the Asphaltic base course and wearing course was unjustified.

The matter was discussed in the DAC meeting held in December, 2017. The DAC directed that Executive Engineer concerned will brief the Director Audit Works (Federal) on the issue, along with relevant record for review.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC’s directive.

(DP. 139)

5.4.15 Excess payment due to violation of approved design in revised PC-I - Rs 173.189 million

As per revised PC-I, design of the Rehabilitation of the project “Dualization and Improvement of Mandra Chakwal Road Project” the thickness of sub-base material was approved 100 mm on surface of existing road.

Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work “Dualization and Improvement of Mandra Chakwal Road (64 km) at agreement cost of Rs 4,199.642 million.

Audit observed that initially the width of road was designed 6.20 meters each lane, one on rehabilitation portion and other additional lane, which was revised to 7.30 meters wide. The thickness of granular sub-base

material was provided 0.10 meter on the existing road and 0.30 meter on additional lane whereas the thickness of sub-base material in both the lanes was measured 0.3 meter instead of 0.10 meter on existing road. This resulted into excess payment of Rs 173.189 million.

Audit was of the view that overpayment was due to weak internal/financial controls.

Audit pointed out the excess payment in October 2017. The department replied that width of carriageway on Asphaltic Concrete Wearing Course (ACWC) level is 7.3 m whereas the subsequent layers of Water Bound Macadam (WBM) are having 7.56 m and 7.86 m and those of base layers are 8.16 meter and 8.46 meter for desired confinement as subsequent layers cannot be confined totally vertically. Every consecutive layer is having 15 cm offset on both sides in order to give proper slope 1:1 to the road. The reply was not accepted because measurement was recorded over and above the approved design in the PC-I.

The matter was discussed in the DAC meeting held in December, 2017. DAC directed the department to get the facts/record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends that record be got verified in support of departmental stance or otherwise recovery be effected.

(DP. 142)

5.4.16 Loss due to non-execution of work through original contractor - Rs 160.057 million

As per contract agreement drawn with M/s M.Z Awan & Sons it was liable to execute the work "Construction of New Secretariat Block Constitution Avenue (S.H HAVC equipment part-II)". The work was awarded in November 2010 having value of Rs 194.461 million.

As per contract agreement M/s SAASA Corporation Pvt. Ltd & NFRD (JV) was liable to execute the installation of THYSSEN KRUPP Germany manufactured 14 numbers lifts at cost of Rs 223.750 million at New Secretariat Block Islamabad.

5.4.16.1 Audit noted that Executive Engineer Store and Workshop Division Islamabad, awarded “Construction of New Secretariat Block Constitution Avenue (S.H HVAC equipment part-II)” vide letter No.SW/W-191/ dated 11th January, 2010 with one year completion period.

Audit observed that the contractor was paid Rs 92.819 million on account of procurement of chillers and some small equipment against his contractual obligation of equipment valuing Rs 194.461 million. The contract was terminated due to dispute of quality of chillers procured by the contractor. The remaining work was awarded to another contractor at agreement cost of Rs 186.784 million in July 2016 at 72% above the same estimated rates. It was pointed out that due to non-execution of work by the original contractor, the public exchequer had to bear the loss of Rs 85.142 million due to fluctuation in the value of foreign currency up to 20%.

Audit pointed out the loss in October 2017. The department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to submit detailed reply and get the record verified from Audit.

Compliance to the DAC’s directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC’s directive.

(DP. 157)

5.4.16.2 Audit noted that Executive Engineer Store and Workshop Division Islamabad awarded a work “Construction of New Secretariat Block (S.H. lifts)” to M/s SAASA Corporation & NFRD (JV) at cost of Rs 223.750 million. The letter for starting the project was issued on 16th August, 2010 with the completion time period of 12 months.

Audit observed that the contractor did not start the work at site due to dispute about manufacture origin of the lifts. The work remained suspended up to May 2015. A high level committee under the Chairmanship of Member (Implementation to Monitoring) Planning Commission was framed to resolve the issue. The committee recommended for substitution of lift with Mitsubishi brand China origin instead of THYSSEN KRUPP Germany to reduce its cost. Later on the work was retendered and awarded to M/s Riaz & Sons & Merin Pvt. (JV) at cost of Rs 298.665 million (Rs 199.776 plus 49.50% above) in June 2016. The lifts procured are shown/inspected, but the supporting documents i.e. bill of entry and technical submittal were not provided to verify the manufacturer of the lifts. However, had the work been executed by M/s SAASA Corporation & NFRD, (JV) an amount of Rs 74.91 million would have been saved.

Audit was of the view that loss was due to weak internal and financial control mechanism.

Audit pointed out the loss in October 2017. The department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the Department explained that the case was in the court of law and the Honorable High Court issued decision for re-rendering for the work. Hence fresh tenders were called in which J.V M/S Riaz & Sons & M/S Merin (Pvt)) Ltd stood first lowest by quoting rates 49.50% above. The technical submittal for lifts was approved by M/S NESPAK. The bill of entry was with M/S NESPAK, which has been obtained.

DAC directed the department to provide detailed reply giving detail of court case/orders, fund position, retendering process, etc. and get the record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 161)

5.4.17 Overpayment due to inclusion of higher rate of equipment in rate analyses - Rs 153.364 million

National Highway Schedule of Rates 2014 provides hire charges of asphalt mixing plant 80 ton at the rate of Rs 18,178 per hour vide code No. 3055 of the plant and equipment.

NHA Schedule of Rates 2014 provides hire charges of Rs 890 per hour for bitumen distribution two types (2000 liter) for using in the item of bitumen prime coat and tack coat.

5.4.17.1 Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work "Dualization and Improvement of Mandra Chakwal Road (64 km) at agreement cost of Rs 4,199.642 million.

Audit observed that the contractor analyzed the rate of asphaltic concrete base course class B and asphaltic concrete wearing course at the rate of Rs 19,953 per Cu.m and Rs 20,465 per Cu.m respectively. In the breakup of rates, the hiring charges of asphaltic mixing plant were included at the rate of Rs 51,854 per hour against Rs 18,179 per hour as provided in NHA schedule of rate. The hire charges were extraordinarily higher than the admissible market rates. This resulted into excess payment of Rs 144.784 million.

Audit was of the view that overpayment was due to weak internal and financial controls.

Audit pointed out the overpayment in October 2017. The department replied that the lowest bid of M/s National Logistic Cell was compared with NHA, CSR 2014. The comparison revealed that the lowest bid was 4.281% above NHA CSR-2014. The competent authority approved the lowest bid of M/s NLC being the lowest bidder and awarded the execution of Mandra Chakwal Road Project on “design cum build” basis. NLC claimed the bills on subject items as per approved rates of the contract. The reply was not accepted because higher charges of asphalt plant in the analysis of rate were included more than the rate provided in the NHA CSR-2014.

The matter was discussed in the DAC meeting held in December, 2017. The DAC directed that Executive Engineer concerned will brief the Director Audit Works (Federal) on the issue, along with relevant record for review.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC’s directive.

(DP. 143)

5.4.17.2 Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work “Dualization and Improvement of Mandra Chakwal Road (64 km) at agreement cost of Rs 4,199.642 million.

Audit observed that rate of hire charges of a machine i.e. bitumen distribution two type 2000 liter was analyzed during 2014. The hire charges of the machine were included as Rs 3,868 per hour in rate analyzed for 8 hours, whereas the actual hire charges provided in NHA schedule of rate were Rs 890 per hour. This resulted into extra payment of Rs 8.580 million.

According to the Audit, the extra payment happened due to weak internal and financial controls.

Audit pointed out the overpayment in October 2017. The department replied that the lowest bid of M/s National Logistic Cell was compared with NHA, CSR 2014. The comparison revealed that the lowest bid was 4.281% above NHA CSR-2014. The competent authority approved the lowest bid of M/s NLC. NLC, being the lowest bidder and awarded the execution of Mandra Chakwal Road Project on “design cum build” basis. NLC claimed the bills on subject items as per approved rates of contract duly approved by the competent authority. The payment has been made to the contractor as per agreement. Reply was not accepted because higher charges of asphalt plant in the analysis of rate were included more than the rate provided in the NHA CSR-2014.

The matter was discussed in the DAC meeting held in December, 2017. The DAC directed that Executive Engineer concerned will brief the Director Audit Works (Federal) on the issue, along with relevant record for review.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC’s directive.

(DP. 146)

5.4.18 Unjustified payment due to changing mode of hard rock excavation from blasting to hammering/chiseling - Rs 127.817 million

As per approved NIT by the Chief Engineer (CZ) for Rs 72.197 million and contract agreement the item regarding excavation or cutting in hard rock by hammering and chiseling was provided for zero quantity and item regarding excavation or cutting by blasting was provided for a quantity of 3,405.13 Cu.m. It meant that under this contract hard rock excavation was to be carried out only by the mode of blasting.

Audit noted that the work Construction of Musa Khil Taunsa Road (35 KM) stretch to be constructed and linked with Zhob (remaining work)

(Package-I) was awarded at agreed cost of Rs 296.010 million. The 20th running bill was paid in June 2017 with total value of work done of Rs 575.693 million.

Audit observed that the item regarding hard rock excavation by hammering/chiseling was measured for a quantity of 225,677.48 Cu.m and paid at the rate of Rs 394.66 per Cu.m. Audit further observed that not a single cubic meter of rock excavation by blasting was measured/paid despite the existence of the provision of the same item/mode in the NIT/Contract agreement. Moreover, reasons for changing the mode of excavation of hard rock from blasting to hammering/chiseling was not forthcoming from the produced record. Had the excavation of hard rock been made by mode of blasting instead of hammering/chiseling the payment worth Rs 127.817 million would have been avoided.

Audit was of the view that the unjustified payment occurred due to non-adherence to the provision of NIT/contract agreement and lack of technical, financial and internal controls.

Audit pointed out the unjustified payment in September 2017. The department did not furnish the reply.

The matter was discussed in the DAC meeting held in December, 2017 wherein the department explained that blasting was not allowed by the district coordination officer due to law and order situation. Therefore, excavation in hard rock was carried out by hammering/chiseling. DAC directed the department to provide proof of correspondence with DCO.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC's directive.

(DP. 59)

5.4.19 Overpayment due to non-adjustment of sorting and stacking cost - Rs 127.134 million

As per nomenclature of the hard rock excavation item by hammering and chiseling, the excavated material was to be sorted/stacked. It meant that the excavated hard rock material should have been utilized in the other stone related items.

According to the instructions issued by the DG office Pak PWD vide letter No. SE(S/R&C)/Schedule/R/2004 dated 25th June, 2014 in compliance to DAC's directive held in June 2014, sorting and stacking cost was required to be deducted from the payment of soft rock excavation item.

Audit noted that remaining work of "Construction of Musa Khil Taunsa Road (35 KM) (Package-I)" was awarded at agreed cost of Rs 296.010 million and original work was awarded to M/s NPI Construction & Engineering at agreed cost of Rs 456.583 million.

Audit observed that the items regarding soft and hard rock excavation (including sorting and stacking) were measured for quantity of 231,324.95 Cu.m and 443,576.62 Cu.m and paid at the rate of Rs 159.63 per Cu.m and Rs 394.66 per Cu.m along with premium of 310% and 62% respectively. Audit further observed that rate of sorting and stacking to the extent of Rs 43.28 per Cu.m against soft rock and Rs 78.31 per Cu.m against hard rock was not adjusted while making payment to the contractor because there was no need to sort and stack the excavated material as excavated material was not used in any item of work so far except 5,996.23 Cu.m quantity of stone was supposed to be used in the item of un-coursed rubble masonry.

Due to non-reducing/adjusting the composite rate of soft rock and hard rock contractors were overpaid for Rs 127.134 million.

Audit pointed out the overpayment in September 2017. The department did not furnish the reply.

The matter was discussed in the DAC meeting held in December, 2017. The DAC was not satisfied and directed to conduct a Fact-Finding Inquiry at Ministry level.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC's directive.

(DP. 54)

5.4.20 Overpayment due to payment of certain quantity of gravelly soil and soft rock excavation under hard rock excavation item beyond the classified proportion - Rs 105.724 million

In accordance with Survey Report by Geological Survey of Pakistan, conducted in pursuance of departmental request vide letter No. EE/CCD/M/Garh/Mosa Khel Road/485 dated 18th October, 2016 the gravelly soil, soft rock and hard rock were to be cut/excavated with the proportions of 11.88%, 47.70% and 40.42% respectively under chainage 0+000 to 19+000.

In accordance with Survey Report by Geological Survey of Pakistan, conducted in pursuance of departmental request vide letter No. EE/CCD/M/Garh/Mosa Khel Road/485 dated 18th October, 2016 the roadway excavation/cutting was to be measured/paid as per following proportions;

Segment No.	Chainage	Gravelly Soil	Soft Rock	Hard Rock
1	00 - 3+700	24.58 %	45.14%	30.28%
2	3+700 - 7+400	14.36 %	78.07 %	7.57 %
3	7+400 - 10+600	14.69 %	33.36 %	51.95 %
Average proportion		17.88%	52.19%	29.93%

5.4.20.1 Audit noted that the work Construction of Musa Khil Taunsa Road (35 KM) stretch to be constructed and linked with Zhob (remaining

work) (Package-I) was awarded to M/s Habib Construction Co. at agreed cost of Rs 296.010 million. The 20th running bill was paid in June 2017 with total value of work done of Rs 575.693 million.

Audit observed that hard rock excavation was measured for a quantity of 225,677.48 Cu.m which was 60.11% against classified proportion of 40.42%. Resultantly, 19.69% gravelly soil and soft rock soil was also paid under hard rock excavation causing overpayment of Rs 76.873 million.

Audit was of the view that the overpayment occurred due to considering the gravelly soil and soft rock excavation as hard rock excavation and lack of technical, financial and internal controls.

Audit pointed out the overpayment in September 2017 but the department did not reply.

The matter was discussed in the DAC meeting held in December, 2017. DAC directed the department to make due recovery and get the record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC's directive.

(DP. 60)

5.4.20.2 Audit noted that work "Construction of Musa Khil Taunsa Road (35 KM)" was awarded to M/s NPI Construction & Engineering at agreed cost of Rs 456.583 million. The 14th running bill was paid in May 2011 with total value of work done of Rs 194.386 million.

Audit observed that quantity of excavation of gravelly soil was measured and paid more or less at same proportion as given in the survey report, however, hard rock was measured/paid at the rate of 53.88% proportion instead of 29.93% and soft rock was measured/paid with

27.93% proportion instead of 52.19%. Resultantly, soft rock was measured/paid under the category of hard rock causing overpayment of Rs 28.851 million.

Audit pointed out the overpayment in September 2017. The department did not furnish the reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC pended the para for verification of lab test report of soil and details of court case.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 57)

5.4.21 Non-confiscation of security deposits - Rs 163.330 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.

Audit noted from accounts record that a huge amount of Rs 163.33 million of Cash Deposit of contractors as security were lying unclaimed since long as shown in the form CPWA-79 of Monthly Account of June 2017.

(Rs in million)

S. No.	DP No.	Division	Amount
1	246	CCD-II Lahore	74.401
2	255	CCD-IV Islamabad	59.737
3	208	CCD-VIII Islamabad	29.192
Total			163.330

Audit observed that the said amounts of security deposits pertains to the years 2004 and onwards but neither contractors requested to refund

their security deposits nor the department impounded the same and credited to Government revenue account as lapsed deposits. Audit further observed that security deposit Register was not properly maintained as balances were not properly worked out at the end of each month/year. This resulted into non-confiscation of security deposits of the contractors amounting to Rs 163.330 million.

Audit was of the view that irregularity occurred due to non-adherence to the rules and lack of proper internal control mechanism.

Audit pointed out the irregularity in October 2017. The department replied in case of DP 246 that the amount of security deposit available pertains to the work where it is required to be retained due to pendency of the works/ agreement. These amounts are yet to be cleared therefore it is not possible to confiscate the same. The redundant amounts had been confiscated lastly during 2012. The further scrutiny has been stated and any amount found overdue shall be transferred to DBA.

The reply was not accepted because security deposit register was also showing the unclaimed balances of security deposits for more than three complete years (some of them pertained to 2004 to onward). Further no evidence was provided regarding confiscation. Hence, unclaimed security deposits for more than three years were required to be confiscated and credited to the Government account as lapsed deposits according to the rules.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department in case of DP 246, to provide detail of security deposits involving court cases and other-than-court cases. Amount of other-than-court cases be confiscated immediately and record be produced to Audit for verification. Other cases were not discussed in the DAC meeting despite requests by Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.
(DP. 208, 246, 255)

5.4.22 Undue retention of balance funds of PWP-II (placed under PLA-I and PLA-III) after completion/handing over of respective schemes to the TMAs - Rs 47.603 million

The Finance Division (Budget Wing), Government of Pakistan vide letter No. F-3(20) BR/II/94-B-Vol-I/313 dated April 15, 1997 allowed operation of following Personal Ledger Accounts (PLA) in Pak PWD with zero balances operative from July 1, 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 the Executive Engineer, Central Civil Division, Pak PWD Gujranwala and CCD-I Pak PWD Lahore retained funds of Rs 47.603 million (27.997 and 19.606 million respectively) relating to PWP-I & II in PLA-I (Lapsable) and PLA-III (Non-lapsable).

Audit observed that these funds were relating to development schemes of PWP-I & II for the years 2008-09, 2009-10 and 2012-13 but the same were kept retained in PLA-I (Lapsable) and PLA-III (Non-lapsable) in violation of PLA Schemes since long resultantly blocking the funds without any justification. Audit was of the view that these funds were required to be remitted to Director Budget & Accounts for its further disposal. Audit further observed that the respective PWP-II schemes have since been completed/handed over to the TMAs, however, the unutilized funds/savings were not transferred to concerned department so far. This resulted in undue retention of government funds for Rs 19.606 million. This resulted in an unjustified retention of funds of PWP-I & II in PLA-I and PLA-III amounting to Rs 47.603 million.

Audit pointed out the matter in October 2017. The department replied in case of DP 231 that the funds were kept in the PLA-I (PWP-I & II) pertaining to the various schemes which were abandoned due to certain Court Cases and inquiries. According to the judgment of the Honourable Supreme Court of Pakistan in writ petition 20, the payment may be released to the contractor after proper inspection by the various committees. The funds available in PLA-I & III would be remitted to Government Treasury as unspent after the decision of inquiries.

The reply was not accepted because no documentary evidence in support of reply was produced to the Audit. The detail of court cases, inquiries etc. pertaining to the schemes, the funds of which were kept retained in PLA-I (Lapsable) and PLA-III (Non-lapsable) since 2008-09, 2009-10 and 2012-13 are required to be produced to the audit to ascertain factual position.

The matter was discussed in the DAC meeting held in January 2018, wherein, the department reiterated its previous stance in case of DP 231.

DAC directed the department to provide details to Audit for verification.

In case of DP 56, the DAC directed that physical verification of the scheme against which funds have been retained may be carried out by DG Office and report be submitted to Audit for verification.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.
(DP. 56, 231)

5.4.23 Overpayment of escalation due to inclusion of inadmissible weightage of coefficient - Rs 24.383 million

According to standard procedure and formula for price adjustment part-1 procedure B Parameters-1, each of the cost elements, having cost impact of seven (07) percent or higher can be selected for adjustment. Costs elements of HSD and labor shall be included in the price adjustment formula irrespective of their percentage determined for a particular project.

Further Note-3 Appendix-C to Bid explains that the employer has to determine the weightage of fixed portion considering only those cost elements having cost impact of seven (07) percent or more on his specific project

Audit noted that the Executive Engineers of various Pak PWD Divisions executed different works of building and roads and paid escalation of Rs 24.383 million.

Audit observed that weightages of fixed/variable portions were not fixed by calculating the cost elements having cost impact of 7% or above as per provision of the appendix-C. This resulted in irregular/unauthentic payment/calculation on account of price adjustment of Rs 24.383 million as detailed below:

(Rs in million)

S No	DP No	Division	Name of Work	Amount
1	82	CCD-II Peshawar	Construction of residential accommodation for NAB at Hayatabad, Peshawar (SH Cat-II houses)	17.179
2	241	CCD-II Lahore	Widening/Improvement of metaled road Kot Radha Kishan to pajian bypass Phase-I	5.349

S No	DP No	Division	Name of Work	Amount
3	235	-do-	Construction of metaled road from Kanganpur to Ganda Singh wala Dist. Kasur Phase-I and II	1.855
Total				24.383

Audit was of the view that irregular payment occurred due to weak internal and financial controls.

Audit pointed out the irregular payment during August and October 2017. The department replied in case of DP 82 that price escalation was paid after detailed calculation and all the items had weightage of 7% or more.

The reply was not accepted because:

- As per calculation sheet made by the department, quantity of cement bags was 12186. In view of this quantity, weightage for the cement comes to 6.24%, hence not to be included in the variable portion.
- The quantity of steel was 136.014 tons at the rate of Rs 60000 per ton = Rs 8,160,840x100÷53,052,238 (NIT amount 29,111,193+82.24% premium on which the work awarded) =15.38%.
- Department calculated the weightage of bricks by adding 25% wastage whereas the weightage was to be calculated in view of actually consumed bricks. Further in one cft. total bricks come to 14.22 but department multiplied by 14.5. However, in view of actual quantity of bricks, weightage of bricks comes to 5.36%, hence not to be included in the variable portion being less than 7%.

In other cases it was replied that the determination of the weightages was to be worked out as per standard procedure and formula for price adjustment as given by Pakistan Engineering Council. It provides to consider weightage of those items which have cost impact of 5%. The amount of escalation has also been calculated by applying the reworked weightages and enclosed herewith. The payment made to the contractor is provisional subject to adjustment in next bill and recovery, if any, will be made accordingly.

The department admitted the recovery indirectly. Further reply regarding cost impact of 5% was not acceptable because Note 3 of Appendix-C of contract document and PEC document clearly indicated that cost impact of 7% or more will be considered for escalation. Furthermore the department has not provided any documentary evidence regarding recovery.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department in case of DP 82, to get the calculations of weightages of specified materials verified from Audit. The other cases could not be discussed in the DAC meeting despite requests by Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.
(DP. 82, 235, 241)

5.4.24 Overpayment/ undue benefit to contractor due to inadmissible execution of higher rate - Rs 18.778 million

Rule-19(iv) of General Financial Rules (Vol-I) states that 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 prior approval of the Ministry of Finance.

Further according to detailed estimate/ measurement sheet prepared by the Executive Engineer after site visit was approved by the competent authority.

As per making earthen embankments with earth taken from approved borrow pits including cost of excavation, placing earth in layers not exceeding 9” (229 m) depth as per approved as section including dressing top and sides of the bank within as lift of 5ft (1.25m) and lead up to 300ft (30.5m) in all kinds of soil (except gravelly, murmur, wet silt, clay or mud and rock was to be executed at the rate of Rs 300 per %Cft as quoted by the contractor against the NIT rate Rs 229.18 per %Cft which was 31% above the NIT rate.

5.4.24.1 Audit noted that Executive Engineer, Central Civil Division-II Pak. PWD Lahore awarded the work “Construction of Metaled road from Kanganpur to Ganda Singh wala Dist. Kasur Phase-I” to the contractor.

Audit observed that the contractor quoted the rate Rs 800 per % Cft against NIT rate Rs 382.97 against item No. 3 which was 109 % above and Rs 200 per % cft for item No 4 against NIT rate Rs 229.18 % Cft which was below the NIT rate. Subsequently during execution of item No 3 with the quantity of 2,421,865 Cft, instead of 293,081 cft which was 726% excess than provision and item no 4 was executed for 4,964,699 Cft instead of 7,074,856 Cft. The department abnormally increased the high quoted rate item and decreased the quantity of below quoted rate item to provide the undue benefit to the contractor. This resulted in the overpayment for Rs 12.772 million.

Audit pointed out overpayment in October 2017. The department replied that in the instant case the alignment of road lies parallel to Pak-India border and entire area falls in control of border committee. It is not possible to obtain earth from nearby fields along entire stretch of the road. The matter pertains to variation of quantity of the approved items and the same will be approved from the competent authority.

The contention of the department was not tenable because quantities of items were calculated and incorporated in the detail estimate/ measurement sheet at the time of estimation by the engineers as per site requirement after site visit. In this case the authority reduced the below quoted rate item and increased high quoted rate item.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to get the record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 240)

5.4.24.2 Audit noted that Executive Engineer, Central Civil Division-II Pak. PWD Lahore awarded the work "Construction of Metaled road from Kanganpur to Ganda Singh wala Dist. Kasur Phase-II" to the contractor with the agreement cost of Rs 265.295 million.

Audit observed that the BOQ item No 2 (Making earthen embankment with earth taken from approved borrow pits... with 300ft lead) was paid at the rate of Rs 300 per % Cft with quantity of 152,097 Cft only out of quantity 4,737,650 Cft as provided in the agreement. Subsequently, the quantity of 2,833,499 Cft of the same item was paid at the rate of Rs 720 per % Cft with one (1) Mile lead as Extra item no 1 instead of 300 ft lead. The department was required to pay the item after adding the cost of one mile lead and 31% premium as quoted by the contractor against the NIT rate which was Rs 508.03 % Cft instead of Rs 720 %cft. Application of inadmissible rate resulted in overpayment of Rs 6.006 million.

Audit pointed out overpayment in October 2017. The department replied that the item of earth work with 01-mile lead is not available in the agreement, however, it is required to be executed at site. The NIT amount

of the said work is Rs 84.899 million and agreement amount is Rs 265.295 million therefore premium works out to be 212% above, if we apply the above-stated rate then the rate of said item was Rs 1241.72% Cft. Further, the part payment has been made at the rate of Rs 720% Cft which is a provisional payment subject to approval of the employer.

The departmental reply was not acceptable because the subject work was awarded on item rate basis. Contractor quoted rate against item "Making earthen embankment with lead 300ft" at the rate of Rs 300 per% Cft against NIT rate Rs 229.18 Per% Cft which was 31% above the NIT. The department was required to pay the rate of extra item after adding cartage of one mile lead plus 31% quoted premium by the contractor.

The matter could not be discussed in the DAC meeting despite the repeated requests made by the Audit.

Audit stresses for early recovery along with disciplinary action against the person(s) at fault.

(DP. 234)

5.4.25 Irregular/unauthentic payment -Rs 19.907 million and overpayment due to non-deduction of crust - Rs 11.319 million

According to condition No. XI of the letter written by Chief Engineer to the Superintending Engineer vide No.CECZ/LHR/W-PP-287/5535 dated 19th August, 2010 the longitudinal and cross-section measurements of road have to be checked /approved by the SE/EE before and during execution of work and a reference may be given in Measurement Book and deduction of road crust was required to be made from the item of work "Making road embankment" as per technically sanctioned estimate by the Chief Engineer.

Audit noted that Executive Engineer, CCD, Pak PWD Bahawalpur awarded the work "Construction /Widening /Improvement of M/Road to Jetha Bhatta Feroza road to Channi Goth via 87/A, Akhtar Nagar Doshakka Road Rahim Yar Khan. (PP-287)" at agreement cost of

Rs 86.151 million, Rs 110.279 million and Rs 112.834 million respectively. Audit also noted that the department made payment to the contractors for item of work making road embankment with lead 100 feet, one mile and three miles.

Audit observed that the department made payment for item of work “Making Earth Embankment” without the approval of longitudinal and cross-section measurements and also failed to deduct the road crust quantity. Non-approval of cross-section and payment without deduction of road crust resulted in overpayment of Rs 11.319 million, besides irregular payment for the whole quantity of earth work embankment of Rs 19.907 million.

Audit was of the view that overpayment was due to weak internal and financial controls.

Audit pointed out the overpayment and irregularity in November 2017. The department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the Department explained that The scope of work was to widen the existing road in average 5 ft on both sides which was filled with 0’-9” sub-base and over it 0’-6” base was laid in 20’-00” entire width. The new Earthen Embankment used for making of berms / shoulders and available Earth at site and necessary deduction i.e. Crust and Shrinkage etc. has been made during measurement. The longitudinal and x-section of Earth Work were also prepared. DAC directed the department to get the record verified within one week.

Compliance to the DAC’s directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC’s directive.

(DP. 214)

5.4.26 Excess payment due to higher rates - Rs 16.803 million

Para 182 of General Financial Rules provides that to facilitate the preparation of estimates, as also to serve as a guide in settling rates in connection with contract agreements, a schedule of rates for each kind of work commonly executed should be maintained in each locality and kept up-to-date. The rates entered in the estimates should generally agree with the scheduled rates but where, from any cause, these are considered insufficient, or in excess, a detailed statement must be given in the report accompanying the estimate, showing the manner in which the rates used in the estimate are arrived at.

Audit noted that Executive Engineer Central Civil Division IV Pak. PWD Islamabad awarded a work “Construction of Islamabad High Court Building at G-5 Islamabad” at agreement cost of Rs 2,474.049 million.

Audit observed that item of work providing & fixing 2 thick best quality deodar wood shutter fully paneled with hardware and lacquer polish was substituted with agreement item i.e. mahogany wood door by analyzing the rate on market basis as Rs 2890 per sft whereas the rate of same item of work (except lacquer polish) was provided for Rs 706.49 per sft in Pak. PWD schedule of rates 2012. After adding 80% on schedule rate and 25% polish cost of the total door, cost became Rs 1589 per sft. Hence it showed that the rate was analyzed on much higher side. This resulted into excess payment of Rs 12.502 million.

Similarly the rate of deodar wood door frame was also analyzed on market basis as Rs 1600 per Rft whereas, the deodar wood door frame with rich specification was provided as Rs 400 per Rft in schedule of rate 2012 and after adding 80% on schedule of rates 2012 and 25% polish cost, the updated rate was Rs 900 per Rft instead of Rs 1600. This resulted in excess payment of Rs 16.803 million.

Audit pointed out excess payment in November 2017. The department did not reply.

The matter could not be discussed in the DAC meeting despite the repeated requests made by the Audit.

Audit stresses for early recovery along with disciplinary action against the person(s) at fault.

(DP. 252)

5.4.27 Overpayment due to inadmissible cartage - Rs 12.804 million

According to clause 33.1 of agreement upon the issue of any Taking-Over Certificate the Contractor shall clear away and remove from that part of the site to which such Taking-Over certificate relates all contractors equipment, surplus materials, rubbish and temporary works of every kind, and leave such part of the site and works clean and in a workman like condition to the satisfaction of the Engineer. Provided that the Contractor shall be entitled to retain on site, until the end of the defects liability period, such materials, contractors' equipment and temporary works as are required by him for the purpose of fulfilling his obligations during the defects liability period.

Audit noted that Executive Engineer CCD-II Pak PWD Islamabad awarded the work Construction of NAB Headquarters Building at G-5/1 at an agreement cost of Rs 449.902 million.

Audit observed that payment of Rs 12.805 million was made to the contractor on account of cartage of earth including loading, unloading and stacking spreading etc. up to 1/2 mile lead or part thereof complete sand, bitumen, lime, murum, manure, earth, building rubbish etc. including loading, unloading and stacking etc. in violation of above-mentioned rules. This resulted in unjustified payment of Rs 12.804 million.

Audit pointed out the matter in September 2017. The department replied that the para was taken by the audit in its report for the year 2013-14 and was settled by the PAC during a meeting held on 25th July, 2017. The departmental reply was not accepted because the para mentioned in reply, pertains to overpayment due to higher rate, non-

deduction of rebate and excess measurement whereas current observation is regarding unjustified/overpayment on account of cartage of earth including loading, unloading and stacking/spreading, etc. in violation of agreement clause.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to conduct a fact finding inquiry with reference to item of cartage with lead in contract documents.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 184)

5.4.28 Blockage of Government funds - Rs 10.989 million

Director Budget & Accounts office letter No. DBA/WAD/Circular/ 2014-15 dated 27th October, 2014 "Addressed to all Federal Treasury Officer Islamabad/Karachi, all District Accounts Officers and copies thereof endorsed to all EEs/DAOs and others wherein it was made clear that funds of budgetary grants must be placed in PLA-I and not in PLA-III".

Audit noted that that Executive Engineer, Central Civil Division Pak. PWD Sukkur retained PLA-I grant for Rs 10.989 million under-utilization through PLA-III (non-lapsable) since 2015 to September 2017.

Audit observed that Rs 3.626 million was transferred from PLA-III to PLA-I vide C.V.No.02 dated 26th July, 2017 on the directions of Director Budget & Accounts while a huge amount of Rs 10.989 million was still lying in PLA-III up to the month of September 2017. This resulted in blockage of PLA-1 Grant since 01st July, 2015 due to keeping it in PLA-III (non-lapsable) the amount of Rs 10.989 million.

Audit communicated the matter in October 2017. The department replied that the Contractor has filed a case in the Honorable Court of Law therefore funds in question could not be transferred till the final decision by honorable court. The reply was not tenable because the department did not provide documentary evidences in support of the reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the department explained that contractor has filed a case in court and funds in question could not be transferred till the final decision of honorable court.

DAC pended the para till final decision of court case.

(DP. 128)

5.4.29 Overpayment due to non-adjustment of price of bitumen less used in tack coat - Rs 10.299 million

As per NHA specification vide para No. 305.4.2 the quantity of bitumen is adjustable as per actual consumption.

Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work “Dualization and Improvement of Mandra Chakwal Road” (64 km) at agreement cost of Rs 4,199.642 million.

Audit observed that laboratory test reports of bituminous tack coat reflects its consumption as 0.24 kg per square meter, whereas in rate analyses quantity of 0.433 kg per square meter was included. Quantity of 0.193 kg per square meter extra inclusion resulted in overpayment of Rs 10.299 million.

Audit pointed out the overpayment in October 2017. The department replied that as per NHA General Specifications Clause 303.3.2 rates of application of cut back shall be within the range of 0.2 -0.4 liters per square meter. However, 0.433 liters per square meter tack coat (i.e. 0.033 liters per square meter additional quantity) was taken as per

approved JMF given in contract agreement, duly signed by NESPAK. The reply was not accepted due to variation of actual consumption of bitumen in tack coat and quantity taken in analysis of rate.

The matter was discussed in the DAC meeting held in December, 2017. The DAC directed the department to get the record in support of the stance, verified from Audit.

No compliance to the DAC's directive was reported till finalization of the Report.

Audit recommends for early compliance to the DAC's directive.
(DP. 147)

5.4.30 Non-recovery - Rs 10.282 million

As per minutes of 2nd pre-bid meeting held on 18th November, 2013 regarding clarification to bidders, it was agreed that the design vetting fee at the rate of 0.5% of the lowest bid would be borne by the successful bidder.

As per Director General Pakistan Public Works Department letter No.DG-111/W-II(A) Islamabad on 28th December, 2016 "one room was to be placed each at Qasr-e-Naz, Karachi and Chamba House, Lahore at the disposal of the National Assembly for protocol purpose on payment basis. Para -3 of ibid letter provides that, "Necessary payment bills as per rules of the above rooms may directly be sent to Secretary National Assembly Secretariat on monthly basis for payments".

As per General Abstract of bid, the contractor reduced the all BOQ item rates at the rate of 2.96 % and offered rebate on his rates.

Rule 23 (i) of GFR Vol-I provides 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.

In terms of Para-4 (2) (d) of Rules of allotment of accommodation in Federal Government Lodges Rule, 1985, subject of minimum of one day rent, fifty percent of rent shall be deposited in advance by the allottee at the time of receiving allotment of accommodation.

5.4.30.1 Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work “Dualization and Improvement of Sohawa Chakwal Road project at agreement cost of Rs 4,338.362 million.

Audit observed that the design vetting fee at rate 0.5% was being deducted from the Mandra Chakwal Road Project but was not deducted from Sohawa Chakwal road project. This resulted into non-deduction of Rs 6.956 million.

Audit pointed out the non-recovery in October 2017. The department did not furnish the reply.

The Para was discussed in DAC meeting held in December, 2017 the department explained that recovery of 0.5% of design vetting fee amounting to Rs 6.916 million will be made in the next running bill. DAC directed the department to get the recovery verified from Audit.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC’s directive.

(DP. 138)

5.4.30.2 Audit observed that the Assistant Comptroller, Federal Lodge No.1 (Qasr-e-Naz), Central Civil Division-VI Pak. PWD, Karachi, did not send room rent bills to Secretary National Assembly Secretariat on

monthly basis for payments which was contravention of directives of Director General, Pak. PWD Islamabad issued vide letter referred above. This resulted in non-raising of monthly bill of Rs 1.868 million.

Audit pointed out non-recovery in September 2017. The department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to submit a case to Ministry of Housing and Works for taking up the matter with National Assembly Secretariat.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 34)

5.4.30.3 Audit noted that Executive Engineer, Central Civil Division-II Pak. PWD Lahore, awarded the work "Construction of Metaled road from Kanganpur to Ganda Singh wala Dist. Kasur Phase-II" to the contractor.

Audit observed that a scheduled/ BOQ item "making earthen embankment taken from approved borrow pits with 300 ft lead" was provided in the agreement but the department allowed the execution of same item under (Extra items) with 01 mile and 04 miles lead and amount of Rs 20.401 million and Rs 21.477 million respectively was paid without deduction of rebate at the rate of 2.96% as offered by the contractor on all items. This resulted in non-deduction of rebate of Rs 1.239 million.

Audit pointed out non-recovery in October 2017. The Department replied that the proper method was adopted by the department for payment of extra items. The rate of the extra items have got the approval from the competent office after including premium above and rebates offered by the contractor. The consolidated rate is applied for payment in the bills without adding premium / or deducting rebates.

The contention of the department was not tenable because the contractor allowed rebate on all items. Further the extra items were not different from items already available in the BOQ/Agreement.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to get the facts verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 244)

5.4.30.4 Audit noted that the Assistant Comptroller, Federal Lodge No. 1 (Qasr-e-Naz), Central Civil Division-VI Pak. PWD, Karachi had to receive advance rent subject to minimum of one day's rent, fifty percent of rent from the allottee at the time of receiving allotment of accommodation.

Audit observed that the Assistant Comptroller, Federal Lodge No.1 (Qasr-e-Naz), Central Civil Division-VI Pak. PWD, Karachi did not recover room rent amounting to Rs 0.219 million during the financial year 2016-2017.

Audit pointed out non-recovery in September 2017. The department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to pursue recovery.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 31)

5.4.31 Loss due to non-fulfillment of contractual obligation - Rs 9.814 million

As per contract agreement an item 108a formation of embankment from road way excavation in common material was provided for 76897 Cu.m at the rate of Rs 346 per Cu.m.

Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work “Dualization and Improvement of Mandra Chakwal Road” (64 km) at agreement cost of Rs 4,199.642 million. The 11th running bill was paid in June, 2017 for total value of work done of Rs 4,478.034 million.

Audit observed that the earth obtained from roadway excavation was not utilized and the embankment was constructed with borrow earth at rate of Rs 475 per Cu.m under the items 108c. This reflects that a single cubic meter suitable earth was not obtained from length of 64 km road for filling in the road embankment. This resulted in loss of Rs 9.814 million.

Audit pointed out the loss in October 2017. The department replied that the recovery of Rs 9.814 million would be made in next running bill.

The matter was discussed in the DAC meeting held in December 2017. The DAC directed the department to make due recovery within one week and get the same verified from Audit.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC’s directive.

(DP. 141)

5.4.32 Unjustified payment - Rs 7.750 million and non-deduction of rock filling from formation of embankment quantity - Rs 3.201 million

The contract agreement of the work Dualization and Improvement of Mandra Chakwal Road does not contain excavation of hard rock item.

Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work “Dualization and Improvement of Mandra Chakwal Road” 64 km at agreement cost of Rs 4,199.642 million.

Audit observed that an amount of Rs 7.750 million was paid on account of formation of embankment from roadway excavation in hard rock. Record was silent about the cutting of hard rock 6,812 Cu.m but it was measured and paid at the rate of Rs 1,150 per Cu.m in filling area of the road. The rate of Rs 1,150 per Cu.m for filling was meant for the available rock at site as a result of rock cutting.

B) It was further added that the filling of hard rock was measured in the area where formation of road from borrow excavation was already measured through cross-sectional method but the deduction of the rock filled quantity was not made because the rock was filled in between the formation of embankment with borrow common material valuing Rs 3.201 million.

Audit pointed out the unjustified payment in October 2017. The department replied that the recovery of Rs 7.750 million and Rs 3.201 million will be made in next running bill.

The matter was discussed in the DAC meeting held in December, 2017. The DAC directed the department to make due recovery within one month and get the record verified from Audit.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC’s directive.

(DP. 154)

5.4.33 Loss to Government - Rs 7.650 million

Federal Government Lodge Wafaqi Colony Lahore is consisting of 8 suites and 18 rooms. The room rent was applicable as Rs 2,000 for suite and Rs 1,000 for room per day.

Audit noted that the Executive Engineer Central Civil Division -II Pak PWD Lahore is responsible for repair and maintenance and look after of matters of Federal Government Lodges Wafaqi Colony Lahore to keep it operational for providing accommodation facility to the touring guests.

Audit observed that, there was no collection of room rent and service charges at the rate of 25% of rent showing in the collection register and divisional record from July 2016 to December 2016.

It is pertinent to mention here that huge amount on salaries of lodges staff was incurred during the year 2016-17. Audit was of the view that despite incurring reasonable expenditure on salaries, the rooms were not booked to generate the revenue. Due to non-booking of rooms, the Government sustained a loss of Rs 7.650 million.

Audit pointed out the loss in October 2017. The department replied that the Executive Engineer Office has been absolved of recovery of room rent / booking of rooms and all such matters as per letter No.F.1(1)/2016-EIV(Misc) dated 11th April, 2016. The contention of the department was not acceptable because the loss to Government was not justified.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the Ministry to examine the issue and take appropriate steps for recovery mechanism.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 247)

5.4.34 Excess payment of supervision charges - Rs 7.353 million

According to Appendix-E of the contract agreement with M/s National Engineering Services Pakistan Pvt. Limited (break-up of the contract cost) 2% design phase and 2.75% of supervision phase of the construction cost was to be paid.

Audit noted that the Executive Engineer Store and Workshop Division Islamabad awarded consultancy services contract regarding construction of New Secretariat Block Constitution Avenue Islamabad to M/s National Engineering Services Pakistan Pvt. Limited.

Audit observed that a contract of HVAC work sub-head-II equipment was awarded to M/s M.Z Awan on March 4th, 2010 at agreement cost of Rs 194.461 million with completion period of one year. The contractor procured a major items of chiller, executed some small works. After that, the contractor M/s MZ Awan stopped the execution of work due to dispute of specification and manufacture make of chillers and the work was re-tendered in June, 2016. The remaining work was awarded to M/s Prime Engineering Method and M/s Riaz & Sons at agreement cost of Rs 186.784 million. It was observed that the consultant M/s NESPAK, was paid supervision fee of the earlier contract of M/s MZ Awan of Rs 5.348 million for the period of one year and amounting to Rs 20.054 million for extended period from 05th March, 2011 to 19th July, 2011. It was further observed that the consultant was again paid supervision charges of Rs 5.136 million on re-tendered work of Rs 186.784 million for the period of 01st July, 2016 to 31st December, 2016. It indicates that the supervision fee was paid twice, once for period 16.5 months on the contract cost of M/s MZ Awan and the second for the same work after retendering. Hence, payment earlier made for the period from 05th March, 2010 to 19th July, 2011 of Rs 7.353 million was recoverable.

Audit pointed out the excess payment in October 2017. The department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the department explained that the consultancy work was awarded to M/S NESPAK through Civil Division for period of 36-Months. However, the work could not be completed within stipulated period and now the extension of time had been granted upto 30th June, 2018 for completion of the project. DAC directed the department to submit detailed reply and get the record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 155)

5.4.35 Overpayment due to avoidable/unnecessary item - Rs 7.213 million

Item No. 10(8) road & runways (SH-127) Brief Specification of Pak. PWD annexed with CSR-2004 provides that an AASHTO specification are required to be followed. In Sub-base and base, the material used shall be of the quality and grading conforming to standard AASHTO grading / specification. The recommended gradation for sub-base and base is given in table wherein crushed stone base course contained component of crush aggregate stone sized including screening passing sieve No.4 & 100.

Audit noted that Executive Engineer, Central Civil Division, Pak PWD Bahawalpur awarded the work "Construction/Widening/Improvement of M/Road to Jetha Bhatta Feroza road to Channi Goth via 87/A, Akhtar Nagar Doshakka Road Rahim Yar Khan." at agreement cost of Rs 86.151 million, Rs 110.279 million & Rs 112.834 million respectively.

Audit observed that item providing and laying base course of machine crush aggregate 2-1/2" to 3/4" was measured as compacted eliminating voids. Besides, separate measurement was made for spreading

murum over crushed base to cover surface of the base course. By executing both the items the level and area of the base course remained same, hence quantity of murum was deductible from the quantity of base course. This resulted in overpayment of Rs 7.213 million.

Audit pointed out the overpayment in September 2017. The department did not reply.

The matter was discussed in the DAC meeting held in December 2017 wherein the department explained that stone ballast and murum are two different items in Schedule of Rates. The pavement is fully compacted as per specification and the murum was used just to protect the base from wear and tear as per specification without increasing overall thickness.

Audit contended that action of the department is not in line with other engineering departments wherein murum is inbuilt in the composite item of base course. Moreover, in certain divisions, item of murum has not been paid separately. DAC directed that the department may come up with firmed up viewpoint in the light of audit contention within one week, Otherwise the item in composite schedule of rates may be reviewed and a revised inbuilt item be introduced in line with other engineering departments.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.
(DP. 213)

5.4.36 Overpayment on account of supervision charges - Rs 5.944 million

According to Appendix-E of agreement for consultancy service (Break Down of contract price in Local Currency) payment on account of supervision charges was to be made to the consultant at the rate of 0.90% of total project cost on completion.

Audit noted that Executive Engineer Central civil Division No. II Pak PWD Islamabad awarded the work Construction of NAB HQ Building G-5/1, Islamabad (SH Consultancy Supervision) to M/S Hassan Associates.

Audit observed that up to 24th running bill paid vide voucher No 17 dated 16th June, 2017 supervision charges up to April 2017 on account of Main Building were paid amounting to Rs 8.982 million. Audit further observed that work completed on account of NAB HQ Building G-5/1, Islamabad, up to April 2017 was Rs 337.514 million. as such, payment on account of supervision charges up to April 2017 was to be made as Rs 3.038 million. This resulted in overpayment of Rs 5.944 million.

Audit pointed out overpayment in August 2017. The authority replied that there are 4 different agreements costing over Rs 775.00 million (approximately) running for this project for which consultancy charges at the rate of 2.30 % are calculated as Rs 17.825 million, whereas total consultancy charges accordingly has been paid to the consultant. The departmental reply was not acceptable because as per consultancy agreement construction supervision was to be paid at the rate of 0.90 % of total project cost on completion. Audit observation is based on supervision charges paid on account of main building. Total work done on account of main building of NAB Headquarter up to April 2017 was of Rs 337.514 million against which consultancy supervision charges admissible up to April 2017 were Rs 3.038 million but the department made payment of Rs 8.982 million resulting into overpayment of Rs 5.944 million.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to submit detailed reply with justification to Audit for verification.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 180)

**5.4.37 Non-adjustment of structural excavated material -
Rs 3.796 million**

Para 108.4.1 of NHA specification provides that, quantity of structural excavation should be deducted from the quantity of formation of embankment from borrow excavation.

Audit noted that the Executive Engineer Central Civil Division-V Pak. PWD, Islamabad awarded a work “Dualization and Improvement of Mandra Chakwal Road (64 km)” at agreement cost of Rs 4,199.642 million.

Audit observed that a quantity of 29,187 Cu.m earth was obtained from structural excavation during construction of the road out of which only 7,262 Cu.m was used in road work. Non utilization of available earth obtained from structural excavation resulted in overpayment/non-adjustment of structural material for Rs 3.796 million.

Audit pointed out the non-adjustment in October 2017. The department replied that the recovery of Rs 3.796 million will be made in next running bill.

The matter was discussed in the DAC meeting held in December, 2017. DAC directed the department to effect recovery within one month and get it verified from Audit.

Compliance to the DAC’s directive was not made till the finalization of this report.

Audit recommends for early compliance to the DAC’s directive.

(DP. 150)

5.4.38 Execution of defective/substandard work of Steel Reinforcement due to utilization of steel having yield/ultimate strength less than normal - Rs 2.765 million

According to Letter of Acceptance issued vide No. EE/CCD-I/LHR/AB/1531 dated 27th August, 2015 the work should be executed strictly in accordance with the specification of Pak PWD, approved drawings and standards stipulated in the agreement.

Audit noted that item of work providing and laying hard grade ribbed deformed reinforcement bars etc was executed for a quantity of 265.853 Cwt under ground floor and 138.880 Cwt under first floor.

Audit further observed that steel used of dia 3/8", 1", 3/4" & 1/2", as evident from the steel sample test reports of University of Engineering and Technology Lahore dated 22nd January, 2016 & 06th November, 2015 was defective/sub-standard due to having yield/ultimate stress less than the nominal. Thus, execution of the work of steel worth Rs 2.766 million was considered defective/substandard.

Audit was of the view that the execution of defective/substandard work occurred due to non-adherence to the contract specification and ineffective implementation of technical, financial and internal controls.

Audit pointed out the execution of defective/substandard work in September-October 2017. The department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the department explained that actual tensile strength was satisfactory as per test reports.

DAC directed the department to get the record in support of stance verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 175)

5.4.39 Overpayment due to non-adjustment of cost of excavated material - Rs 2.736 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.

Audit noted that work "Construction of Musa Khil Taunsa Road (35 KM) stretch to be constructed and linked with Zhob" was awarded to M/s NPI Construction & Engineering at agreed cost of Rs 456.583 million.

Audit observed that the item making earthen embankment was measured for a quantity of 86,584.33 Cu.m. Audit further observed that the item excavation or cutting in gravelly soil was measured/paid for quantity of 72,756.90 Cu.m out of which 40,519.63 Cu.m was used in earth work embankment and paid as extra item at the rate of Rs 22.30 per cu.m. The status of remaining quantity of 32,237.27 Cu.m was not forthcoming from the produced record. Apparently quantity of 32,237.27 Cu.m was also utilized in embankment and should have been paid at the rate of Rs 22.30 per Cu.m instead of Rs 74.69 per Cu.m. Due to non-adjustment of the embankment rate against available earth, the contractor was overpaid to the extent of Rs 2.736 million.

Audit pointed out the overpayment in September 2017. The Department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC directed the department to make adjustment and get the same verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive regarding recovery/adjustment.

(DP. 58)

5.4.40 Excess payment due to non-deduction of GST – Rs 1.939 million and non-deduction of Tax on Services - Rs 4.159 million

As per condition of the contract No.1.7 Taxes and Duties unless specified in the Special Condition, the Consultants, Sub-consultants, and their Personnel shall pay such taxes, duties, fees, and other impositions as may be levied under the Applicable Laws, the amount of which is deemed to have been included in the Contract Price.

According to Islamabad Capital Territory (Tax on Services), Ordinance, 2001, Ordinance No. XLII of 2001, the Schedule [See Section 3(2)], S.No.12, 16% rate of tax under head 9815.5000 will be levied on Services provided by the Technical, Scientific and Engineering Consultants.

Audit noted that an agreement was signed between the Pakistan Public Works Department and M/s National Engineering Services Pakistan on 19th, January 2006 for Planning, Design & Construction Supervision of Pakistan Secretariat Block at Islamabad, afterward which was applied on Construction of NAB building and Construction of Conference Rooms and Offices at Prime Minister House.

Audit observed that Executive Engineer, Store & Workshop Division, Pak. PWD, Islamabad made payment of Rs 8.592 million to M/s NESPAK for the consultancy charges by inclusion of Rs 1.939 million as GST instead of deduction, which was to be recovered from Consultant. Audit further observed that Executive Engineer made payment amounting

to Rs 25.997 million to Consultant M/s NESPAK for the financial year 2016-17 without deduction of GST amounting to Rs 4.159 million.

Audit pointed out the excess payment in October 2017. The department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the Department explained that the consultancy agreements were made prior to July 2015, and payment of Rs 8.592 million was made without deduction of G.S.T. As pointed out by the Audit, full recovery of G.S.T shall be made on receipt of their next bill. DAC directed the department to make recovery and get the record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive regarding recovery.

(DP. 158)

5.4.41 Overpayment of price escalation due to application of incorrect base rate of HSD - Rs 1.377 million

According to Price adjustment under clause 70 of conditions of contract Appendix-C to bid Note: 1 Indices for "(ii) to (vii)" are taken from the Government of Pakistan 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 Executive Engineer, Central Civil Division-II Pak. PWD Lahore awarded the work "Construction of Metaled road from Kanganpur to Ganda Singh wala Dist. Kasur Phase-I" to the contractor and an amount of Rs 29.452 million was paid on account of escalation.

Audit observed that the base rate of HSD for calculation of price adjustment was taken as Rs 64.95 per liter whereas the actual rate of HSD was Rs 66.00 per liter on 13th September, 2009. Application of incorrect base rate of HSD for calculation of escalation resulted in overpayment of Rs 1.377 million.

Audit pointed out overpayment in October 2017. The department replied that application of corrected weightages and Diesel price had been taken into account and escalation amount was reworked up to latest bill. The amount paid to the contractor and to be paid have been compared resulting in payment outstanding towards the contractor.

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 the repeated requests made by the Audit.

Audit stresses for early recovery along with disciplinary action against the person(s) at fault.

(DP. 242)

5.4.42 Unauthorized expenditure - Rs 1.117 million

In terms of Federal Treasury Rule-7, Departmental receipt may not be diverted to departmental expenditure without prior approval of Finance Division.

Audit noted that the Assistant Comptroller, Federal Lodge No.1 (Qasr-e-Naz), Central Civil Division-VI Pak. PWD, Karachi incurred an expenditure of Rs 1.117 million for purchase of up-keep material and linen items etc. for provision in rooms / suites of VVIPs and others from the Government receipts.

Audit observed that the diversion of Departmental Receipt towards expenditure was clear violation of FTR-7 as the government receipts could be utilized towards expenditure only through budgeting process and with

the approval of statutory body / Finance Division. This resulted in unauthorized expenditure of Rs 1.117 million.

Audit pointed out irregularity in September 2017. The department did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the DAC decided to refer the issue to Finance Division for concurrence of the policy.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 30)

5.4.43 Undue burden over government exchequer of millions of rupees by cutting the hard rock with excessive slope beyond the technical requirements of site

According to the Table 11.1, Chapter 11 of Low Volume Road Best Management Practices Field Guide (Author: Gordon Keller, PE Geotechnical Engineer USDA, Forest Service Plumas National Forest, California and James Sherar, PE Logging Engineer USDA, Forest Service National Forests of North Carolina), Most rock/Very well cemented soils were to be excavated with a slope of ranging from (Horizontal):1 (Vertical) to ½ (Horizontal):1 (Vertical) with average slope of 0.375 (Horizontal) :1 (Vertical).

Audit noted that the work Construction of Musa Khel Taunsa Road (35 KM) stretch to be constructed and linked with Zhob was awarded to M/s NPI Construction & Engineering at agreed cost of Rs 456.583 million (Rs 282,008,234 + 62%). Remaining work of stretch 0+00 to 19+00 (Package-I) was awarded to M/s Habib Construction Co. at agreed cost of Rs 296.010 million (310% above the NIT Cost i.e. Rs 72.197 million).

Audit observed that rock cutting under stretch (RD = 0+000 to 7+000) was executed/measured/paid with a slope of 1:1 and rock cutting under stretch (RD = 7+020 to 19+000) was executed/measured/paid with a slope of ½:1. In accordance with the above referred rock cutting criteria, rock cutting was to be designed/carried out with average slope of 0.375(0.25+0.50/2):1. The criteria on the basis of which the design consultant designed the rock cutting slop with angle of ½:1 to 1:1 and subsequently made the measurement, was not forthcoming from the produced record like TS estimate, construction cross-sections/drawings/interim as-built cross-sections, etc. Thus, rock cutting with slope of ranging ½:1 to 1:1 instead of average slope of 0.375:1 was considered to be beyond site requirement causing undue burden over government exchequer for millions of rupees.

Audit was of the view that the irregularity occurred due to non-adherence to the rock cutting best management practices/government rules and ineffective implementation of technical, financial and internal controls.

Audit pointed out the irregularity in September 2017. The Department did not furnish the reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the department explained that cutting was as per profile and design provided by the consultant. DAC directed the department to get the record verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP. 62)

ESTATE OFFICE

Irregularity and Non-compliance

5.4.44 Irregular allotments/possession and improper maintenance of General Waiting Lists (GWLs) and non-uploading of GWLs on website in violation of Accommodation Allocation Rules

Rule 6 (1) (2) and (3) Maintenance of General Waiting Lists (GWLs) Chapter-V-Registration and Allotment of AAR-2002 describes the following:-

- a. The applications for allotment of government accommodation shall be received on the application form. This form shall be forwarded to Estate Office under covering note by the Departments / Ministries of the applicant, certifying that the particulars given in the form are correct.
- b. The application for accommodation as and when received from an applicant, shall be acknowledged by the Estate Office by issuing a registration card.

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 were 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 herein 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 GWLs on the Website which shall be updated periodically. Estate Office may furnish periodically a hard copy of category-wise GWLs to the concerned dealing sections of the Ministry.

Audit noted that Estate offices of Quetta, Karachi and Lahore allotted various residences to the Govt. officers/officials during the year 2015-16 and 2016-17.

Audit observed following discrepancies:-

- Additional Estate Officer, Quetta allotted ten (10) government accommodations of various categories. The allotments were made to the applicants who were not enlisted or eligible according to the GWL maintained for implementation of AAR-2002 and compliance of the directions of the Apex Court.
- Additional Estate officer, Karachi did not maintain GWL for accommodation as and when the application received from an applicant, by issuing a registration card while the seniority of applicants are being maintained in some cases before their applications received in Estate office Karachi. This is contravention of *ibid* Rules. This resulted in improper maintenance of GWL and non-uploading of GWL on website [www.estate-

office.gov.pk] which caused to deprive the deserving eligible government servants to enjoy the facility of government accommodation.

- The Additional Estate Officer, Lahore made numerous allotments and handed over possession of the accommodations to twenty nine (29) allottees during the year 2016-17. The category-wise (GWL) 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. Further, the GWL prepared at present were vulnerable to change/modification easily at any time/stage. The Estate Officer did not bother to do the needful even after issuance of directions by the Supreme Court of Pakistan, Federal Government and the issue being raised in the previous audit report. Moreover, the Estate Office also remained unable to inform the applicants through regular circulation/placement of the lists on Notice Board of Estate Office.

Audit pointed out the irregularity in August and November 2017. The department replied that since the judgment passed by the Honourable Supreme Court of Pakistan dated 19th October, 2011 in Constitution Petition No. 1498/2011 all allotments are being made according to GWL of respective categories of accommodations. The GWL are prepared under Rule 6 of the AAR-2002 and the names of the federal government servants are enlisted on the basis of date of receipt of applications. The lists are available and accessible to all applicants to monitor their maturity of turn and since implementation of the orders of the Supreme Court, no complaint in this regard is received. However, the Audit has advised to maintain separate registers for the purpose in addition to data already available / stored in computer along with keeping hard copies of the same. In compliance to the advice, Separate Registers are being opened for enlisting the names of Federal Government Servants according to their respective entitlement. As far as matter of placing GWL on website is concerned, Estate Office, Karachi has already provided whole data to the concerned Section Officer i.e. Section Officer E-III in the Ministry and

website is being updated by the Ministry. Similarly, the hard copy of category wise GWL are already provided to the Section Officer concerned as well as Estate Office, Islamabad. Since all allotments made during the year 2015-16 are in accordance to the GWL maintained by the Estate Office and no irregularity has been committed. However, to improve the process and to make it more transparent, the observation made by the Audit has been noted for compliance.

The reply was not tenable because the Additional Estate officer Estate office Karachi did not maintain GWL for accommodation as and when the application received from an applicant, by issuing a registration card while the seniority of applicants are being maintained in some cases before their applications received in Estate office Karachi as evident from the record. The matter needs investigation / clarification with documentary evidences.

Further replied in case of Estate Officer Lahore, that in compliance to Audit observation, placement of GWL had been made available at website of Ministry of Housing & Works which may be verified.

The reply was not acceptable because in response of departmental reply the website was visited but no GWL was found at the website. Further registration letters according to GWL were not issued to the applicants.

The matter could not be discussed in the DAC meeting despite requests by Audit.

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

(DP. 10, 20, 32)

**5.4.45 Irregular allotment of government owned accommodation/
house of higher category in violation of Accommodation
Allocation Rules**

According to Rule-5 of Accommodation Allocation Rules 2002 regarding “Classification and entitlement of accommodation” it is provided that:

- (1) the entitlement of the Federal Government Servants to various categories and classes of accommodation at Islamabad and Rawalpindi shall be as following:

Basic Pay Scale of FGS	Class of Accommodation	Category of Accommodation
1-4	A	V-VI
5-6	B	V
7-10	C	V
11-15	D	IV
16-17	E	III
18	F	III
19	G	II
20	H	I
21-22	I	I

- (2) The allotment of A to I class of accommodation shall be made in accordance with the pay scale of the federal government servants as per their entitlement.
- (3) “Classification & Entitlement for government accommodation” denotes that the existing classes of accommodation at other stations shall be as following:-

Basic Pay Scale	Old Classification	New Classification
1- 4	H	A
5- 6	G	B
7-10	F	C
11-15	E	D
16-17	D	E
18	C	F
19	B	G
20	A	H
21-22	-	I

5.4.45.1 Audit noted that Estate Officer, Islamabad allotted a House No. 27, Category-II, Sector I-8/1, Islamabad to Miss Zahida Bukhari an Officer of BPS-18 on 4th April, 2017.

Audit observed that the officer of BPS-18 was entitled for accommodation of Category-III House but was allotted accommodation of higher Category i.e. Cat-II in violation of Accommodation Allocation Rules 2002 and Supreme Court Judgment dated 19th October, 2011. This resulted into irregular allotment of higher category government owned house against the entitlement of the officer.

Audit pointed out the irregular allotment of government house in October-November 2017. The department did not furnish reply.

The para could not be discussed in the DAC meeting despite requests made by Audit.

Audit stresses for the investigation of irregular allotment and action against the person(s) at fault.

(DP. 28)

5.4.45.2 Audit noted that Additional Estate Officer, Karachi is maintaining government accommodation in accordance with old classification. Audit further noted that 196 C type old classification flats/quarters for basic scale 18 are on the pool of Estate Office Karachi. Out of 196 C type old classification flats / quarters, 132 are situated in Federal Area while other 36 are situated in Garden Road.

Audit observed that C type old classification flats/quarters for basic pay scale 18 situated in Federal Area had been allotted to government servants of basic pay scale 14, 16 and 17 whereas government servants of basic pay scale, 14 were entitled E type old classification of government accommodation. In this same manner government servant of basis pay scale, 16 and 17 were entitled D type old classification of government accommodation. Thus allotment of C type old classification flats / quarters for basic pay scale 18 situated in Federal Area allotted to government servants of basic pay scale 14, 16 and 17 stands irregular and unjustified.

Audit pointed out irregularity in August 2017. The department replied that all sections had already been directed to maintain classification and entitlement for government accommodation in accordance with Rule 5(3) Part II AAR 2002.

The reply was not tenable because C type old classification flats / quarters for basic pay scale 18 situated in Federal Area were allotted to government servants of basic pay scale 14, 16 and 17 against the rules.

The para could not be discussed in the DAC meeting despite requests made by the Audit.

Audit stresses for the investigation of irregular allotment and action against the person(s) at fault.

(DP. 5)

5.4.46 Irregular allotment of government owned accommodation

Rule-4(3) of Accommodation Allocation Rules 2002 provides that the Ministry of Housing & 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.

Audit noted that Estate Officer, Islamabad allotted nine (09) government houses of various Categories to the following officers as designated houses under the cover of Rule-4(3) of Accommodation Allocation Rules 2002 as designated houses.

Audit observed that neither the officers nor the allotted houses fall in the pool of designated houses as there were only three designated posts of Chief Election Commissioner, Auditor General of Pakistan and Chief Commissioner ICT. This resulted in irregular allotment of government houses as detailed below:

S. No.	Name	Designation	House/Flat No.	Date of Allotment
1	M. Saleem Ahmad Ranjha	Secretary	H. No. 16, St No. 63, F-7/3, Islamabad	11.04.2016
2	Saad Bin Asad	Assistant Commissioner	H. No. 636-E, G-6/2, Islamabad	11.08.2016
3	Syed Kausar Ali Zaidi	Director	H. No. 16 Cat-II, G-10/2, Islamabad	20.07.2016
4	Raja Farukh Ali Khan	Civil Judge	H. No 7/8-F, St No. 52, F-6/4, Islamabad	15.08.2016
5	Miss Zahida Bukhari	SP	H. No. 27, Cat-II, I-8/1, Islamabad	04.04.2017
6	Nisar Ahmed Khan	PSP	H. No. 93-G, St No. 01, G-6/3, Islamabad	14.07.2016
7	Waqas Ahmed Raja	Civil Judge	H. No 15/5-F, F-6/4, Islamabad	21.09.2016

S. No.	Name	Designation	House/Flat No.	Date of Allotment
8	Muhammad Shabbir	Assistant Registrar	H. No. 210-E, G-6/4, Islamabad	24.10.2016
9	Capt. Syed Ali Asghar	Assistant Commissioner	H. No. 406-E, G-6/4, Islamabad	15.11.2016

Audit was of the view that the irregularity was due to non-adherence to allocation rules and weak internal controls.

Audit pointed out irregularity in October-November 2017. The department did not furnish the reply.

The para could not be discussed in the DAC meeting despite requests made by Audit.

Audit stresses for investigation of irregular allotments and action against the person(s) at fault.

(DP. 22)

5.4.47 Irregular allotments to Provincial government employees

Rule 29-A Relaxation of Rules AAR 2002 provides that the federal government may relax any rule governing allotment of accommodation to eligible federal government servants in public interest for deserving and hardship cases and on compassionate grounds for reasons to be recorded in writing for such relaxation. Rule-24 provides that government may, at any stage, cancel the allotment made in violation of rules in favour of a federal government servant including those made to the employees of non-entitled departments.

Audit noted that Estate Office Peshawar allotted two houses B-5(Cat-II) Hayatabad and B-53 Hassan Ghari Colony to Mr. Asmat Ullah Khan of local government and Mr. Paind Khan, Stenographer Provincial Assembly NWFP in violation of rule 29-A vide allotment letters dated 1st April, 2011 and 23rd May, 2009 respectively.

Audit observed that Rule 29-A clearly states that the federal government may relax any rule governing allotment of accommodation to eligible federal government servants in public interest for deserving and hardship cases and on compassionate grounds but the allotments were made to provincial government servants. Whereas, these servants were not entitled to get accommodation from Estate Office pool of federal government as there was no provision for provincial government servants in Accommodation Allocation Rule 2002. Further, in one case, Mr. Asmat Ullah Khan was a provincial government servant posted as Additional Estate Officer, Peshawar on deputation basis and got accommodation No.B-5(Cat-II) Hayatabad in relaxation of rules on normal rent up to his deputation period i.e. 18th January, 2012 but during this period, the official managed and got allotment orders under Rule 29-A in advance vide allotment letter No.B-05/HA/EO/PR/1913 dated 1st April, 2011 to be effective from 8th January, 2012 regarding change of allotment from normal to standard rent i.e. after Supreme Court orders dated 19th October, 2011 wherein Court directed the authority that in future all the allotments will be made strictly on merit on the basis of general waiting list and relaxation of rules under rule 29-A will not be often exercised. After deputation period, the official was transferred back to his parent provincial department but the house was still in his occupation.

Audit pointed out irregularity in July 2017. The department stated that detailed reply would be given after consultation of record.

The para could not be discussed in the DAC meeting despite requests made by Audit.

Audit recommends investigation of irregular allotments.

(DP. 14)

Internal Control Weaknesses

5.4.48 Non-ejecting retired employees / unauthorized occupants and non-recovery of government dues from defaulters - Rs 13.314 million

Rules 11 (9C) of Accommodation and Allocation Rules 2002 provides that where a pensioner who is allowed to retain the accommodation after his retirement, defaults, the matter shall be referred to AGPR, DBA or CAO as the case may be for recovery of dues from his pension.

Rule 25 (2) & (3) provides that the ejection of trespassers from the government or hired accommodation shall be carried out by the concerned Estate Office, immediately without serving any notice on the trespasser and First Information Report shall be lodged against the trespasser by the Estate Office. In order to expedite the eviction under sub-rule (1) the Estate Office shall arrange the disconnection of services like water supply, gas, electricity and telephone of the house under illegal occupation.

According to Rule-25(4)(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.

Rules 16(2) provides that if an occupant is found guilty of subletting his accommodation the allotment shall be cancelled from the date of taking over possession of the house and that person will be charged monthly rent at the rate of one rental ceiling of his entitlement for the entire period.

Audit noted that the matter of recovery in respect of outstanding dues from the pension of the defaulters and unauthorized occupants

(retired employees) was not referred to AGPR, DBA or CAO as per ibid rules by the Estate Offices of various regions.

Audit observed that the government was sustaining a huge loss in shape of non-recovery of rental ceiling as recoverable outstanding dues amounting to Rs 13.314 million.

(Rs in million)

S No	DP No	Region	Amount
1	02	Estate Office Karachi	3.260
2	23	Estate Office Islamabad	6.133
3	17	Estate Office Peshawar	0.985
4	19	Estate Office Peshawar	1.600
5	30	Estate Office Lahore	1.336
Total			13.314

Audit was of the view that non-ejecting and non-recovery of government dues from defaulters was due to non-adherence to the provision of respective Ordinance, Rules & Regulations and non-pursuance of the matter vigorously reflecting ineffective implementation of financial & internal controls.

Audit pointed out non-ejecting and non-recovery of government dues from defaulters in July, August and November 2017. The department replied in case of DP 02 that the audit was apprised of the background of the issue of retired government employees and families of the deceased employees retaining government accommodations beyond admissible period as per rules. Since 1971 various regimes allowed retention of accommodations to the pensioners and their descendants till formulation of specific policy for their rehabilitation. Even today the matter is before the Standing Committees on Housing & Works of both houses of the Parliament. The Audit perused the record and minutes of the meetings of both standing committees and has pointed out same in their observation under reference. Thus the Estate Office, Karachi is bound to follow the instructions of the highest forums of the country. Therefore, till formulation of policy either to rehabilitate or to eject such occupants, the Estate Office is not in a position to move ahead. However, if a complaint is received that some quarter is not in appropriate use of retired employees

or his decedents and or is in occupation of persons other than the family of retired or deceased employees, the action is taken and the said accommodations are not only vacated but allotted to next FGS according to general waiting list. During the year 2016-17 more or less 57 accommodations were retrieved and handed over to fresh allottees on the same account. In view of the above, a joint meeting of the Standing Committees is likely to be held in near future and appropriate decision is expected in this regard which would enable this office to proceed accordingly.

The reply was not tenable because Estate office Karachi did not take appropriate action for eviction of the unauthorized occupied houses / flats in accordance with AAR-2002. In other cases the department did not furnish reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit.

Audit recommends appropriate measures towards ejection of unauthorized occupants besides recovery.

5.4.49 Recurring loss to government due to lack of interest on account of non-recovery of rent from the allottees of shops and petrol pumps - Rs 164.415 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 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 Estate Offices of various regions allotted 254 Shops and Petrol Pumps to various concessionaires since long on rental/lease basis.

Audit observed that the Estate Officers could not recover an amount of Rs 164.415 million from the concessionaires on account of rent/lease as detailed below:

(Amount in million)

S No	DP No	Regions	No. of shops etc	Amount
1	03	Estate Office Karachi	218 shops	159.530
2	01	Estate Office Karachi	Petrol Pumps	0.949
3	18	Estate Office Peshawar	20 shops	2.769
4	33	Estate Office Lahore	16 shops	1.167
Total				164.415

Audit was of the view that inefficient utilization of resources and lack of interest of Estate Offices resulted into non-recovery of Rs 164.415 million.

Audit pointed out loss in July, August and November 2017. The department in case of DP 03 replied that in the light of audit para, Ministry of Housing & Works had introduced another policy in connection with the previous policy regarding enhancement in rent of shops at Karachi for year 2017 according to which the action has been started and development will be intimated to audit in future. The reply was not tenable as Estate Office Karachi did not take appropriate action for eviction of the unauthorized occupied shops / Petrol Pumps in accordance with AAR-2002.

In case of DP 01, the department replied that the Ministry of Housing & Works after comprehensive deliberation on the issue approved new policy of renewal of lease on the following terms:

- i. The agreement will be renewed at the rate of 10% per annum, after being expired in September 2007.

- ii. The lease shall be for a period of 20 years subject to enhancement of rent after every five year onward.

The policy has been implemented and agreements have been renewed accordingly after completion of twenty years period commencing from September 2007 to September 2027.

The reply was not tenable because the department did not address the core causes and proposal of changes in the policy by the competent authority. Changes in the policy clearly depict the favoritism to the lessee and not in the interest of the government. Increase in rent not less than 10% per annum is a general practice in the market. The working, findings, and comparison of rates then prevailing in the market was also not available to ascertain the justification of rates. The policy of reduction in increase rate from 50% to 25% and increase in lease period from 5 years to 20 years was against the interest of the government on the cost of public exchequer and government is sustaining recurring loss in shape of lesser revenue. Moreover, the lessees did not deposit the advance rent to government.

In other cases, the department admitted the non-recovery and promised to recover the outstanding dues at the earliest.

The matter could not be discussed in the DAC meeting despite requests made by the Audit.

Audit recommends for early recovery.

5.4.50 Loss to government due to non-recovery of ceiling rent from unauthorized occupants of government accommodation - Rs 5.433 million

As per Rule 16 (1&2) of AAR, 2002 “the accommodation shall not be sublet by the allottees. If an allottee is found guilty of subletting his accommodation, the allotment shall be cancelled from the date of taking

over possession of the house and he shall be charged monthly rent at the rate of one rental ceiling of his entitlement for the entire period.”

Rule 25(4) of the Accommodation Allocation Rules 2002 provides 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.

Rule-25 Unauthorized occupation of Accommodation Allocation Rules, 2002. Sub-rule (1) The Estate Office shall carry out ejectments of unauthorized occupants from the government owned or hired accommodation under Federal Government Land and Buildings (Recovery of Possession) Ordinance 1965 (LIV of 1965). In order to expedite the eviction under sub-rule (1), the Estate Office shall arrange the disconnection of services like water supply, gas, electricity and telephone of the house under illegal occupation. (4) 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.

5.4.50.1 Audit observed that Additional Estate Officer, Quetta did not recover ceiling rent from the unauthorized occupants of the government

accommodations of various categories including Nos. 5-E, 8-E, 18-E, 44-E, 48-E, 20-G, 21-G, 53-H, situated in CGS Colony, Quetta, 11-G and 3-D in PWD colony, Quetta and 11-Cat-II, 145-Cat-IV in 250 houses colony, Quetta during July 2015-16 to 2016-17. Audit further observed that two Sub-Engineers of Pak PWD occupied government accommodations in addition to room allotted in Federal Lodge-III.

Non-enforcement of rules resulted in non-recovery/loss of Rs 3.112 million during the year 2015-17.

Audit pointed out the non-recovery/loss in October 2017. The department did not furnish reply.

The para could not be discussed in the DAC meeting despite requests made by Audit.

Audit recommends fixing of responsibility and implementation of rules and Court's directions in true letter and spirit.

(DP. 21)

5.4.50.2 Audit noted that a House No. 9, Cat-II, St. No. 22, G-10/2 Islamabad was illegally occupied by Mr. Kamran Mumtaz SP since 7th July, 2010 under the jurisdiction of Estate Office Islamabad.

Audit observed that the house under illegal occupation was neither vacated nor the rent equivalent to two rental ceilings of the category of the house under occupation was recovered from the illegal occupant. This resulted into non-ejection/non-recovery of rental ceiling for Rs 2.321 million.

Audit was of the view that the non-ejection/non-recovery was due to non-adherence to allocation rules and weak internal controls.

Audit pointed out irregular procurement in October/ November 2017. The department did not furnish reply.

The para could not be discussed in the DAC meeting despite requests made by Audit.

Audit stresses for early vacation of the government house from illegal possession of unauthorized occupants, besides effecting recovery of outstanding dues.

(DP. 25)

5.4.51 Non-recovery of rental ceiling of government accommodation – Rs 4.877 million

According to Terms & Conditions No. 03 of allotment letter of House No. 103-H, (New 35-H), St. 12, F-6/3, Islamabad issued on 14th September, 2010 the allottee of the house shall be responsible for payment of rental ceiling of the house or the officer whichever is higher to Estate Office in time.

As per Terms and Conditions of allotment letter issued to Mr. Naseer Ahmad Rana Member (Admn) NHA vide Estate Office, allotment letter no. 81-H (New 28-H) St. 11, F-6/3/E-IV/EO dated 15th September, 2010 the allottee shall be responsible for payment of rental ceiling of the category of the house of his entitlement or the category of the house occupied, whichever is more to Estate Office in time.

Rules 16(2) provides that if an allottee is found guilty of subletting his accommodation the allotment shall be cancelled from the date of taking over possession of the house and he shall be charged monthly rent at the rate of one rental ceiling of his entitlement for the entire period.

5.4.51.1 Audit noted that Estate Officer Islamabad allotted a house to Mr. Asghar Khan Additional Collector Customs Group, FBR vide allotment letter no. 103-H (New 35-H), St-12, F-6/3/EIV/EO dated 14th September, 2010 with the condition to pay rental ceiling of the category of the house of his entitlement or the category of the house occupied whichever is more.

Audit observed that the officer occupied the house on 6th December, 2010 but the case file of the house disclosed that the officer had not been paying rental ceiling since occupation of the house on 6th December, 2010. This resulted into non-recovery of rental ceiling of Rs 2.160 million.

Audit pointed out non-recovery of rental ceiling in October/November 2017. The department did not furnish the reply.

The para could not be discussed in the DAC meeting despite requests made by Audit.

Audit stresses for early recovery of outstanding dues from the allottee.

(DP. 26)

5.4.51.2 Audit noted that Estate Office, Islamabad allotted House No. 81-H (New 28-H), Sector F-6/3, Islamabad to Mr. Naseer Ahmad Rana Member (Admn) NHA on terms and conditions of payment of rental ceiling of the category of the house of his entitlement or the category of the occupied house whichever is more to the Estate Office on 15th September, 2010. The house/accommodation was vacated by the officer on 20th December, 2016.

Audit observed that the allottee of the house did not pay rental ceiling as per term & conditions of the allotment of the house. Thus the Estate office, Islamabad failed to recover the outstanding amount of rental ceiling from the allottee. This resulted into non-recovery of rental ceiling of Rs 1.198 million.

Audit pointed out non-recovery in October-November 2017. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by the Audit.

Audit stresses for early recovery of outstanding dues from the allottee.

(DP. 24)

5.4.51.3 Audit noted that House No. 12/3-C Wafaqi colony, Lahore was allotted to Mr. Waseem Raza Assistant Director Admn EOBI, Labour Division by Estate Office, Lahore at the ceiling rent vide No.792/12/3-C/DKB/EOL/639 dated 2nd May, 2011 and occupation of the house was made on 1st December, 2011.

Audit further noted that the ceiling rent was not recovered from the allottee of the house since 1st December, 2011 to date (November 2017). This resulted in non-recovery of Rs 998,668 ceiling rent from non-entitled allottee.

Audit pointed out non-recovery in November 2017. The department replied that the necessary letters for recovery of rent were issued to occupant to deposit the outstanding amount. Further, an amount of Rs 36,930 had already been deposited by allottee through challan. Furthermore, the officer was posted in Prime Minister Secretariat (Public), Islamabad w.e.f. 1st February, 2013 to till date vide their nonfiction No. F.3(1)/2013-Admn dated 4th February, 2013. In the light of notification No. F.4(62)/99-B&A dated 5th July, 1999 he is entitled as rent free accommodation.

The reply was not acceptable because amount of Rs 36,930 deposited by the allottee had already been excluded from the recovery statement prepared by Audit. Further charge assumption report & salary slips issued by the AGPR were provided to Audit in support of reply.

The para could not be discussed in the DAC meeting despite requests made by Audit.

Audit stresses for early recovery of outstanding dues from the allottee.

(DP. 31)

5.4.51.4 Audit noted that the Additional Estate Officer Peshawar allotted the house No.E-46 Hassan Ghari Colony Peshawar vide allotment letter No.E-46/HG/EO/PR/1790 dated 25th November, 2010 and the allottee occupied the same on 10th March, 2011.

Audit observed through on spot verification that the house was sublet to another person. Later on it was also noticed that at the time of allotment he was posted at Risalpur hence the allotment of the quarter was cancelled and it got vacated on 16th March, 2016 and a notice for recovery of rental ceiling was served vide letter No.D-46/HG/EO/PR/889 dated 16th August, 2016 but no recovery was made. This resulted in the non-recovery of rental ceiling of Rs 521,379.

Audit pointed out non-recovery of rental ceiling in July 2017. The department stated that detailed reply would be given after consultation of record which was not accepted due to its interim nature.

The para could not be discussed in the DAC meeting despite requests made by the Audit.

Audit stresses for early recovery of outstanding dues from the allottee.

(DP. 16)

5.4.52 Non-ejectment / non-recovery of rent - Rs 1.448 million

Rule-7 of Accommodation Allocation Rules 2002 provides that allotment of government owned accommodation shall be made to most senior federal government servant on general waiting list of a particular class or category of accommodation. Rule-12 provides that change from one accommodation to the other or exchange of accommodation between two allottees for same category of accommodation may be permitted by the Ministry of Housing & Works subject to production of a certificate from their employers to the effect that they are not expected to be retired or transferred during the next one year and other required documents as prescribed by Ministry of Housing & Works from time to time.

Rule-24 provides that government may, at any stage, cancel the allotment made in violation of rules in favour of a federal government servant including those made to the employees of non-entitled departments. And Rule-25 (4-b) provides that 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. Further Rule-25 (4-c) provides that a federal government servant against whom action is taken under this rule shall be liable to disciplinary proceedings under the relevant rules or laws.

5.4.52.1 Audit noted that Additional Estate Officer, Peshawar allotted house No.C.152 Hassan Ghari colony Peshawar to Mr. Muhammad Yousaf UDC B-9 Collectorate of Customs Peshawar on 1st October, 2007. Audit further noted that the occupant of the house No.D-14 Hassan Ghari Peshawar lodged a complaint indicating that the occupant of the house No.C-152 Hassan Ghari broke the lock of quarter No.14-D and occupied the house on 16th March, 2013 without authorization. Later on, Additional Estate Officer, Peshawar allotted the house No. D-14 to occupant in placement of already allotted quarter on the request of the occupant to the Minister.

Audit observed that allotment of the house is irregular / unauthorized as:

- i. The occupant occupied the house D-14 without any allotment letter on 16th March, 2013 hence should have been declared trespasser under rule 25(4-b).
- ii. In view of complaint and vacation report dated 13th March, 2014, both the houses were in occupation of the allottee.
- iii. Change of house was made under Rule-7 whereas this rule does not deal with change of house. Change of house should have been made under Rule 12. Further, previous allotment was made in category-C as per his entitlement (BPS-9)

whereas the same was replaced with category-D which is meant for BPS 11 to 15.

- iv. The name of the allottee was not in the GWL of category 'D' but allotted the house in violation of Supreme Court decision dated 19th October, 2011 wherein honourable Court remarked that (i) in future all the allotments will be made strictly on merit on the basis of GWL (ii) relaxation of rules under Rule 29-A of the AAR 2002 will not be often exercised except in the cases of hardship and that too by recording justifiable reasons for the same after hearing the likely effected employees in the GWL whereas no such action was taken while making the allotment.
- v. The allotment was cancelled by Additional Estate Officer on 1st July, 2015 and restoration application was dismissed by the honourable Court on 6th June, 2017 but ejection was not made. In this matter the Estate office was required to recover the rental ceiling of Rs 928,096 from the allottee.

Audit pointed out the matter in July 2017. The department stated that the detailed reply would be given after consultation of record.

The para could not be discussed in the DAC meeting despite requests made by Audit.

Audit stresses for the early recovery of outstanding dues from the allottee of government house.

(DP. 15)

5.4.52.2 Audit noted that the Additional Estate Officer, Peshawar allotted the house No.E-6 Hayatabad to Mr. Noor Zaman, Research Officer Special Education / PSO to Minister under Rule-7 of Accommodation Allocation vide allotment letter No.E-6/HA/EO/PR dated 19th July, 2008.

Audit observed that Minister for Housing & Works remarked on the application that if the applicant is entitled then allot the house subject

to vacation. Further, Estate Office vide its UO letter dated 11th June, 2008 noted that the name of Mr. Noor Zaman was not available in the GWL but allotted the house under Rule-7 which was irregular as the applicant was not entitled because his name was not in the GWL. Moreover, the competent authority cancelled the said accommodation as the allottee became provincial government officer as a result of 18th amendment but the ejection was not made. This resulted in irregular allotment / non-ejection of house and non-recovery of rental ceiling of Rs 520,176.

Audit pointed out the Irregular allotment of house/non-ejection/non-recovery of rental ceiling in July 2017. The department stated that detailed reply would be given after consultation of the record.

The para could not be discussed in the DAC meeting despite requests made by the Audit.

Audit stresses for the early recovery of outstanding dues from the allottee of the government house.

(DP. 13)

5.4.53 Non-recovery of government dues from the ex-allottee - Rs 26.672 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.

Rules 11 (9C) of Accommodation and Allocation Rules 2002 provides that where a pensioner who is allowed to retain the accommodation after his retirement, defaults, the matter shall be referred to AGPR, DBA or CAO as the case may be for recovery of dues from his pension.

Audit noted that 37 government flats/quarters in different areas under the Estate Office, Karachi were got vacated from ex-tenants of different departments.

Audit observed that the government was sustaining a huge loss in shape of non-recovery of house rent due to recoverable outstanding dues against the ex-allottees amounting to Rs 26.672 million.

Audit was of the view that non-recovery of government dues occurred due to non-adherence to the provision of respective ordinance, rules and regulations and non-pursuance of the matter vigorously reflecting ineffective implementation of financial and internal controls.

Audit pointed out non recovery in August 2017. The department replied that the Estate Office Karachi is vigorously approaching the concerned allottees and their departments for payment of arrears / outstanding dues through concerned quarters such as AGPR, DBA, CAO for which the audit have been shown the notice issued to the defaulters for immediate action etc.

The reply was not tenable because inefficient utilization of resources and lack of interest of Estate Office resulted into non-recovery of Rs 26.672 million from the ex-allottees at the time of vacation of the government accommodation.

The para could not be discussed in the DAC meeting despite requests made by the Audit.

Audit stresses for the early recovery of outstanding dues from the allottees of government houses.

(DP. 04)

5.4.54 Irregular retention of double accommodation and non-recovery of dues - Rs 6.607 million

Rule-17 of Accommodation Allocation Rules-2002 provides that (1) No Federal Government Servant shall keep more than one accommodation at the same time in his possession. (2) If a Federal Government Servant is found in possession of more than one accommodation at the same time, the allotments of all the houses or flats in his possession shall be cancelled. (3) He shall be charged rent at the rate of one rental ceiling per month of his entitlement for possessing any additional accommodation over and above his entitlement. (4) He shall be liable to disciplinary action for misconduct under the relevant rules or laws. (5) A Federal Government Servant who is found guilty under sub-rule (iv) shall be disqualified for any allotment in future, for ten years.

Allotment Policy 2009 provides that house rent allowance payable to him at the station of his posting or rental ceiling whichever is more will be deposited in the relevant head of government's account.

Audit noted that Estate Office Islamabad allotted house No-62, Cat-II, Street No-9, I-8/1, Islamabad to Dr. Erfa Iqbal, APSO to PM vide office letter No. 62 Cat-II/I-8/1/EIV/EO dated 13th June, 2008 on payment of prevailing monthly rental ceiling.

Audit observed that the allottee/occupant of said house neither paid the rental ceiling amounting to Rs 1,306,634 at the rates of Rs 18,760 and Rs 25,326 per month despite the notice issued for payment nor the allotment was cancelled as required under the rules. Later on the occupant (Dr. Erfa Iqbal, Director (SP) was posted abroad as Commercial Secretary, Embassy of Pakistan Berlin for two years extendable for further two years from 1st March, 2013 but the rental ceiling was not being paid by the allottee. This resulted into irregular retention of double accommodation and non-recovery of Rs 6.607 million.

Audit pointed out the irregularity/non-recovery of dues in October/November 2017. The department did not furnish the reply.

The para could not be discussed in the DAC meeting despite requests made by the Audit.

Audit stresses for early recovery of outstanding dues from the allottee.

(DP. 27)

5.4.55 Irregular/inauthentic issuance of NOC without recovery of outstanding dues - Rs 3.445 million

Rule-11(2) of Accommodation Allocation Rules-2002 provides that at the time of vacation of allotted government accommodation, the allottee shall hand over its possession to the enquiry office and obtain a receipt thereof in duplicate which shall include an inventory of the fixtures and fittings available in such accommodation and up-to-date position of the service charges paid by him.

Sub-rule (3): The outgoing allottee shall produce up-to-date paid utility bills and make payment for deficiencies or damages caused to the accommodation beyond normal wear and tear at the time of handing over possession of the house or flat to the government or the owner as the case may be. In case he fails to do so, he shall not be issued NOC by the Estate Office.

Sub-rule (4): The handing or taking over by enquiry offices and owner shall not be delayed for want of clearance of utility bills or for making up of deficiencies or damages in the said house.

Sub-rule (5): On vacation of allotted accommodation the Federal Government Servant shall obtain an NOC from Estate Office upon production of the vacation report and inventory of the inquiry office.

Sub-rule(6): Where a Federal Government Servant is in heavy arrears of rent/dues, including unpaid cost of damages or deficiencies caused to the

property during his occupancy and utility bills left unpaid by him, the Estate Office shall not issue NOC.

Sub-rule (9): In order to allow the processing of pension case of the retiring or expired allottees the no demand certificate shall be issued subject to the following conditions namely:-

(a) He shall clear all the dues including utility bills or damages or deficiencies up to the date of retirement.

(b) Where the retired or deceased allottee or his family is allowed to retain the accommodation for the prescribed period, the Federal Government Servant shall submit a valid undertaking that in case of non-clearance of utility bills, damages or deficiencies reported in the accommodation, the amount may be recovered from his pension.

(c) Where a pensioner who is allowed to retain the accommodation after his retirement, defaults, the matter shall be referred to AGPR, DBA or CAO as the case may be for recovery of dues from his pension.

Audit observed that house rent charges 5% for Rs 3.445 million were found outstanding against various retired government employees and the Estate Office Islamabad had issued NOC to them in violation of Rule-11(6) mentioned above which states that the Estate Office shall not issue NOC without clearance of government dues. This resulted into irregular / un-authentic issuance of NOC without recovery of outstanding dues for Rs 3.445 million.

Audit pointed out the irregularity/non-recovery in October/ November 2017. The department did not furnish the reply.

The para could not be discussed in the DAC meeting despite requests made by Audit.

Audit recommends early recovery of outstanding dues from the allottees.

(DP. 29)

5.4.56 Non-retrieval of 78.17 Acres government land from unauthorized occupants

Rule-25 Unauthorized occupation; Of Accommodation Allocation Rules, 2002, sub-rule (1) The Estate Office shall carry out ejectments of unauthorized occupants from the government owned or hired accommodation under Federal Government Land and Buildings (Recovery of Possession) Ordinance 1965 (LIV of 1965). In order to expedite the eviction under sub rule (1) the Estate Office shall arrange the disconnection of services like water supply, gas, electricity and telephone of the house under illegal occupation. Sub rule (4) 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.

493.28 acres government land is available in different location of Karachi as per detail given below:-

S. No.	Location	Total Land Area (Acres)	Encroached Area (Acres)
01	Garden Road	14.7	3.54
02	Jehangir Road (East & West)	157.45	22.93
03	Martin & Jail Road	81	18.85
04	Pakistan Quarters	32.13	4.9
05	Federal Area	208	27.95
	Total	493.28	78.17

Audit observed that 78.17 acres of government land had been encroached but the Additional Estate Officer Karachi did not issue any eviction notices to the unauthorized occupants of the government land. This resulted in non-eviction of 78.17 Acres government land from the unauthorized occupants.

Audit was of the view that the non-eviction of 78.17 Acres government land from unauthorized occupants was due to absence of an oversight mechanism for effective implementation of internal controls.

Audit pointed out the non-eviction in August 2017. The department replied that the Estate Office was the only pool for allotment for Federal Government quarters situated at various places in Karachi. Whereas the sole custodian of the federal government land is the Pak P.W.D. The matter may be taken up with Pak P.W.D. to obtain the details of government land as well as encroached land as Estate Office is not concerned with the land.

The reply was not tenable. The 78.17 acres of government land have been encroached but the Additional Estate officer did not issue any eviction notices to the unauthorized occupants of the government land.

The para could not be discussed in the DAC meeting despite requests made by Audit.

Audit stresses for early eviction of government land.

(DP. 07)

5.4.57 Non-cancellation of house / non-recovery of rental ceiling - Rs 827,487 and less recovery of 5% HRA - Rs 171,800

Rule 15(5-B) provides that a Federal Government Servant may retain an accommodation for a maximum period of up to one year during all kind of leave. Rule 25(4-A) provides that 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.

Audit noted that the Additional Estate Officer, Peshawar allotted house No.B-3 (Cat-II) Hayatabad Peshawar to Mr. Abdul Muneem Khattak, Audit Officer O/o the Director General Audit NWFP Peshawar

vide letter No.B-3 (Cat-II) HA/EO/PR dated 30th November, 2007 with the direction that deduction of 5% rent will be made at the rate of maximum of BPS-19.

Audit observed that the occupant remained on EOL from 1st March, 2013 to 28th February, 2017 but neither the allotment was cancelled nor recovery of rental ceiling of BPS-19 was made. Further, recovery of 5% HRA was made up to 30th September, 2016 as per his actual pay instead of at the rate of 5% of maximum basic pay of BPS-19 as per allotment letter. This resulted in non-cancellation of house and non-recovery of rental ceiling of Rs 827,487 and less recovery of 5% of Rs 171,800.

Audit pointed out the non-cancellation of house and non-recovery of rental ceiling and less recovery of 5% HRA in July 2017. The department stated that detailed reply would be given after consultation of record.

The para could not be discussed in the DAC meeting despite requests made by the Audit.

Audit stresses cancellation and early recovery of outstanding dues from the allottee.

(DP. 12)

5.4.58 Non issuance of final No Demand Certificate, non-vacation of government accommodation and non-clearance of government dues

Rule 11 (9) of AAR-2002 Chapter VII- occupation or vacation describes, that “in order to allow the processing of pension case of the retiring / expired allottees the, No Demand Certificate shall be issued subject to the following conditions”.

a) He shall clear all the dues including utility bills/damages/deficiencies up-to-the date of retirement.

- b) Where the retired/deceased allottee or his family is allowed to retain the accommodation for the prescribed period, the Federal Government Servant shall submit a legal undertaking that in case of non-clearance of utility bills, damages or deficiencies reported in the accommodation, the amount may be recovered from his pension.
- c) Where a pensioner who is allowed to retain the accommodation after his retirement, defaults, the matter shall be referred to AGPR/DBA/CAO etc. for recovery of dues from his pension.

Audit noted that the Additional Estate Officer Karachi issued 139 provisional clearance certificates during the financial year 2016-17.

Audit observed that provisional clearance certificates were issued instead of No Demand Certificates as required according to the above rule. Further it was mentioned on provisional clearance certificates that final No Demand Certificate will be issued on vacation of government accommodation and clearance of all dues.

Audit was of the view that non issuance of No Demand Certificate, non-vacation of government accommodation and non-clearance of government dues were due to inadequate mechanism of administrative, financial and internal controls.

Audit pointed out the irregularity in August 2017. The department replied that:-

- a) Final No Demand Certificate will be issued after vacation of accommodation.
- b) This office is vigilant and will not give the margin to the retired allottees till the recovery of the damages, utility bills or deficiencies up to a certain time for their occupation.
- c) In the matter of non-clearance of government dues, the rent section has been issuing notices for clearance of dues on time to time basis and some allottees are paying rent partially.

The reply was not tenable because the department did not ensure compliance to *ibid* Rule.

The para could not be discussed in the DAC meeting despite requests made by Audit.

Audit stresses for early recovery of outstanding dues and vacation of government accommodations.

(DP. 09)

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 provide shelter 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 a 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 and 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, advisor 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)

- i. Audited financial statements were not finalized by the management till the finalization of this report.
- ii. Budget allocation and expenditure of FGEHF for the financial year 2016-17 is as under:

(Rs in million)

Nature	Allocation	Actual Expenditure	Variation Excess/ (Saving)	Variation in %
Non-Development	395.811	409.253	13.442	3.396
Development	39,257.500	10,181.537	(29,075.963)	(74.064)
Total	39,653.311	10,590.790	(29,062.521)	(73.291)

A sum of Rs 395.811 million was allocated for operational expenses for the financial year 2016-17 whereas actual expenditure of Rs 409.253 million was incurred involving excess of Rs 13.442 million which constitutes 3.396 % of the budget allocation.

A sum of Rs 39,257.500 million was allocated for development activities for the financial year 2016-17 against which an expenditure of Rs 10,181.537 million was incurred involving savings of Rs 29,075.963 million which constitutes 74.06% 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	40,582.000	15,635.312	(24,946.688)	(61.472)
Misc. Receipts	370.000	430.204	60.204	16.271
Total	40,952.00	16,065.516	(24,886.484)	(60.769)

Target of estimated receipts was fixed at Rs 40,952.000 million for the financial year 2016-17. Actual receipts of Rs 16,065.516 million were realized, which were only 39.23% of the estimated receipts. There was a deficit of Rs 24,886.484 million in actual receipts, which was 60.77% of the estimate.

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, 2015-16 and 2016-17.

Audit Reports for the year 2013-14 and 2015-16 have been 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
2015-16	05	05	-	05	-

6.4 AUDIT PARAS

Irregularity and Non-Compliance

6.4.1 Execution of projects without appointment of Project Director

According to item 3.17 of Guidelines for Project Management approved by the Project Wing, Planning Commission and Government of Pakistan and as per ECNEC decision dated 18th February 2004, an independent (full time) Project Director should be appointed for the project costing Rs 100.00 million and above. Project Director can be appointed on additional charge basis, if the cost of the project is below Rs 100 million.

Audit noted that Federal Government Employees Housing Foundation (FGEHF), Islamabad awarded different works of infrastructure development to various contractors / Joint Ventures (JVs).

Audit observed that FGEHF made payment of Rs 28,721.406 million without appointment of independent Project Directors in violation of the decision of ECNEC on the said projects. This resulted in irregular execution of projects and payments of Rs 28,721.406 million.

Audit was of the view that appointment of Project Directors was not made due to non-adherence to the decision of ECNEC and weak project management controls.

Audit pointed out non-appointment of Project Directors in November-December 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the Foundation explained that all functions relating to planning, coordinating, budgeting and supervising the projects were collectively performed by the personnel of Technical Wing i.e. Director, Deputy Director, Assistant Director, and Sub-Engineers. In future the

Project Director would be appointed according to the needs of projects. In present situation appointing of independent Project Director for each project would result in increase in the cost of project.

DAC directed that Planning Commission's guidelines regarding appointment of independent Project Director be followed strictly and Executive Committee may consider nomination of qualified personnel as Project Director in the light of Planning Commission's guidelines for effective execution of projects.

Audit recommends early compliance to DAC's directive regarding appointment of qualified Project Directors.

(DP.09)

6.4.2 Award of contract to an ineligible firm

As per NIT / Advertisement published on 29th November, 2015 the bidders were required to provide with the Expression of Interest (EOI):

- (a) Detail of housing and infra-structural projects completed in the last five years with photographs / brochures and documents proof as under:
 - (i) Name of projects, place and client
 - (ii) Scope of work
 - (iii) Detail of projects (multi-storey, high rise or detached housing, whether residential or commercial) along with total covered area and cost of the project, date of start and completion
- (b) Complete information regarding bio-data/qualification/experience of key personnel
- (c) Certified proof of financial soundness (from bank)
- (d) Audited balance sheet/income statements for the last 3 years along with annual turnover of the company for the last 5 years
- (e) Performance Certificates from the clients for whom similar services have been rendered if any.

All the information was to be supported by relevant documents, letters and certificates etc. Any information provided without required documents shall not be considered for evaluation.

Audit noted that the Executive Committee/Board of Directors of Federal Government Employees Housing Foundation in its 132nd meeting held on 8th January, 2015 accorded approval to create sufficient land for FGEHF projects. It was further noted that the Foundation invited Expression of Interest (EOI) on 22nd March, 2015 for Joint Ventures (JVs) from well reputed national or international (collaboration with national companies)/ Housing Developers/investment companies/firms/individuals as per terms with vast experience. Due to incomplete information in the advertisement published on 22nd March, 2015 the advertisement of EOI with reference to Memorandum of Understanding (MoU) (detailed revised terms) was again published in national dailies on 29th November, 2015.

MoU for the project “Development of Housing Scheme at M-2 Thaliam” was signed with M/s K.S Developers on 3rd July, 2015 and an agreement for Rs 23,000.0 million was signed on 23rd September, 2016 to be completed in 24 months.

Audit observed following irregularities / lapses in the calling of bids and award of contract:

- a. The advertisement published on 22nd March, 2015 did not contain complete information. The Foundation published 2nd advertisement of EOI on 29th November, 2015 with reference to the MoU. There was no reference of the previous EOI in the advertisement published on 29th November, 2015 or in the MoU.
- b. The bids received in response to EOI dated 22nd March, 2015 were not scraped / rejected.
- c. Interested parties were required to prove financial capacity to develop the infrastructure work. Only a Certificate regarding financial soundness was obtained from Allied Bank of Pakistan by

M/s K.S Developers on 28th May, 2015 and provided to the FGEHF as under:

“This is to certify that M/s K.S Developers is maintaining Account No. 0010033099330014 since 16th April, 2015 and have allied business account with us. This certificate is issued on specific request of the customer without any responsibility on part of Bank or any of its employees”.

The certificate indicates that the bank account was opened on 16th April, 2015 while the advertisement of EOI was published on 22nd March, 2015.

- d. M/s K.S Developers did not submit audited balance sheet/income statement alongwith annual turnover of the Company and bank statement as required.
- e. Complete detail of qualification, bio-data and experience of key personnel of the Company was not provided.
- f. Detail/information of housing infrastructural projects completed in the last five years was not provided:
- g. Performance Certificate from the clients for whom similar services had been rendered, was not provided by the Company.
- h. M/s K.S Developers were registered, with the FBR on 8th June, 2015 and incorporated under Companies Ordinance, 1984 (XLVII) in Securities & Exchange Commission of Pakistan (SECP) on 16th March, 2015. The Company was incorporated just six (6) days prior to advertisement of EOI and registered with FBR after advertisement.
- i. The company or individual was not registered with Pakistan Engineering Council as service providers, engineers or contractors/ consultants in the required category/financial limit.

This resulted in award of contract of Rs 23,000 million to an ineligible firm.

Audit is of the view that the contract for development of housing scheme at Thalian was awarded to an ineligible firm due to non-adherence to the EOI/bid evaluation criteria and weak contract management.

Audit pointed out the irregular award of contract in November-December 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, DAC observed that Public Accounts Committee has the cognizance of the issue and constituted a Sub-Committee to examine it and submit report. Para was pending and linked with the decision of PAC.

Audit recommends for fixation of responsibility of irregular award of contract to an ineligible firm.

(DP.10)

6.4.3 Purchase of land from an ineligible firm - Rs 4,250 million

As per Expression of Interest (EOI), only real owners or those having valid power of Attorney of land were eligible to offer bid. MoU signed with the bidder also provided that land has to be under exclusive dominion of the bidder.

Audit noted that the Federal Government Employees Housing Foundation invited Expression of Interest (EOI) on 22nd March, 2015 for Joint Ventures from well reputed national or international (collaboration with national companies)/ housing developers/investment companies/firms / individuals as per terms with vast experience. Due to incomplete information in the advertisement published on 22nd March, 2015 the advertisement of EOI with reference to MoU (detailed revised terms) was again published in national dailies on 29th November, 2015. Audit further noted that an agreement was signed between FGEHF and M/s K.S Developers & Builders (Pvt.) Limited on 23rd September, 2016 for “Development of Federal Government Employees Housing Foundation M-2 Housing Scheme at Thalian, Islamabad”.

Audit observed that M/s K.S Developers were not the owner of any compact piece of land or had any kind of power of attorney. M/s K.S Developers submitted only agreements to sell land to the Housing Foundation. Hence, bid of M/s K.S Developers was non-responsive and liable to rejection but the contract for development of the housing scheme was signed with the non-responsive bidder. This resulted in irregular purchase of land for Rs 4,250 million from an ineligible firm.

Audit was of the view that the irregularity occurred due to weak internal and financial controls.

Audit pointed out the matter in November-December 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, FGEHF explained that after due process of pre-qualification, final selection of one JV Partner was made after approval of Joint Venture policy by the Federal Cabinet.

DAC observed that Public Accounts Committee has the cognizance of the issue and constituted a Sub-Committee to examine it and submit report. Para was pended and linked with the decision of PAC.

Audit recommends for fixation of responsibility regarding purchase of land from ineligible firm.

(DP.13)

6.4.4 Loss to allottees due to purchase of land at higher rates - Rs 1,725 million

As per advertisement for “Development of Federal Government Employees Housing Foundation M-2 Housing Scheme at Thalian, Islamabad”, the bidders were required to provide price of raw land in their terms of JV.

Audit noted that M/s K.S Developers did not provide rate of raw land in their offer and MoU signed between FGEHF and M/s K.S Developers. Rate of Rs 500,000 and Rs 350,000 per Kanal for Mouza Moorat and Chehan were agreed in the contract signed on 23rd September, 2016.

Audit observed that M/s Danish Enterprises & Construction were appointed by FGEHF as Evaluator (State Bank Approved Evaluator) for evaluation of price of land for Thalian Housing Scheme. As per Evaluation Report submitted by the State Bank Approved Evaluator on 1st September, 2016 the rates agreed with M/s K. S Developers were higher than the evaluated rates of Average Yaksala and market rates of land prevailing in the Mouza Moorat and Chehan District Attock and Rawalpindi.

Audit is of the opinion that due to non-adherence to the canons of financial propriety and the failure of management to protect the interest of the Foundation from compromise, the allottees were put to loss of Rs 1,725 million.

Audit pointed out the loss in November-December 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, FGEHF explained that as per JV Policy approved by the Federal Cabinet, M/s Danish Enterprises was selected for evaluation of land offered by different companies. Evaluator collected data from the open market, obtained DC rates, and took into consideration other relevant factors before arriving final average price of raw land. Rates were reduced by Rs 3.56 Lac per kanal for Mouza Chahan and Rs 5.29 Lac per kanal for Mouza Mourat. (Rs 129,000 per kanal additional cost which include cost of dual carriageway 150 ft wide 3-4 km or Motorway interchange and compact piece of 10000 kanal). In case the interchange cannot be constructed for any unforeseen reason or force majeure, FGEHF shall be indemnified by the JV Partner and the amount on account thereof shall be reduced accordingly from the per kanal average price of raw land decided amongst FGEHF and JV Partner.

DAC observed that Public Accounts Committee has the cognizance of the issue and constituted a Sub-Committee to examine it and submit report. Para was pended and linked with the decision of PAC.

Audit stresses for implementation of prevailing market rates of land in the area and responsibility be fixed against the persons at fault.

(DP.12)

6.4.5 Irregular payment of mobilization advance - Rs 756.250 million

According to clause 14.2, the Employer shall make an advance payment as an interest free loan for mobilization, when the Contractor submits a guarantee in accordance with this sub-clause, at the rate of 10% of accepted contract price in two parts; 50% upon mobilization at site and 50% after 40 days of payment of first half. The advance payment shall be repaid through percentage deductions from the interim payments.

As per Letter of Acceptance No.50 (F-14-15 Dev) /Tech / 2015/HF dated 29th September, 2016 the firm shall mobilize at site of the project after proper handing/taking over the project site, contingent upon announcement of Award under Section 11 of Land Acquisition Act, 1894 and upon signing of contract agreement with the client.

Audit noted that Federal Government Employees Housing Foundation, Islamabad called bids for the work “Infrastructure Development Work in Sector F-14 and F-15” on EPC/Turnkey basis on 2nd March, 2016. The work was awarded to M/s Frontier Works Organization (FWO) on 29th September, 2016 at agreed cost of Rs 15,125.449 million. The work (design phase) was started on 11th July, 2017 whereas mobilization advance of Rs 756.250 million was paid to the contractor on 22nd June, 2017 as first part.

Audit observed that the advance payment for mobilization was to be released after mobilization of the contractor at site of the project,

proper handing / taking over the project site contingent upon announcement of Award under Section 11 of Land Acquisition Act, 1894 and signing of contract agreement with the client. Audit further observed that advance payment was made to the contractor before fulfilling conditions of the Letter of Acceptance. This resulted in irregular payment of mobilization advance of Rs 756.250 million.

Audit is of the view that irregularity occurred due to lack of oversight mechanism for implementation of internal controls and poor contract management.

Audit pointed out the irregularity in November-December 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, Audit contended that mobilization advance was paid to the contractor without handing over of project land and mobilization at site. FGEHF explained that half of the admissible mobilization advance was paid to the contractor against bank guarantee after mobilization at site for detailed survey of topography to prepare the detailed working drawings and design. Subsequently land possession issue arose and affectees filed a case in court against land acquisition. The Islamabad High Court has given decision against acquisition of land in F-14/F-15. FGEHF has submitted an Intra-court appeal. DAC pended the para till decision of the case.

Audit recommends to take necessary measures towards irregularity and for fixation of responsibility.

(DP.14)

6.4.6 Launching of housing scheme without mutation of 100 kanals of raw land as Performance Security in the name of FGEHF - Rs 42.500 million

As per Clause 23 of agreement signed between FGEHF and M/s K.S Developers on 23rd September, 2016 for “Development of Federal Government Employees Housing Foundation M-2 Housing Scheme at Thalian, Islamabad”, the Company was required to provide Performance

Security in shape of 100 Kanal of raw land before formal launch of the project.

Audit noted that the Federal Government Employees Housing Foundation invited (EOI) on 22nd March, 2015 for Joint Ventures from well reputed national or international (collaboration with national companies)/ housing developers/ investment companies/ firms/ individuals as per terms with vast experience. Due to incomplete information in the advertisement published on 22nd March, 2015, the advertisement of EOI with reference to MoU (detailed revised terms) was again published in national dailies on 29th November, 2015. Audit further noted that an agreement was signed between FGEHF and M/s K.S Developers & Builders (Pvt.) Limited on 23rd September, 2016 for “Development of Federal Government Employees Housing Foundation M-2 Housing Scheme at Thalian, Islamabad”.

Audit observed that the Company launched the housing scheme formally and started booking of plots before providing Performance Security in shape of 100 Kanal of raw land to the Federal Government Employees Housing Foundation in 2016. This resulted in non-mutation of 100 Kanal raw land in the name of the Foundation as Performance Security of Rs 42.500 million.

Audit pointed out the irregularity in November-December 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, FGEHF explained that 1407 kanals of raw land have already been transferred in the name of FGEHF by K.S. Developers & Builders. However, due to intervention of PAC, whereby it was advised/ directed to halt the project, all the transfer of land has been stopped till final outcome of PAC. DAC pended the para and linked it with the decision of PAC.

Audit recommends for fixation of responsibility of irregularity.

(DP.11)

Performance

6.4.7 Non-development of housing scheme due to poor performance

As per Memorandum of Articles, the Federal Government Employees Housing Foundation was established to provide shelter 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 retirement or earlier, and his dependents in case of his death before retirement.

Audit noted that Federal Government Employees Housing Foundation launched/introduced various housing schemes at different locations in Islamabad and allotted approximately 21,000 plots to the employees.

Audit observed that since completion of housing scheme at G-13, Islamabad in 2007, no further housing schemes could be completed/developed by the FGEHF despite deposit of billions of rupees by the employees. Audit held that non-development of the housing schemes led to non-provision of plot or house to the employees on or before retirement date. FGEHF miserably failed to provide shelter to homeless Federal Government employees and other specified groups of people.

Audit was of the view that very purpose of the Housing Foundation to provide shelter for Federal Government Employees could not be achieved due to mismanagement and poor performance.

Audit pointed out the poor performance of the Foundation in November-December 2017. The Foundation did not furnish preliminary reply to audit observation.

The matter was discussed in the DAC meeting held in January 2018, wherein, FGEHF explained that Foundation is trying its best to execute each of its projects in time to hand over the plots to allottees. However, there were some hurdles in between Housing Foundation and

projects including court cases. That caused delays in completion of projects. DAC directed FGEHF to expedite progress on the projects and pursue the court cases actively.

Audit recommends for taking necessary measures towards the matter.

(DP.16)

Internal Control Weaknesses

6.4.8 Excess payment due to execution of quantities more than contract agreement - Rs 805.566 million

According to Para 95 of CPWD Code, when any excess over a sanctioned estimate is foreseen, and there is likely to be an unavoidable delay in the preparation of a revised estimate, an immediate report of the circumstances should be made to the authority whose sanction will ultimately be required. When a revised estimate is submitted, it must be accompanied by a statement comparing it with the latest existing sanction of competent authority, and by a report showing the progress made to date. As per Para 96 of the *ibid* Code, when excesses occur at such an advanced period in the construction of a work as to render the submission of a revised estimate purposeless, the excesses, if beyond the power of the Divisional Officer to pass, may be explained in a Completion Report or Statement prepared under the rules in paragraph 99.

As per minutes of the Executive Committee of the Federal Government Employees Housing Foundation, Islamabad of 132nd meeting held on 8th January, 2015 (Agenda Item No. 9), the Executive Committee unanimously accorded approval for extension in time limit up to one year to M/s NCL in the Contract Agreement between M/s NCL and Housing Foundation, with effect from date of expiry of contract period i.e. 6th September, 2014. There shall be no escalation / variation in cost during the extended period of the contract as per Clause 70.1 of the Contract Agreement.

6.4.8.1 Audit noted that 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 NCL 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, assigned to M/s ASCO under clause 3.1 (a sub-contractor) at the same terms and conditions. An amount of Rs 1,146.304 million was paid to the contractor up to 13th IPC paid in May 2017.

Audit observed that certain items of work were measured and paid more than those provided in the BOQ. Some items of work were paid without their provision in the BOQ and approval of the competent authority in violation of the approval accorded in 132nd meeting of the Executive Committee. This resulted in excess execution of extra items/ payment of Rs 696.791 million, which was 46.47% more than the agreed cost of the work.

Audit is of the view that the excess payments were made due to non-adherence to the approval of the Executive Committee of the Foundation, provision of BOQ/TS Estimate, inadequate implementation of oversight mechanism for exercising technical, financial and internal controls.

Audit pointed out the excess payments in November-December 2017. The Foundation did not furnish preliminary reply to audit observation.

The matter was discussed in the DAC meeting held in January 2018, wherein, FGEHF explained that as per agreement clauses 51.1 and 52.2 the engineer of the project can make any variation/valuate increased or decreased quantity of the work and can recommend for formal approval of the client. In this connection a revised estimate has been prepared and will be placed before a committee constituted by Executive Committee for approval. DAC directed to finalize the report of the committee and approval of competent authority and get it verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for investigation and fixation of responsibility.
(DP.06)

6.4.8.2 Audit noted that Federal Government Employees Housing Foundation, Islamabad awarded a work "Development and Rehabilitation works of Sector G-13, Islamabad" to M/s Zafar & Co at agreement cost of Rs 946.518 million. The work was started on 22nd August, 2016 and was to be completed up to 21st August, 2018. An amount of Rs 747.482 million was paid to the contractor up to 8th IPC.

Audit observed that certain items of work were measured and paid more than those provided in the BOQ. Some items of work were paid without their provision in the BOQ and without approval of the competent authority. This resulted in excess payment of Rs 108.775 million.

Audit was of the view that the excess payments were made due to non-adherence to provision of BOQ/TS Estimate, inadequate implementation of oversight mechanism for exercising technical, financial and internal controls.

Audit pointed out the excess payments in November-December 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the Foundation explained that the quantities of different items have been increased due to site requirements and after obtaining the laboratory test report. The amount is within the permissible limit of 15% of the agreement amount. The revised PC-I will be got approved from DWP in the next meeting. DAC directed FGEHF to complete the process of regularization by the competent forum and get it verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP.07)

**6.4.9 Overpayment due to application of higher rate for similar item
- Rs 152.197 million**

According to Clause 52.1 of agreement, 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 if, in the opinion of the Engineer, the same shall be applicable. If, the contract does not contain any rates or prices applicable to the varied work, the rates and prices in the contract shall be used as the basis for valuation so far as may be reasonable, failing which, after due consultation by the Engineer with the employer and the contractor, suitable rates or prices shall be agreed upon between the Engineer and the Contractor. In the event of disagreement, the Engineer shall fix such rates or prices as are, in his opinion, appropriate and shall notify the contractor accordingly, with a copy to the employer. Until rates or prices are agreed or fixed, the Engineer shall determine provisional rates or prices to enable on account payments to be included in certificates issued in accordance with clause 60.

Audit noted that Federal Government Employees Housing Foundation, 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 NCL 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, assigned to M/s ASCO (a sub-contractor) on the same terms and conditions. An amount of Rs 1,146.304 million was paid to the contractor up to 13th IPC paid in May 2017.

Audit further noted that as per BOQ/Agreement under head "Road Work" a quantity of 318,355 Cu.m and under head "Area Development" a quantity of 696,372 Cu.m was provided for Making/Formation of

Embankment from borrows excavation/common material @ Rs 243.15 per Cu.m respectively. Upto IPC-13, a quantity of 320,154.87 Cu.m and 800,827.80 Cu.m was paid having an excess quantity of 1,799.87 Cu.m and 104,455.80 Cu.m respectively with an excess amount of Rs 25.836 million.

Audit observed that in presence of BOQ item of formation of embankment, an extra item “making earthen embankment with earth taken outside the sector....” was included in both the heads of Road work and Area Development @ Rs 647.40 (Part Rate Rs 424.686) per Cu.m and Rs 538 (Part Rate Rs 439.492) per Cu.m respectively. Audit was of the view that item of embankment was already available in the BOQ with lesser rates therefore execution through extra items by declaring earth from outside the Sector at enhanced rates resulted in overpayment of Rs 152.197 million as detailed below:

Sub Head	Full Rate of Item	Part Rate paid	BOQ Rate	Difference	Quantity	Amount (Rs)
Road Work	647.40	424.686	243.15	181.536	250,000	45,384,000
Area Development	538.00	439.492	243.15	196.342	544,014	106,812,797
Total Overpayment						152,196,797

Audit pointed out the overpayment in January 2018. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein the Foundation explained that the excess quantity was executed beyond BOQ provision for the development of the Markaz G-14 and road of G-15/3 towards GT road to safeguard the area. However, extra item was executed for formation of embankment from borrow, which was duly approved along with analysis of rates. Audit contended that rates paid for extra items were on higher side as compared to BOQ rates of similar items. The rates of extra items paid in sub-heads of package-1 i.e. road work and area development were different from each other i.e. in case of road work it was paid for Rs 647.40 per Cu.m and in case of area

development for Rs 538.00 per Cu.m. The management agreed that record will be consulted and if enhanced rate is found paid, recovery will be made.

In case of DP.02 the Foundation explained that additional required quantity of earth beyond the approved quantity of original estimate was brought from outside sources and extra item got approved by the competent authority. However, part payment was made in IPC 13 for extra item. The revised estimate has been prepared and be placed before the committee constituted by Executive Committee. Moreover, remaining amount of Rs 99.648 million for earth has been withheld in IPC-14 till revision of estimate. Audit contended that higher rate was paid for the varied quantities.

DAC directed the Foundation to obtain approval of variation in scope of work from competent forum. DAC further directed that rates of items as provided in the BOQ shall be applied to quantities of extra items. Record may be got verified from Audit within two weeks.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive besides fixing of responsibility against person(s) at fault.

(DP. 01&02)

6.4.10 Overpayment of price escalation - Rs 99.215 million

As per minutes of the Executive Committee of the Federal Government Employees Housing Foundation, Islamabad of 132nd meeting held on 8th January, 2015 (Agenda Item No. 9), the Executive Committee unanimously accorded approval for extension in time limit up to one year to M/s NCL in the Contract Agreement between M/s NCL and Housing Foundation, with effect from date of expiry of contract period i.e. 6th September, 2014. According to the approval, there shall be no escalation /

variation in cost during the extended period of the contract as per Clause 70.1 of the Contract Agreement.

Audit noted that Federal Government Employees Housing Foundation (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, assigned to M/s ASCO (a sub-contractor) at the same terms and conditions. An amount of Rs 1,146.304 million was paid to the contractor up to 13th IPC paid in May 2017.

Audit observed that Federal Government Employees Housing Foundation, Islamabad allowed escalation of Rs 99.215 million to M/s ASCO (assignee contractor of M/s NCL) for the extended period from 2015 to 2017 in violation of the approval of the Executive Committee. This resulted in overpayment of Rs 99.215 million to the contractor.

Audit was of the view that overpayment was made due to non-adherence to the approval of the Executive Committee of the Foundation, weak contract management and internal controls.

Audit pointed out the overpayment in November-December, 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, the Foundation took the stance that there was no fault of the contractor in delay of work. The work was delayed due to land issue. The claim of price escalation was for the period before freeze time.

DAC directed FGEHF to make recovery in the light of decision of Executive Committee or otherwise rectify/review the decision of Executive Committee within two weeks.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive regarding recovery.

(DP.04)

6.4.11 Unjustified inclusion of item of Street Lights in BOQ of Infrastructure Development Works in G-13 - Rs 83.113 million

As per accounts of Federal Government Employees Housing Foundation, a payment of Rs 39,004,000 was made to CDA for provision of street light system in G-13 as deposit work on 30th March, 2010.

Audit noted that Federal Government Employees Housing Foundation, Islamabad awarded a contract of Rehabilitation & Development in Sector G-13 Islamabad to M/s Zafar & Co at an agreed cost of Rs 946.518 million on 22nd August, 2016. An amount of Rs 83.113 million was included in the BOQ of the work for installation of Street Lights against the PC-I provision of Rs 143.786 million for Electrification & street lights.

Audit observed that inclusion of items of providing / installation of street lights in the contract awarded to the contractor in addition to payment of Rs 39.004 million made to CDA was not justified. This resulted in unjustified inclusion of street lights works in BOQ for Rs 83.113 million.

Audit was of the view that the items of street lights were included in the BOQ of the contractor without going through the record due to of weak financial controls.

Audit pointed out the matter in November-December 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein, FGEHF explained that CDA erected only poles for street light in Sector G-13/1 and no payment was made by CDA. The item of fixing of street lights of balance work was taken in the current agreement. Further, Housing Foundation is in process of reconciliation of record/ accounts with CDA but they are not cooperating with Housing Foundation in this connection. DAC directed FGEHF to pursue recovery from CDA and account for the amount as receivable in books of accounts.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends early compliance to the DAC's directive regarding recovery.

(DP.15)

6.4.12 Non-recovery of defective work from the Design Consultants/ Contractor - Rs 69.825 million

According to Clause 3.1 of the agreement, the Consultants shall perform the services and carry out their obligations with all due diligence, efficiency, and economy in accordance with generally accepted professional techniques and practices, and shall observe sound management practices, and employ appropriate advanced technology and safe methods. The Consultants shall always act, in respect of any matter relating to this Contract or to the services, as faithful advisors to the Client.

As per Clause 3.4 of agreement, 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 herein below:

- (i) If the Client suffers any losses or damages because 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.

- (ii) The liability of the Consultants expires after one (1) year from the stipulated date of completion of construction or after three (3) years from the date of completion of the design whichever is earlier.

As per clause 8.1 of the contract signed between FGEHF and M/s NCL (M/s ASCO), the contractor shall, with due care and diligence, design (to the extent provided for by the contract), execute and complete the works and remove any defects therein in accordance with the provisions of the contract.

Audit noted that FGEHF signed a contract for “Consultancy services for planning, designing and construction supervision of infrastructure works for Development of Sectors G-14/1,2,3& G-15/3 Islamabad to M/s Associated Consulting Engineers - ACE (Pvt.) Ltd on 29th January, 2010. Audit further noted that the contract was cancelled on 22nd July, 2016 due to unsatisfactory performance of the Consultants. Construction contract was awarded 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, assigned to M/s ASCO (a sub-contractor) on the same terms and conditions.

Audit observed that quantity of item No. 509e (Grouted Rip Rap Class-B) was provided in the BOQ of the agreement as 113 Cu.m at the rate of Rs 3,177.510 per cu.m. Against which, quantity of 15,260.33 cu.m for Rs 69.825 million was paid to the contractor up to 13th IPC.

Audit further observed that drawing / design of Nullah in G-14/2 & 3 was prepared by M/s Associated Consulting Engineers and executed by M/s NLC (M/s ASCO). Audit noticed that the side wall of the drain / rip-rap was collapsed after construction at several locations. Resultantly, a fact-finding inquiry in the matter was ordered by the Ministry of Housing and Works. Following were findings of the Inquiry Report:

- (a) Hydraulic Design / size of the drain was reduced. Natural drain was wider than that executed by the Housing Foundation which was insufficient in consideration of catchment area, rain intensity as well as duration of rains in the area.
- (b) The Inquiry Committee also observed that a sketch was prepared and signed by a Sub-Engineer. Retaining wall which must retain soil of height 12' to 15' was not designed properly especially pore water pressure was not considered which resulted in collapse of the retaining wall at several locations.
- (c) The Committee reported after visualizing collapsed section that quality of stone masonry was substandard. There was no proper grouting in stone masonry. Quality was not according to the standard specification. There were cavities i.e. joints were not filled properly. No horizontal CC or RCC band were provided.
- (d) As per conclusion of the Committee, there was hydraulic design fault, structural design fault as well as substandard construction of entire drain.

The findings of the Inquiry Committee revealed that the drain collapsed due to hydraulic, structural design fault and substandard construction of entire drain but defective work of Rs 69.825 million was certified and paid up to 13th IPC and no action towards recovery on account of defective design and substandard construction of drain from the defaulting consultants or contractor was taken. This resulted in non-recovery of Rs 69.825 million.

Audit was of the view that recovery was not effected due to weak financial and internal controls.

Audit pointed out the overpayment in November-December 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein FGEHF explained that damaged portion of the nullah has

been reconstructed by the contractor being responsible for rectification up to defect liability period. The consultant had been terminated due to poor performance.

DAC observed that design fault and sub-standard work were the cause of damage and directed that notice be issued to the consultant for response within 10 days for rectification of design and defective work at his expense, otherwise action would be initiated for blacklisting.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive regarding remedial measures and action against the responsible(s).

(DP.05)

6.4.13 Overpayment due to non-deduction of earth available from structural excavation - Rs 55.078 million

According to Specification No. 108.4.1 (Measurement) of NHA General Specification, 1998, 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 Item 100.9, compacted in place, accepted by the Engineer formed with material resulting from:

- a) Formation of Embankment from Borrow Excavation
Measurement shall be made as under:

Formation from Borrow = Total embankment quantity (minus)
roadway excavation quantity (minus) structural excavation quantity

- b) Formation from structural Excavation:
This quantity shall be the same as calculated for structural excavation, irrespective of its haulage distance, less the quantity declared unsuitable by the Engineer.

Audit noted that Federal Government Employees Housing Foundation, 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, assigned to M/s ASCO (a sub-contractor) on the same terms and conditions. An amount of Rs 1,146.304 million was paid to the contractor up to 13th IPC paid in May 2017.

Audit further noted that an item of work '107a-structural excavation in common material' was executed for a quantity of 157,305.41 Cu.m and another item '108c formation of embankment from borrow excavation in common material' was executed for a quantity of 1,120,982.67 Cu.m.

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 as required under General Specifications. This resulted in an overpayment of Rs 55.078 million.

Audit was of the view that the overpayment occurred due to non-adherence to the General Specifications.

Audit pointed out the overpayment in November-December 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein the Foundation explained that material obtained from structural excavation was not utilized in formation of embankment of roads. However, it was used in area development under item 108(d) in IPC-12 for which recovery was made in IPC-13 in the light of audit observation.

DAC decided that an opinion may be obtained from the Director General Pak PWD in the light of audit contention and NHA's General Specifications within a week.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.
(DP.03)

6.4.14 Overpayment due to non-adjustment of prices because of de-escalation - Rs 2.745 million

According to Clause 70.1 of agreement and Appendix-C, the amounts payable to the Contractor, pursuant to Sub-Clause 60.1 shall be adjusted in respect of the rise or fall in the cost of material specified in the Appendix-C to Bid by applying to such amount as prescribed in the adjustment formula.

As per Appendix-C to Bid, the source of indices and the weightage or coefficients for use in the adjustment formula under Clause 70 were to be filled by the Employer. Note 3 to the Appendix-C provides that "Fixed portion shown here is for typical road project. Employer has to determine the weightage of Fixed Portion considering only those cost elements having cost impact of seven (07) percent or more on his specific project".

Audit noted that Federal Government Employees Housing Foundation, Islamabad awarded the work "Development and Rehabilitation works of Sector G-13, Islamabad" to M/s Zafar & Co at agreement cost of Rs 946.518 million. The work was started on 22nd August, 2016 and had to be completed up to 21st August, 2018. An amount of Rs 747.482 million was paid to the contractor up to 8th IPC. Audit further noted that cost indices or prices of Monthly Statistical Bulletin of Federal Bureau of Statistics, Government of Pakistan were to be taken for base and current rates.

Audit observed that as per Appendix C to the Contract, weightage of fixed portion was provided as 0.35 and total variable weightage of specified materials and labour was provided as 0.65. Audit further observed that:

- (a) Minimum fixed portion was provided as 0.35 while maximum variable portion was fixed as 0.65 instead of fixing the weightages as per actual estimated cost in the light of PEC Standard Price Adjustment Formula.
- (b) Weightages of specified material and base rates were neither filled in by the Employer as required under provisions of the Appendix-C to Bid nor were notified later.

According to available rates of Statistical Bulletin issued by the Statistical Division, the prices of bitumen and steel were decreased during the period of execution of work in IPC-1 to IPC-4 which were required to be adjusted accordingly. The Contractor was paid eight (08) IPCs up to August 2017 without adjustment in the price of the specified material. This resulted in overpayment due to non-adjustment of price because of de-escalation of Rs 2,745 million.

Audit was of the view that non adjustment of price de-escalation occurred due to non-adherence to the provisions of agreement, weak internal and financial controls.

Audit pointed out the overpayment in November-December 2017. The Foundation did not reply.

The matter was discussed in the DAC meeting held in January 2018, wherein the Foundation explained that the contractor has not yet claimed the escalation in running IPCs. However, the consultant would be requested to prepare the de-escalation case and recovery if any shall be made accordingly.

Audit contended that as per provisions of the contract, price adjustment claim was required to be processed along with each IPC. But price adjustment claim was not submitted to avoid the negative impact of de-escalation as there was a downward trend in the prices of certain specified items. DAC directed FGEHF to process the price adjustment bills of all previous IPCs immediately and to ensure regular submission thereof alongwith future IPCs.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive regarding recovery of de-escalation.

(DP.08)

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 2015-16 and 2016-17 as compared to the previous years are tabulated below:

(Rs in million)

Description	2014-15	2015-16	% Increase/ (Decrease)	2016-17	% Increase/ (Decrease)
Contract income	410.89	418.56	1.87	923.80	120.71
Cost of work done (Direct cost)	331.73	337.94	1.87	849.68	151.43
Gross Profit	79.16	80.62	1.84	74.12	(8.06)
General & Administrative/ indirect cost	66.56	65.78	(1.17)	61.21	(6.95)
Operating Profit	12.60	14.84	17.78	12.91	(13.01)
Financial charges	0.24	0.25	4.17	0.49	96.00
Other income	19.09	19.12	0.16	21.54	12.66
Profit before taxation	31.45	33.72	7.22	33.95	0.68
Provision for taxation	27.51	29.03	5.53	26.15	(9.92)
Profit after taxation	3.94	4.69	19.04	7.80	66.31
Accumulated profit	61.03	65.72	7.68	73.53	11.88

(Source: Annual Audited Accounts of NCL for the year ended June 30, 2017).

Note: Increase/decrease (in %age) has been determined by comparison of 2016-17 with 2015-16 and that of 2015-16 with 2014-15.

7.2.2 The contract income increased by 120.71% from Rs 418.56 million in 2015-16 to Rs 923.80 million in 2016-17. The cost of work done increase by 151.43% from Rs 337.94 million in 2015-16 to Rs 849.68 million in 2016-17. The increase in income was more than the increase in cost but the gross profit margin was decreased by 8.06 % in 2016-17 whereas in the previous year it had increased by 1.84 %. Although, general and administrative expenses decreased by 6.95 % from Rs 65.78 million in 2015-16 to Rs 61.21 million in 2016-17 but the operating profit was decreased by 13.01 % from Rs 14.84 million in 2015-16 to Rs 12.91 million in 2016-17.

Audit observations in this regard were as under:

7.2.2.1 Clause 88 of the Memorandum of Association of NCL provides that the Directors shall cause such accounts to be kept:

- a) of the assets and liabilities of the Company.
- b) of all sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place.
- c) of all sales and purchases of goods by the Company, as are necessary to give a true and fair view of the Company's affairs and to explain its transaction.
- d) the books of accounts shall be kept at the office, or at such other place as the Directors shall think fit, and shall always be open to the inspection of the Directors.

Audit noted from the financial statements for the financial year 2016-17 that the Company has earned revenue (contract income) of Rs 923.801 million (Verified bills Rs 878.298+ Unverified bills

Rs 45.503) against the revenue of Rs 418.557 million for the year 2015-16 showing an increase of 120.71%.

Audit observed that in the final accounts of the company an amount of Rs 649,054,695 against the projects code 338 and 352 (Rs 10,374,422 + Rs 638,680,272) Infrastructure Works for Development of Sector G-14/4 and G-14/1,2 had been incorporated as earned revenue during the current financial year 2016-17. Audit Further observed that M/s NCL executed deed of Assignment with M/s ASCO on 29th December, 2015 at an agreed share payable to M/s NCL equal to 4.1% of all the work done which comes to Rs 26,611,243 (Rs 649,054,695 x 4.1%).

Actual contract amount of revenue for Rs 26.611 million was received and required to be incorporated in the financial statements for the year 2016-17 instead of total billing of Rs 649.055 million.

This resulted in unauthentic/ unjustified inclusion of revenue in the financial statements for the financial year 2016-17 of Rs 622.444 million (Rs 649.055 million – Rs 26.611 million).

Audit was of the view that overstatement occurred due to mismanagement and poor financial/internal controls system.

Audit pointed out the overstatement of revenue in November 2017. The Company replied that revenue of Rs 638.68 million related to project of Infrastructure Development of Sector G-14/1,2,4 in the total work done of Rs 923.800 million was included in Financial Statements/Accounts of NCL on the advice of the Company's Auditor being main contractor and liable for execution and contractual obligation to Federal Government Employees Housing Foundation(FGEHF).

The reply was not tenable as the NCL accounted for the value of work done of Rs 649.055 million against the projects Infrastructure Development of Sector G-14/1, 2 & 4 whereas NCL has a share of Rs 26.600 million at the rate of 4.1% only and the same was required to be depicted in the accounts. Further, the client department (FGEHF) made

payments of work done direct to M/s ASCO as assignee contractor and not to the NCL. Thus account of value of work done over & above the share of NCL against the contract generated revenue was unjustified resulting in overstating the financial statements.

(DP.02)

7.2.2.2 Financial Statements for the financial year 2016-17 disclosed that the Company had earned revenue (contract income) of Rs 923.801 million (Verified billing Rs 878.298 + Unverified billing Rs 45.503) including work costing Rs 649.055 million relating to G-14/1,2,4.

Audit observed that the M/s NCL executed agreement for “Development of Infrastructure at G-14/1, 2, 4 Islamabad” with Federal Government Employees Housing Foundation and nominated M/s Abdul Sattar & Co (ASCO) as sub-contractor. Later on M/s NCL entered into an assignment agreement with the nominated sub-contractor. According to which the payment will be directly paid to M/s ASCO and NCL will get its share at the rate of 4.1% of the value of work done. Audit further observed that payment of the work was booked by the NCL in its accounts for Rs 649.056 million as contract revenue and Rs 613.344 million was shown as expense “cost of services” and paid to the assignee contractor M/s ASCO.

Audit was of the view that when the assignment agreement was executed and direct payment was made to the assignee contractor, booking of revenue from contract billing except admissible share of Rs 26.611 million and payment of Rs 613.634 million as cost services was not correct.

Audit pointed out unjustified booking of cost of services in November 2017. The Company replied that revenue of Rs 638.68 million related to project of Infrastructure Development of Sector G-14/1,2,4 in the total work done of Rs 923.800 million was included in Financial Statements of NCL on the advice of the Company’s Auditor being main contractor and liable for execution and contractual obligation to FGEHF. Accordingly cost of work done of Rs 613.600 million was also

incorporated in books against the contract income on this project under matching principle of International Financial Reporting Standards (IFRS).

The reply was not tenable because M/s NCL entered into an agreement with M/s ASCO under term “Assignee Contract” and the client department made direct payment to M/s ASCO, the Assignee Contractor. Booking of Rs 613.600 million as cost of services in the financial statements without any evidence was not correct which overstated the expenses of the company.

(DP.03)

The matter was discussed in the DAC meeting held in January 2018, wherein, NCL explained that NCL being principal contractor is responsible for assignee contractor. Inclusion of Rs 638.68 million in total work done of Rs 923.800 million was made in the financial statements as per advice of the chartered accountants in the light of legal opinion. Similarly, revenue was accounted for and booked as per international financial reporting standards. As per IFRS-11 and matching principles, if revenue is taken into accounts, relevant cost is also required to be taken into financial statements.

DAC directed for verification of Board’s deliberations/approval, advice of chartered accountants, legal opinion obtained by the chartered accountants and assignment agreement by Audit.

Audit recommends that efforts be made to increase the profitability of the Company through effective operations.

7.2.3 Doubtful debts at the close of the financial year were Rs 304.238 million which were increased upto Rs 308.859 million at the close of financial year 2016-17 (Note 8 to Financial Statements).

Audit observed that certain contract billing was raised against the executed work and claims/bills amounting to Rs 980,783,846 shown as

“trade receivables-unsecured” against which provision of Rs 308.859 million for bad debts was made.

Audit was of the view that the non-recovery of dues from the client department resulted in non-adherence to the contract provisions and resulted in the loss of Rs 308.859 million to the company due to lack of proper internal controls.

Audit pointed out the provision of bad debts in November 2017. The Company replied that provisions of bad debts were made against unverified receivable and old claims/bills overdue for more than 05 years in order to present factual position of the company as per International Accounting Standards. These bills/claims and unverified receivable were not paid by clients and could not be contested.

The reply was not tenable because unverified bill of Rs 45.503 million had been shown as revenue in the financial statements for the year 2016-17 and on the other hand huge amount of Rs 308.85 million have been declared as bad debts.

Audit was of the view that had the company/project management made efforts, the amount would have been realized. Further, what were the reasons as stated in reply that such receivable and old claims/bills and unverified claims could not be contested/claimed.

The matter was discussed in the DAC meeting held in January 2018, wherein, NCL explained that provision for bad debt was made as per international accounting standard (IAS-37), compliance requirement of Companies Ordinance and advice of NCL Auditor’s after aging analysis of old receivables. Provision was made against unverified receivable and old claims at certain percentage after analysis by chartered accountants. During 2016-17, a provision of Rs 4.679 million was made against old projects.

Audit contended that above said provision contained a sum of Rs 3.830 million against Quetta Water Supply Project which was under

litigation and appears to be not a valid provision keeping in view its nature. NCL, therefore, should formulate a clear policy in this regard.

DAC directed NCL to formulate a policy in this regard in line with international accounting standards and requirements of Companies Ordinance. Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends that the NCL Management should take appropriate measures with client departments and resolve the issues/dispute diligently to recover its legitimate revenue instead of declaring doubtful receipts, a likely loss to be sustained with passage of time.

(DP.07)

7.2.4 The commitments in respect of contract works for the ongoing projects at the balance sheet date amounts to Rs 2,841.182 million which were Rs 3,391.600 million at the close of financial year 2015-16 (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. , 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.

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 2016-17.

Profit and loss account of the company for the year ended on 30th June, 2017 showed profit after taxation for Rs 7.804 million with earning per share of Rs 0.3919. Annual Report for the year 2016-17 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 65.72 million as on 30th June, 2016 and Rs 73.530 million as on 30th June, 2017.

This resulted into non-payment of dividend of Rs 7.804 million to the shareholders.

Audit pointed out non-payment of dividend in November 2017. The company replied that the issue of declaration of dividend was discussed in previous Board meeting and keeping in view the present liquidity crunch, the Board Members decided that dividends may not be declared for the time being.

The reply was not tenable as the financial position of the company was not healthy due to which shares of dividend were not declared. Position of revenue generation from the contracts related activities exhibited in the financial statements was not based on facts.

The matter was discussed in the DAC meeting held in January 2018, wherein, NCL explained that the issue of declaration of dividend was deliberated in Board's meeting and it was decided that NCL was not in a position to declare dividend due to liquidity crunch and heavy amount stuck up in Quetta Water Supply Project. Audit contended that effective measures were not taken to improve the financial health of the entity.

DAC directed NCL to provide deliberations of Annual General Meeting/Board's approval and measure taken in case of Quetta Water Supply Project.

Audit recommends that measures be taken to improve the financial position of the company.

(DP.05)

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 audit 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
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 Report	Total Paras	Compliance made	Compliance awaited	Percentage of compliance
2013-14	02	-	02	-

Audit Reports for the year 2011-12, 2012-13, 2014-15, 2015-16 and 2016-17 are yet to be discussed by PAC. Audit Report for the year 2013-14 was partially discussed.

7.4 AUDIT PARAS

Performance

7.4.1 Slow execution/progress in execution of project - Rs 168.934 million

Clause-47.4 that the contractor shall be paid a Bonus Calculated at the rate of 0.025% per day of the accepted Contract Price for each day that the completion is earlier than the time for completion subject to a maximum bonus of 5% of the accepted contract price. Clause-47.5 provides that if the rate of progress is ahead of the program of work, the contractor shall also be entitled for interim advance bonus at the rate of 0.05% per day of the value of work being the difference between the actual value of work executed and the value of work stipulated to be performed on the date of evaluation as per the latest approved programme of work. The time duration for applicability of interim advance bonus will be difference between the date of evaluation of progress of work and the stipulated date on which the instant value of work was stipulated to be performed as per approved programme.

Audit noted that a work construction of 168 B-type apartments in 6 Blocks at I-16/3, Islamabad was awarded to National Construction Limited (NCL) by PHA Foundation, for Rs 712.12 million. Stipulated period for completion of the project was 31 months from the date of start reckoned from October 2016 and is to be completed in April 2019.

Audit observed that the project management of NCL executed work for Rs 37.81 million only after expiry of nine months i.e. up to 30th June, 2017 whereas work was required to be completed for Rs 206.744 million (Rs 712.12 / 31 x 9) during that period. This indicated that pace of work execution was too slow as achieved progress was far behind the scheduled execution targets for Rs 168.934 million. Audit was of the view, if the NCL observed scheduled execution programme of the project, the employer was liable to pay bonus as per clauses of agreement. Otherwise

NCL would be liable to pay liquidated damages for delay in completion of the project.

Audit was of the view that slow execution of the work beyond the approved execution plan/progress was due to non-adherence to the agreed clauses of the agreement.

Audit pointed out the slow execution of work in November 2017. The Company replied that after the receipt of Mobilization Advance on 29th September, 2016 construction activities at site were started in November 2016. After excavation of foundations for all the six blocks and laying 03 raft foundations, the consultants stopped the work on the remaining 03 raft foundations on 22nd February, 2017, and collected the soil samples of these blocks for re-evaluation for the bearing capacity of the soil. Accordingly in view of the re-evaluation of the bearing capacity of soil, the raft sizes were enhanced and revised rafts foundation drawings were received on 29th April, 2017. So the work was stopped for more than two months.

The reply was not tenable as the progress of the work was 82% behind the scheduled execution plan. The PHA Foundation stopped the work on three blocks for two months only, the NCL should have deployed all the resources on the construction work on other three blocks for completion of scheduled scope of work. Due to slow pace of work the NCL remained unable to complete the project within stipulated time period and liable to pay liquidated damages for delay in completion of work and caused reduction of profit margin also.

The matter was discussed in the DAC meeting held in January 2018, wherein, NCL explained that work was stopped by the consultant for re-evaluation of the bearing capacity of soil. After re-evaluation of the bearing capacity, raft sizes were enhanced and revised raft foundation drawings were issued for which work remained withheld for more than two months. Further, payment by client is also a contributing factor towards slow pace of work. After 30th June, 2017, execution of work has

been accelerated. DAC directed NCL to submit revised schedule and progress of the work to Audit for verification.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DACs directive.

(DP.04)

7.4.2 Unjustified execution of Joint Venture beyond the company's objectives depriving NCL from its legitimate revenue

The Article-3(2) of Memorandum of Association of National Construction Limited provides that the objects for which the company is established are to carry on primarily the business of consultants, advisers, structural engineers, builders, architects, contractors, job-contractors, designers, decorators, furnishers with regard to construction, development, improvement of dams, buildings, roads, bridges, tunnels, airfields, runways, buildings, aviation fields, hangers and work of every description connected therewith, in general, and to act as consultants, professional advisers and agents, and act as estimators, valuers, appraisers, surveyors, town-planners, reinforced concrete specialists and any other civil engineering and architectural work of any kind whatsoever, in Pakistan and anywhere in the world.

According to Clause 8.1 of JV agreement made between M/s NCL and M/s PCA on 5th August, 2016 the net receipt (gross contract value less income tax) shall be shared between the joint venture parties as 5% to M/s NCL and 95% to M/s PCA.

According to Clause 1 of JV agreement made between M/s NCL and M/s CMEC on 22nd February, 2017 the parties hereby agree to join together with the purpose to execute and complete the Project at an arrangement that M/s CMES will execute the entire work independently and pay to NCL 3% of amounts received through cheques from Pakistan Public Works Department (Pak PWD) who is the employer of the Project.

Audit noted that National Construction Limited Islamabad entered into Joint Venture Agreement with M/s Pakistan Construction & Associates (M/s NCL-M/s PCA) for “Construction of Gypsum/Plaster of Paris, Wooden and Other False Ceiling Works at the Indian High Commission’s Residential Complex G-5, Diplomatic Enclave Islamabad on 5th August, 2016. Another Joint Venture Agreement executed with M/s Construction Management and Engineering Services (M/s CMEC-M/s NCL) for Construction of RCC Compound Wall & Boundary Walls and Administrative Block at Model Prison, H-16 Islamabad on 22nd February, 2017. Audit further noted that both Joint Ventures were not registered with Pakistan Engineering Council.

Audit observed that Management of the NCL failed/deviated from company’s main objectives to provide efficient and effective engineering services by accepting minor sharing profits instead of generating 100% works related revenue by deploying its own resources. The joint ventures were executed with other firms for execution of the projects at very low shares of profit at the rate of 5%, 3% and an assignment contract agreement at the rate of 4.1% of the total cost of the work done. Resultantly, NCL was deprived of its legitimate revenue of Rs 2,166.259 million.

Audit was of the view that unjustified sharing of profit, selling of NCL Goodwill/Trade mark and deficient revenue was due to non-adherence to the objectives of establishment of the company which reflects inefficiency, weak internal and financial management controls.

Audit pointed out the matter in November 2017. The Company replied that non-availability of sufficient working capital and banking facilities made it difficult for the company to participate at its own in the tender market. So to avail the other business opportunities from the market the model of sharing resources (JV) had been adopted.

The reply was not tenable because the main object of the company was to generate the contractual revenues instead of entering into share

basis execution of work at lesser rates resulting in huge loss to the company. This state of affair reflects mismanagement and deteriorating financial health of the company.

The matter was discussed in the DAC meeting held in January 2018, wherein, NCL explained that in order to diversify and avail the other business opportunities from the market the model of sharing resources i.e. joint venture has been adopted and some major principles were observed. In recent past, works at an embassy in diplomatic enclave and Model Prison H-16 were assumed through joint venture in the interest of NCL. In joint ventures, NCL is getting more without involving in any direct activity. Further, double taxation is also a factor towards discouragement of sub-contracting.

DAC directed that NCL should restrain from joint venture, adopt realistic approach and explore independent operation activities in line with its objectives. DAC further directed NCL to provide list of fresh works undertaken through self-bidding and ongoing joint ventures to Audit for verification.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP.06)

CHAPTER 8

PAKISTAN HOUSING AUTHORITY FOUNDATION (MINISTRY OF HOUSING AND WORKS)

8.1 Introduction

Pakistan Housing Authority Foundation (PHAF) is a Public Company registered with Securities and Exchange Commission of Pakistan under Section 42 of the Companies Ordinance, 1984. The major objectives/services entrusted to PHA Foundation are as under:

- i. Being one of the implementing arms of the Ministry of Housing and Works, PHA Foundation is mandated to provide shelter and to reduce the housing shortfall in Pakistan.
- ii. PHA Foundation provides low cost housing units to low and middle income groups of Pakistan on ownership basis. Since its inception in 1999, PHA Foundation has built several housing units for general public and Federal Government Employees in Federal and Provincial capitals to provide high quality and state-of-the-art buildings at low and affordable price.
- iii. In addition to Ground plus 3 building apartments, PHA Foundation has undertaken to construct high rise buildings. Construction of PHA-Maymar Towers in Karachi is first endeavor in this respect.

Regional offices have also been established in Lahore and Karachi to provide services to the allottees of the respective areas.

8.2 Comments on Budget and Accounts/Financial Statements (Variance Analysis)

8.2.1 The table below shows the position of budget and expenditure of PHA Foundation for the financial year 2015-16:

(Rs in million)

Nature	Original Budget	Expenditure	Excess/ (Saving)	Excess/ (Saving) in%
Non- Development (Operational)	186.77	163.48	(23.29)	(12.47)
Development	2,508.32	541.07	(1,967.25)	(78.42)
Grand Total	2,695.09	704.55	(1,990.54)	(73.86)

Revenue

(Rs in million)

Estimated Receipt	Actual	Surplus/ (Deficit)	% of actual to the estimate
6,761.15	3,331.72	(3,429.43)	49.28

8.2.2 Against approved development budget of Rs 2,508.32 million, Pakistan Housing Authority Foundation incurred expenditure of Rs 541.07 million which constituted 21.57% of the budget. The funds were short utilized by Rs 1,967.25 million which showed that development targets were not achieved.

8.2.3 Revenue target was fixed at Rs 6,761.15 million for the financial year 2015-16. Actual receipts of Rs 3,331.72 million (49.28%) could be realized. The deficit in receipt was Rs 3,429.43 million (50.72%).

8.2.4 Chartered Accountants i.e. Rafaqat Mansha Mohsin Dossani Massom & Co, while certifying the financial statements of PHAF for the financial year 2015-16 have reported following qualifications:

1. Work in progress amounting to Rs 4,230,406,652 (2015: Rs 4,221,895,893 has been valued at cost instead of at lower of cost or net realizable value (NRV), which is against the prescribed notes of accounting policy as provided in Note. 3.5 of the financial statements. In the absence of detailed working of valuation of work in progress and any other record the exact variation, material impact and the resultant income and expenditure account due to non-application of prescribed accounting policy cannot be ascertained and quantified.
2. Company had not kept the retention money payable to contractor in a separate bank account as provided under section 230 of the Companies Ordinance, 1984. This account has however been opened after the year end before the signing of this audit report.
3. Impairment test has not been applied by the Company at the balance sheet date to determine the indication of loss (if any) in violation of the requirement of para 9 of IAS 36 (Impairment of Assets) and the prescribed note of accounting policy as provided in Note No. 3.4 of the financial statements.
4. The Company has not accounted for any provision against staff retirement benefits in terms of gratuity or provident fund or both as per the requirement of sub clause (6) of clause 12 of Schedule of the Industrial & Commercial Employment (Standing orders) ordinance 1968 also IAS 19 (Employee benefits). The company has not provided for the provision for taxation that comes to Rs 24,066,363 with the plea that it is a Government owned company and has already applied for exemption u/s 2(36) of the Income Tax ordinance, 2001 from relevant authority (refer Note No. 3.8). Had the management incorporated the “provision for taxation” for the year ended 30th June, 2016, the “net surplus after tax” would have been reduced to Rs 80,172,960 with resultant reduction of accumulated surplus to Rs 610,885,540.

Audit recommends that the management should take appropriate measures to rectify the observations of Chartered Accountants.

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

Directorate General Audit Works (Federal) conducted audit of the accounts of Pakistan Housing Authority Foundation for the first time during 2013-14. In past, the entity was under the audit jurisdiction of Directorate General Commercial Audit. Audit Reports for the years 2011-12, 2012-13, 2014-15, 2015-16 and 2016-17 (SAR) are yet to be discussed by PAC.

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

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of compliance
2003-04	01	01	-	01	-
2007-08	01	01	-	01	-
2009-10	04	04	-	04	-
2010-11	02	02	01	01	50.0
2013-14	08	07	-	07	-

8.4 AUDIT PARAS

Irregularity and Non-Compliance

8.4.1 Irregular award/implementation of development schemes without approval of PC-I of the schemes

Para 3.3 of Guidelines for Project Management issued by the Planning Commission of Pakistan provides that it is mandatory that the projects of infrastructure sector should undertake proper feasibility studies before the submission of PC-I. Para 10.1(v) of the Guidelines further states that no project under directive of any authority is started without proper preparation of PC-I/PC-II and approval of the competent forum, as per decision of ECNEC made in its meeting held on 24th April, 2000. Feasibility Report (PC-II) and Project Cost (PC-I) are mandatory prior to execution.

As per Planning and Development Division O.M No. 21(2-Gen)PIA/PC/2004 dated 18th December, 2004 autonomous organizations (commercial/non-commercial) having Board by whatever name called, should be competent to sanction their development schemes with 100% self-financing subject to the condition that a Development Working Party should be constituted by each organization and notified to consider and approve their self-financed projects. The Development Working Party should be headed by the Chairman/head of the organization, with one member each from Planning Commission and Finance Division.

Audit noted that Pakistan Housing Authority Foundation, Islamabad (PHAF) awarded 21 works for construction of apartments/gray structures at locations of I-16/3, I-12 and Kuri Road Islamabad during 2015-16. These schemes/projects were financed through 100% receipt from the allottees selected by balloting from the members and approved by the Board of Directors of PHAF.

Audit observed that neither the PC-I of these projects were prepared nor the Development Working Party (DWP) of PHAF was

constituted for said approval and sanction of the schemes. This resulted in irregular award of development schemes worth Rs 13,875.657 million.

Audit pointed out the irregularity in June 2017. The Foundation replied that DWP of PHAF had been constituted through notification on 22nd September, 2016 and the PC-I of the projects were submitted for approval.

In reply the Foundation admitted that DWP was constituted after implementation of the projects without preparation and approval of PC-I of the project. The approvals of PC-I of the projects were still awaited.

The matter was discussed in the DAC meeting held in January 2018, wherein, the management explained that PHAF has constituted Development Working Party and started preparation of PC-I of new projects for approval of competent forum. PC-I of the ongoing schemes which were not prepared and approved before start of schemes have also been prepared and approved by Board. However, the same could not be considered in the DWP due to non-availability of representative of Planning, Development and Reform Division (Chief (PP&H)). DAC pended the para for two weeks with the direction that matter be taken up with Planning Commission at appropriate level for resolution.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends to get the PC-I of the projects approved besides fixing responsibility against the person(s) responsible for implementation of schemes before approval of PC-I.

(DP. 01)

8.4.2 Non-determination of weightages of specified items violating standard procedures and parameters of the PEC standard formula

The standard procedure and formula for price adjustment of Pakistan Engineering Council (PEC) describes that user of this document was not to change any provision hereof unless otherwise stated. No method, other than given in this document was acceptable to compute the price adjustments.

Parameters for determination of weightage of specified items were as under: -

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.

In determining the weightage, the following procedure shall be adopted:

- a) Base Date Price alone of an element based on market rate shall be considered excluding cost of construction/installation, overheads and profit.
- b) Engineer's Estimate shall be prepared for complete project.
- c) Appropriate rate analysis of the engineer's estimate shall be made to determine costs of the basic elements.
- d) For such elements having various types of a particular element, individual cost of such family of the element to be determined and added to work out the element cost. For example, in a particular project various types of steel such as sheet steel, grade-40 & grade-60 steel are used. In such a case, respective base prices of all three types of steel are to be considered and added up to come out with the single

steel cost component. Similar case may be for different types of cement used, etc.

- e) Each cost element determined as above, shall be divided by the total amount of engineer's estimate to determine various weightage.
- f) It is clarified that while computing price adjustment, base and current prices of the representative elements have to be used in the same way as they are mentioned in the PEC bidding documents. For example grade-40 half inch dia steel was the representative cost element for all types of steel; similarly un-skilled labour was the representative cost element for all types of labour etc.

Similarly weightage of fixed portion (non-adjustable portion of the estimated cost of the contract). "A" shall be determined as under:

- i) First the weightage of all the cost elements having value of 5 percent or more (HSD and labour to be included irrespective of their weightage) to be added up to see whether the total was 65 percent or less. In that case the total was to be subtracted from one to determine the weightage of the fixed portion, "A"
- ii) In case total weightage of the cost elements including HSD and labour exceeds 65 percent, the element(s) having lowest weightage (s) other than HSD and labour shall be excluded in considering the adjustable costs elements.
- iii) Fixed portion shall never be less than 35 percent and the adjustable portion shall never be more than 65 percent of the engineer's estimate.
- iv) Sum of fixed portion, "A" and weightage a, b, c, d etc. of the adjustable portion shall always be one (01).

Audit noted that PHAF awarded eight (08) works for construction of apartments at I-16/3 Islamabad during 2015-16 to various contractors at contract cost of Rs 1,523.076 million.

Audit observed that PHAF engaged consultants M/s SAMPAK for feasibility study and preparation of design, bidding documents etc. of the housing project launched at Sector I-16/3. The consultant while preparing bidding documents of the project provided fixed portion of the estimated cost at the minimum of 35% and variable portion of specified items at the maximum of 65% for price adjustment without determination of the weightage of specified items as per procedures and parameters stated in the PEC formula.

Audit held that computation of the weightage of specified items for price adjustment based on PEC standard parameters and formula was mandatory hence any deviation from the parameters/formula was violation of PEC documents which might have resulted in an un-authentic payment, litigation and time overrun/ cost overrun due to application of incorrect weightage of the specified items in price adjustment during execution of the works.

Audit pointed out the matter in June 2017. The Foundation replied that the consultant had clarified that at time of preparation of tender documents the working was as under:

- Cost of cement 08%
- Cost of steel 22%
- Cost of bricks 05%
- Assessed labour cost 25%
- Assessed fuel cost 10%

However, keeping in view the PEC guidelines that fixed portion shall never be less than 35% and the adjustable portion shall never be more than 65% of the engineer estimate, the fixed portion was fixed as 35% by reducing some of the inputs.

The reply was not tenable because contract wise weightage of all cost elements on the basis of BOQ / estimates were to be worked out as per standard procedure and formula for price adjustment of Pakistan

Engineering Council (PEC) to arrive at the fixed and variable portion of escalation.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF informed the committee that detailed working for calculation of weightages of specified materials for price adjustment is under process. DAC directed PHAF to submit detailed working of calculation of weightages within a week for examination by Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP.14)

8.4.3 Excess payment due to execution of items of work beyond BOQ quantities - Rs 17.05 million

As per contract agreement/BOQ of the work "construction of infrastructure for D type apartments at sector G-10/2, Islamabad" an item of work filling, watering and ramming earth in layers with surplus earth, compaction with paver road roller was provided for 14,066.40 cft at the rate of Rs 10 per cft for road section and 67,999 cft at the rate of 6 per cft for area development.

Audit noted that management of Pakistan Housing Authority Foundation, Islamabad substituted the earth classification from common soil to medium rock instead of execution of items of earth work in accordance with contract/BOQ provision of the work.

Audit observed that during execution of work the quantity of substituted item of earth work filling was abnormally increased from 14,066 cft to 136,872 cft in road section and from 67,999 cft to 526,137 cft in area development section which was not justified as variation order, lab reports of excavated material with check requests and X-sections for

filling were not provided to Audit. This resulted into excess expenditure of Rs 17.05 million.

Audit pointed out the excess payment in June 2017. The Foundation replied that the quantities were increased as per site requirement because the site was extremely undulated and the filling was required to safeguard the structure. This increase was placed before the competent authority and variation to the same effect was approved by the authority.

The reply was not tenable because there was abnormal increase in the item of earth work and not substantiated with documentary evidence i.e. Natural Soil Levels (NSL), Levels, X-Sections / Drawings for filling and Lab. reports along with check requests of excavated material.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF explained that variation order has been approved. Audit contended that quantities were substantially varied which required revision of rates as per contract provision. DAC directed PHAF to get the variation order and record verified from Audit with reference to provisions of clause 52 for varied quantities and rates applicable.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive besides fixing responsibility against the person(s) at fault.

(DP.08)

8.4.4 Overpayment due to allowing payment for the excavated material / soil used in filling - Rs 31.588 million

As per NHA General Specification, Item No. 106.3.1 "the cost of excavation of material which is used anywhere in the project shall be deemed to be included in the pay item relating to the part of the work where the material is used".

As per clause 23.4.1 method of measurement of PHA technical specification provided for in tender / contract documents of infrastructure works, “material from road-way excavation as defined in clause 23.1 which is placed in the embankment and accepted by the engineer will be paid only in the embankment and such payment will include the cost of excavating and hauling and all other cost in connection with this material in constructing the embankment.

Audit noted that management of PHAF allowed and paid an item A-1, earth cutting against the material (common soil) used in the filling in the pay item A-2 “structural earth filling in specified area using available earth at site from cutting” in item A-1 was not admissible. This resulted into an overpayment of Rs 31.588 million (quantity used in item A-2 for 2,806,409.83 cft x at the rate of Rs 7 per cft).

Audit pointed out the overpayment in June 2017. The Foundation replied that Item A-1 and A-2 are separate pay items with no deductions for any utilization or stocking of earth.

The reply was not tenable because as per NHA specification and PHA Technical Specification the cost of excavation of material which were to be used anywhere in the project would be included in the pay item related to the part of work.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF explained that same issue has been pointed out in previous Audit Report (2014-15) and a committee was constituted comprising a representative from National Highway Authority and Engineering Advisor, Ministry of Housing and Works. DAC directed that inquiry may be finalized and report be submitted to Ministry and Audit within 10 days.

Compliance to the DAC’s directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC’s directive.

(DP.05)

8.4.5 Overpayment due to allowing higher rate of substituted / Non-BOQ item - Rs 7.604 million

As per NHA CSR-2014, the rate of item No 110 “improved sub grade” is Rs 859.69 per cum i.e. Rs 26.57 per cft (Rs 859.69 per cum ÷ 32.35).

8.4.5.1 Audit noted that Pakistan Housing Authority Foundation paid an amount of Rs 273.078 million for total value of work done of the work “infrastructure/development of housing scheme for federal government officers at Kurri Road, Islamabad”.

Audit observed that a pay item of work, “sub grade preparation in earth cut provided in BOQ/agreement at the rate of Rs 4.94 per cft was substituted with a non-BOQ item “improved sub grade” at the rate of Rs 43.50 per cft, which was on higher side as compared to NHA CSR-2014. As per NHA CSR-2014 item No. 110 improved subgrade the rate comes to at the rate of Rs 26.57 per cft, (Rs 859.69 per cum ÷ 32.35) which was required to be incorporated for substituted item. This resulted into an over payment of Rs 5.567 million.

Audit pointed out overpayment in June 2017. The Foundation replied that the contractor initially submitted a rate of Rs 118.62 per cft for improved subgrade with 40% aggregate and 60% local material. Subsequently, on the recommendation of the consultants, rate of Rs 43.50 per cft for improved subgrade was approved by PHAF and paid accordingly.

The reply was not tenable as PHAF had adopted NHA specification for the project and accordingly the rate of additional items should be allowed from NHA-CSR 2014, if not available then the rates analyzed from market.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF explained that non-BoQ item of improved sub-

grade was recommended by the Engineer keeping in view the site condition and rate of the substituted item was determined under clause 52 of the contract agreement.

Audit contended that NHA specifications were adopted therefore rates provided in NHA Composite Schedule of Rates (CSR) should have also been applied as a matching principle. The rate paid for the substituted item was not justified being on higher side as compared to rate provided in CSR-2014. DAC directed to constitute a committee, comprising one representative of Ministry of Housing and Works and one engineer from PHAF, to conduct inquiry and submit report within 15 days.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP.06)

8.4.5.2 According to General Conditions of Contract Clause 52.1 "varied work" shall be valued at the rates and prices provided in the contract if in the opinion of engineer, the same shall be applicable.

Audit noted that Pakistan Housing Authority Foundation awarded a contract "construction of infrastructure for D-type apartments at sector G-10/2, Islamabad on 8th May, 2012 at an agreed cost of Rs 197.676 million. As per BOQ (roads, parking, walkway) item No. 1, earth work excavation in open cutting in all types of soil for roads work was provided for at the rate of Rs 5 per cft and item No. 2, filling of earth at the rate of Rs 10 per cft.

Audit observed that during execution, classification of earth work was substituted i.e. 20% soil and 80% excavation of medium rock and soft rock and allowed rate based on NHA CSR-2014, item No. 108b-ii at the rate of Rs 1,034.44 per cum i.e. at the rate of Rs 29.29 per cft, which was not admissible, because contract was awarded in 2012 and accordingly NHA CSR-2011 was applicable for varied work at the rate of Rs 835.49

per cum i.e. at the rate of Rs 25.83 per cft. Allowing of higher rate for substituted item resulted into overpayment of Rs 2.037 million.

Audit pointed out the overpayment in June 2017. The Foundation replied that during execution of work, rock was encountered and accordingly classification of earth work was substituted 20% soil and 80% medium and soft rock. As the rates of rock were not available in BOQ, therefore rates of NHA CSR 2014 were applied by the consultant at the time of classification of soil as varied work.

The reply was not accepted as PHAF admitted that rates of CSR-2014 were applied which were not admissible under the contractual clause which clearly states that varied work shall be valued at the rate and prices set out in the contract. As the work was awarded in 2012, accordingly the rates of NHA CSR-2011 were applicable for varied work.

The matter was discussed in the DAC meeting held in January 2018, wherein, Audit contended that item of excavation covered all kind of soil so payment for substituted item of rock excavation was unjustified. PHAF explained that rock formation and soil are different in kind. Accordingly, substituted item was executed as per site requirement. DAC directed PHAF to submit detailed reply with justification for substitution of item and rate paid for verification by Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for effecting recovery of overpayment due to applying higher rates besides fixing responsibility against the person(s) at fault.

(DP.09)

8.4.6 Overpayment due to allowing transportation deemed included in another pay item of work - Rs 12.029 million

As per clause No. 23.4.1 method of measurement of PHA technical specification provided for in tender / contract documents of infrastructure works, “material from road way excavation as defined in clause 23.1 which is placed in the embankment and accepted by the engineer will be paid only in the embankment and such payment will include the cost of excavating and hauling and all other costs in connection with this material in constructing the embankment.

Audit noted that Pakistan Housing Authority Foundation, Islamabad paid an item of work item No. A-3, area development, “earth filling in parks and low lying areas and plots including transportation upto any lead and lift including ramming and leveling as per specification” for 4,472,046 cft at the rate of Rs 4.98 per cft.

Audit observed that the cost of transportation / hauling upto any lead and lift was already included in item A-1, “earth cutting in specified area”. Hence payment made against item A-3 at the rate of Rs 4.98 per cft including transportation / hauling was not admissible as the same was already included under item A-1 “excavation / cutting” and only cost of ramming and leveling was admissible at the rate of Rs 2.29 per cft. The cost of ramming / leveling and compaction comes to at the rate of Rs 2.29 per cft whereas compaction factor was also not included in item A-3. Hence overpayment to contractor was established due to inclusion of transportation factor at the rate of Rs 2.69 per cft. This resulted into an overpayment of Rs 12.029 million.

Audit pointed out overpayment in June 2017. The Foundation replied that there were two separate pay items i.e. A-1 and A-3 and the surplus material shall be stocked at site as directed by the engineer.

The reply of the Foundation was not tenable because as per PHA Foundation technical specification as well as NHA specification / NHA CSR rate analysis of SAMPAK the cost of transportation/ leveling was

already included in the item of excavation / cutting and also in filling items.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF explained that two separate items in accordance with NHA specifications and directions of the Engineer were executed and paid. DAC directed PHAF to conduct inquiry and provide inquiry report to Audit for verification.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends early compliance to the DAC's directive regarding inquiry.

(DP.12)

8.4.7 Excess payment due to non-deduction of compaction factor from filling in area development - Rs 2.104 million

As per clause 108.3.2 of NHA General Specification "formation of embankment with rock material of rock fragment of size that the material cannot be placed in layers of the thickness without crushing, pulverizing or further breaking down the pieces placed in layers not exceeding 80 cm of loose and compacted each layer by passes of the roller five (5) times on each layer.

Audit noted that an item of work "filling with surplus earth including compaction, ploughing, ramming etc" for area development of G-10/2 was provided in the agreement/BOQ at the rate of Rs 6 per cft.

Audit observed that management of Pakistan Housing Authority Foundation, Islamabad substituted the item of filling with "formation of embankment from roadway excavation in medium rock material" taken from NHA, CSR-2014, item No 108bii at the rate of Rs 29.29 per cft which was not admissible for use in the area development because it was the item of road formation on which road pavement was to be constructed

for heavy traffic. Further, the items also included the cost of compaction of each layer, whereas such type of compaction was not required for area development. Hence, cost of compaction approximately at the rate of Rs 4 per cft was not admissible which resulted into excess payment of Rs 2.104 million.

Audit pointed out excess payment in June 2017. The Foundation replied that area which was being developed in project of G-10/2, Islamabad shall be utilized for foot paths, car parking and also for the movement of water tankers and other utility vehicles. Hence, proper compaction of the earth was required in order to avoid settlement.

The reply was not tenable because audit pointed out a quantity of 526,137 cft area of development work only whereas quantities of road, parking, foot path and drainage was not included in the objected quantities.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF explained that earth was properly compacted to avoid settlement keeping in view its use in footpaths, car parking and paths for movement of heavy vehicles and compacted quantity was paid accordingly. DAC directed PHAF to provide compaction test report for verification by Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP.11)

8.4.8 Irregular construction of residential buildings without prior approval of building plans from CDA

Rule-6 of Islamabad Residential Sectors Zoning (Building Control) Regulations, 1993 provides that no building or structure shall be constructed or any additional/alteration made thereon except with the prior

approval of the Authority, and in accordance with the building and zoning regulations, or instructions issued by the Authority in this behalf from time to time. 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 and with the option of fine as prescribed.

Audit noted that Pakistan Housing Authority Foundation, Islamabad awarded twenty three (23) works for construction of residential buildings i.e. Apartments / Gray structures, at various locations in Sectors I-16/3, I-12 and Kuri Road Islamabad to various contractors at contract cost of Rs 15,630.522 million during the year 2015-16.

Audit observed that the PHAF started construction of the residential buildings for Apartments / Gray structures without prior approval of building plans from Capital Development Authority (CDA) Islamabad as required under Islamabad Residential Sectors Zoning (Building Control) Regulations, 1993 by violating the Building Control Regulations. This resulted in irregular start of construction of residential buildings for Rs 15,630.522 million.

Audit pointed out the irregularity in June 2017. The Foundation replied that building plans had been submitted to BCS CDA on 2nd March, 2017 but approval was still awaited. PHA Foundation had admitted that construction of the project started in 2016 without prior approval of building plan from BCS, CDA.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF explained that matter is being pursued with CDA and has also been taken up with Federal Ombudsman. DAC pended the para till final decision/action.

Audit stresses for taking necessary measures besides early approval of building plan to avoid any complication in later stages.

(DP. 24)

8.4.9 Non-appointment of Project Directors in violation of Guidelines for Project Management for proper execution of housing projects

Para 2.2 of Guidelines for Project Management Planning Commission, Government of Pakistan provides that Project Director, who is the focal person for project implementation, is responsible for project execution according to its objectives, work scope and implementation schedule. Suitable and qualified Project Director should be appointed in case of each project that should not be transferred during currency of the project. Project Director should be delegated full administrative and financial powers to improve project management, supervision and help fix technical and financial responsibility. No member of staff working under administrative control of the Project Director should be posted/transferred without his/her prior consent/concurrence. As a team leader, he/she is under obligation to account for all actions, steps and decisions taken during project execution. It is advisable to set up headquarters of the Project Director as close to the site of work as possible preferably at site, to ensure his availability for spot decisions on unforeseen issues and other ancillary matters.

Audit noted that Pakistan Housing Authority Foundation, Islamabad awarded three projects of construction of apartments, flats / houses in Sectors G-10, I-12, 1-16 and Kuri road Islamabad (containing 29 packages) to various contractors at contract cost of Rs 17,702.688 million. The said projects were awarded in 2008, 2012 and 2015 but the same were not completed so far.

Audit observed that Project Directors were not appointed by the PHAF for efficient execution and supervision of the projects. The Projects of apartments at G-10 Islamabad started in 2008 which was to be completed in 2011 but the same was still in progress and facing cost over-run of Rs 245.527 million upto variation order No-01 and time over-run for six years (2012 to 2017). Similarly, another project of Infrastructure development for housing scheme at Kuri Road Islamabad was started in 2012 and was to be completed in 18 months in 2013 but not completed so

far and facing cost over-run of Rs 68.921 million and time over-run of four years (2014 to 2017) due to non-appointment of Project Directors. The role of Project Director was very crucial in the realm of project management.

Audit pointed out the matter in June 2017. The Foundation replied that compliance in this regard would be intimated to audit within due course of time.

The reply was not tenable as audit objection holds good in the light of Project Management Guidelines of Planning Commission. The Foundation also failed to complete the housing projects in G-10 and Kurri Road in stipulated completion period due to non-appointment of competent full time Project Directors for supervision of the Projects.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF explained that matter regarding independent Project Director for each project is under consideration in the light of PHAF rules. However, as per instructions of PEC, “The Engineer” has been appointed on each project who is responsible for execution of work and contract administration. Audit contended that non-completion of projects clearly indicates that projects have not been managed effectively. Planning Commission’s guidelines regarding appointment of independent Project Director are to be followed strictly and PHAF rules should be harmonized with these instructions. DAC directed PHAF to nominate Project Director from available human resources of PHAF or to take appropriate action in the light of Planning Commission’s guidelines.

Compliance to the DAC’s directive was not made till the finalization of this Report.

Audit recommends appointment of Project Directors for proper execution and supervision of the projects.

(DP.23)

Performance

8.4.10 Non-realization of receipt from allottees as per schedule of payment -Rs 3,429.436 million

According to the revenue receipts target, set out by the PHAF, estimated receipt/Revenue against Project was fixed for Rs 6,761.152 million to be realized from the allottees of the houses/apartments/flats during the financial year 2015-16.

Audit observed that Pakistan Housing Authority Foundation, Islamabad could only realize actual receipt/revenue amounting to Rs 3,331.717 million from the allottees of the houses/apartments/flats against the target/estimated receipt of Rs 6,761.153 million for the financial year 2015-16. Thus there was a short fall of 50.72% of revenue for Rs 3,429.436 million for the financial year 2015-16 as compared to the revenue target fixed for the period. This resulted into less realization of receipt of Rs 3,429.436 million from the allottees and non-achievement of revenue target for the financial year 2015-16.

Audit held that the declining tendency of receipt reflects mismanagement on the part of PHAF which may result in further delay in completion of development projects in stipulated period due to shortage of funds as the allottees were not depositing their installments due to slow progress of the development project of G-10 and Kuri Road. The project of apartments in G-10 started in 2008 and construction of houses (gray structures) started in 2012 not yet completed which may be finalized on priority and handed over possession of the apartment/house to restore the confidence of the allottees.

Audit pointed out the less realization of receipt in June 2017. The Foundation replied that the project of G-10/2 D type apartments was offered / booked in 2008. Most of the allottees paid dues as per schedule but construction work remained stopped at site for years and the recovery was not upto expectations. Further due to slow progress in Residencia project the allottees were reluctant to make payments.

The PHAF in its reply, admitted less recovery/receipts from allottees due to mismanagement.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF explained that due to slow progress of Residencia project, allottees were reluctant to pay dues. However, now progress on work has been improved and allottees are adhering to the payment schedule. Recovery notices have also been issued to the allottees. A quarterly budget review mechanism has also been introduced for monitoring and reviewing targets. DAC directed PHAF to get the latest progress towards recovery verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for appropriate measure to increase the progress of the project to regain the confidence of the allottees and improvement of cash flow necessary for early completion of housing projects.

(DP.25)

8.4.11 Loss sustained by allottees due to non-completion/handing over of apartments - Rs 529.920 million

As per provisional allotments the D-type apartments were allotted at the cost of Rs 1.800 million each with mode of payment as 15% down payment was to be deposited uptill 15th December, 2008 and remaining 85% in 12 equal installments up to December, 2011. Later on after due time the cost of apartment was revised to Rs 2.684 million in 2013.

Audit noted that Pakistan Housing Authority Foundation, Islamabad awarded the construction work of Apartments of G-10/2 to M/s Techno at an agreed cost of Rs 635.631 million on 8th August, 2008. The work could not be completed in scheduled time frame of 24 months, and the contract cost was revised from Rs 635.631 million to Rs 881.158

million with revised completion date on 30th June, 2014 but the contractor again failed to complete the work in extended period. The contractor could only achieve 95% progress uptill November, 2016.

Audit observed that as per original plan/schedule of installments and original construction completion period i.e. August 2010 the apartments were to be handed over to the allottees up to December 2011 and after revision of contract/additional work, these were to be handed over in 2014. The allottees have deposited their due installments in due time but neither contractor completed the work up till June 2017 nor PHAF took any penal action against the contractor. At the time of extension of the project, the physical progress was 82% in August 2013 and the current progress was only 95% in November 2016. It means the contractor executed only 13% work in last four years. This established that both the contractors and the management of PHAF were responsible of delay, resultantly the allottees had suffered a loss of Rs 529.920 million.

Audit pointed out the loss in June 2017. The Foundation replied that the delay was due to change in foundation design, cash flow problem and stay orders. Further, the contractor failed to complete the work and his contract was terminated.

The reply was not tenable as the contractor failed to complete the work in nine (09) years. As per revision of contract and award of additional work, the project was to be completed upto June 2014. The allottees of flats have already paid their dues up to June 2014 whereas PHA failed to handover the apartment to allottees, due to which allottees are sustaining monthly loss.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF explained that the work was at the final stage of completion and the Foundation is making all efforts and utilizing all resources including execution of work at risk and cost of the contractor to complete the work as early as possible. DAC directed PHAF to submit plan/work schedule and latest progress to Audit for verification.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive besides investigation in the matter and fixation of responsibility.

(DP.22)

Internal Control Weaknesses

8.4.12 Loss due to delay in implementation/award of work - Rs 3,886.120 million

A Project for construction of apartments at I-12, Islamabad initiated during November 2010. Pre-qualification of design consultancy and short listed consultants were presented in 26th PHA meeting on 2nd January 2011 accordingly. The design consultancy of I-12 was awarded to M/s Progressive consultant on 25th February, 2011 whereas agreement of the same was not signed due to land problem and PPRA Rules. Accordingly the four consultants analyzed design per sft cost of the apartments as M/s Progressive at the rate of Rs 1663 per sft, M/s PEPAC at the rate of Rs 1,608 per sft, M/s Usmani at the rate of Rs 1,765 per sft. The design of M/s Progressive at the rate of Rs 1,663 per sft was accepted.

Audit noted that Pakistan Housing Authority Foundation, Islamabad re-invited tenders for pre-qualification of design of apartments at I-12 on 23rd May, 2013. Seven (07) firms out of thirty six (36) applied for pre-qualification were short listed. The four (04) pre-qualified firms submitted their bids one of them was dropped during evaluation of technical bids. Financial bids of three firms were opened on 28th April, 2014 but work was not awarded. The bids from the seven pre-qualified firms were called again on 12th October, 2015 and opened financial bids on 15th October, 2015 and awarded design consultancy contract to M/s Meinhardt on 2nd November, 2015.

Audit observed that after the approval of design of the apartments, the PHAF awarded 09 Nos. packages of 3,200 apartments of D and E type apartments of 780 sft & 712 sft having total covered area of 2,658,400 sft

Audit further observed that the nine (09) packages of construction of apartments of D & E type were awarded to nine (09) different contractors at an agreed cost of Rs 8,263.674 million during April to July 2016. The cost of the apartments comes to Rs 3,108.51 per sft. The construction cost of the apartments were increased from Rs 1,663 per sft to Rs 3,108.51 per sft due to delay in implementation and award of contracts since 2010 to 2016. This resulted into loss of Rs 3,886.51 million which will ultimately be sustained by the allottees.

Audit pointed out the loss in June 2017. The Foundation replied that the project of I-12/1 was started during 2010 for federal government officers BPS-17 to 19 but in 2014 it was decided to reserve the land for low paid income group and thus scope of work was changed.

The reply was not tenable as the design of M/s Progressive at the rate of Rs 1,663 per sft construction cost was accepted and awarded on 25th February, 2011. Later on, consultant firms were again prequalified through retendering and process of tendering the award of works was finalized during April 2016 to July 2016, which established delay in implementation of project up to five (05) years and caused huge loss to be sustained by the general public/allottees in shape of excessive construction cost.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF explained that since design work could not be awarded to the consultant being in violation of PPRA and delay in launching of scheme does not rest on the part of the Foundation but due to change of policy (BPS 17 to 19 and BPS 1 to 16 and late possession of land. DAC directed PHAF to get the whole process and record in support of stance verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive besides investigation and fixing responsibility.

(DP.21)

8.4.13 Loss due to delay in implementation/award of works - Rs 409.492 million

As per acceptance letter issued vide No. PHAF/POR/Cat-II/Package/2016/1065 dated 28th January, 2016 a work "construction of Cat-II houses, Kurri Road" was awarded to M/s Techno International on 28th January, 2016 at his quoted rate on 16th March, 2012 i.e. at the rate of Rs 4,517,500 each house for 178 number houses of cat-II having covered area of 3,475 sft the cost comes to Rs 1,300 per sft.

Audit noted that management of Pakistan Housing Authority Foundation, Islamabad called tenders for construction of Cat-I, II & III houses during March, 2012 but contracts were not awarded. After a gap of four (04) years, tenders were re-called but M/s Techno, the 1st lowest for Cat-II house in 2012, went into court and agreed to execute the work at his quoted rates of 2012. Accordingly, the work was awarded to M/s Techno at his rates of 2012 of Rs 1,300 per sft and remaining packages were awarded at their quoted rates in 2016 of Rs 1,627 per sft to Rs 1,783 per sft. This resulted into a loss of Rs 409.492 million to be sustained by the members / allottees of the houses due to delay in implementation of awards of works up to four (04) years.

Audit pointed out the loss in June 2017. The Foundation replied that a series of correspondence was exchanged between bidders and PHAF from December 2014 to February 2015. After more than two years on 5th December, 2014 the bidders namely M/s Abdul Majeed, M/s Techno Int; (Pvt) Ltd and M/s NCL were again approached by PHAF and they were asked to intimate whether the rates quoted/offered by them are still valid, so that the case can take its legal course of action. In due course of time as

recommended by the consultant the inbuilt flaws in the documents & lower rates led to suspension of work and eventual termination.

The reply was not accepted as the mismanagement on the part of PHAF was proved that the tenders were called in 2012 without fulfillment of formalities of rules, approval of design, feasibility study, detail estimate, PC-I and preparation of proper bidding documents.

The matter was discussed in the DAC meeting held in January 2018, wherein, PHAF explained that work had been retendered now. Guarantee of Rs 120.0 million of the defaulting contractor had been encashed and report of the consultant regarding final dues was under process. DAC directed PHAF to get the recovered amount verified from Audit. DAC further directed that detail of court case and report of consultant along with action taken may be shared with Audit.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

(DP.20)

8.4.14 Acceptance of tenders having same scope, specifications, estimated cost, location of work and date of tender, at different rates - Rs 256.440 million

According to Rule 10(i) and (ii) 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. The expenditure should not be prima facie more than the occasion demands.

According to PPRA 2004 rule 4 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. Further, rule 29 provides that procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is 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.

As per engineer's estimate the estimated cost of each package was determined as Rs 682.556 million.

8.4.14.1 Audit noted that management of Pakistan Housing Authority Foundation, Islamabad awarded package-04 and package 05 of the work "construction of 168 No of B type apartments in 06 blocks of multi-storey apartments building at site No.1, Sector I-16/3 Islamabad to M/s Abdul Majeed & Co. at contract cost of Rs 666.2 million each of the package in May, 2016. The tenders of all packages were opened on the same day on 22nd March, 2016.

Audit observed that tenders of same nature of two other works, "construction of 168 No of B type apartments in 06 blocks of multi-storey apartments building under package-06 at Site No.2" and "construction of 168 No of B type apartments in 06 blocks of multi-storey apartments building under package 07 at site No.3, Sector I-16/3 Islamabad" were also opened on the same date on 22nd March, 2016 and awarded to M/s Hasas Const. (Pvt) Ltd. and M/s National Const. (Pvt.) Ltd. at contract cost of Rs 733.6 million and Rs 712.2 million respectively which was on higher side as compared to the same nature of work at the same location awarded on the same day to M/s Abdul Majeed & Co. This resulted into a loss of Rs 113.4 million.

Audit pointed out the loss in June 2017. The Foundation replied that tenders were invited from pre-qualified firms and works were awarded to the 1st lowest bidder.

The reply was not tenable as the same specification and nature of works were awarded on the same day on the same location at different rate to different contractors.

(DP. 02)

8.4.14.2 Audit noted that management of Pakistan Housing Authority Foundation, Islamabad awarded 09 Nos. packages of the work, construction of multi-storey buildings/apartments at I-12 Islamabad to different contractors during February 2016 to September 2016.

Audit observed that package-I (construction of block No. (A, D & E) consists of 480 apartments awarded to M/s MAAKSON at an agreed cost of Rs 1,225.908 million. Tender of the work was opened on 24th March, 2016 and accepted on 15th April, 2016 whereas same scope of work i.e. Package-V (Block V, X & Y) consists of 480 apartments awarded to M/s Gondal Construction Co. at an agreed cost of Rs 1,196.779 million. The tender of the work was opened on 15th May, 2016 and accepted on 20th February, 2017. Thus same nature and scope of work was awarded at higher rates to M/s MAAKSON than the rates of M/s Gondal Construction which resulted into a loss of Rs 29.129 million (Rs 1,225.908 - Rs 1,196.779).

Similarly Package-II (Block H & J) consists of 320 apartments awarded to M/s MAAKSON at an agreed cost of Rs 899.177 million. Tender of the work was opened on 24th March, 2016 and accepted on 7th September, 2016 whereas same scope of work Package-IV (Block Q & T) consists of 320 apartments was awarded to M/s Gondal Construction at an agreed cost of Rs 829.356 million. Tender of the work was opened on 24th May, 2016 and accepted on 12th July, 2016. Thus the work of same nature was awarded to M/s MAAKSON at higher rates as compared to the rates of M/s Gondal Construction which resulted into a loss of Rs 69.821 million (Rs 899.177 – Rs 829.356). This resulted into loss of Rs 98.950 million (Rs 29.129 + Rs 69.821) .

Audit pointed out the loss in June 2017. The Foundation replied that proper tendering was conducted in accordance with PPRA Rules 2004, for

obtaining most comparative and economical rates, through eligible contractors and package wise lowest bid was accepted.

The reply of the Foundation was not to the point as the employees/ public have sustained a loss of Rs 98.950 million due to the award of exactly same nature of work on the same day at the same location to different contractors at different rates.

(DP.16)

8.4.14.3 Audit noted that management of Pakistan Housing Authority Foundation, Islamabad awarded a work “construction of 51 Nos. of category-III houses (Gray Structure) under package 10 at PHAF officers Residencia at Kuri Road, Islamabad” to M/s Ali Associates on 15th January, 2016 at contract cost of Rs 167,303,721 at the rate of Rs 3,280,465 cost of each house.

Audit observed that tenders of four packages of work “construction of Cat-III houses (Gray Structure) of same specification having covered area of 2,015.76 sft, called on the same date and works of all four packages were awarded at different cost of each house of same specification, covered area, instead of awarding at the same rate to each contractor or awarded to a single contractor instead of splitting. Hence same specification houses of Cat-III were awarded at different cost at same location, in the same date by splitting the work in packages resulted into loss of Rs 44.090 million.

Audit pointed out the loss in June 2017. The Foundation did not furnish reply.

(DP.18)

The matter was discussed in the DAC meeting held in January 2018, wherein, Audit contended that reasonability of rates was not adjudged while evaluating bids and higher rates were accepted. PHAF explained that competitive bidding process was followed as per PPRA rules. Bids could not be negotiated with bidders and lowest evaluated bids

were accepted. DAC decided that an advice in this regard may be obtained from PPRA.

Compliance to the DAC's directive was not made till the finalization of this Report.

Audit recommends for early compliance to the DAC's directive.

CHAPTER 9

HIGHER EDUCATION COMMISSION (INFRASTRUCTURE DEVELOPMENT EXPENDITURE OF FEDERALLY CHARTERED UNIVERSITIES) (MINISTRY OF FEDERAL EDUCATION AND PROFESSIONAL TRAININGS)

9.1 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.

9.2 Comments on Budget and Accounts (Variance Analysis)

Budget allocation, releases and actual expenditure relating to federally/provincially chartered universities/institutions for the financial year 2016-17 is as under:

(Rs in million)

Type of Funds	Nature of project	Budget Allocation	Funds Released	Actual Expenditure	(Excess)/ Saving	(Excess)/ Saving in %age
Federal PSDP	Infrastructure Development	15,287.449	5,569.980	8,704.628	(3,134.648)	(56.27%)

Audit evaluated overall performance of HEC with reference to utilization of development budget. Audit findings were issued to the HEC management for response. However, no response was received till finalization of this report despite request made by Audit.

Audit observed as follows:

Budget worth Rs 15,287.449 million was allocated for infrastructure development projects under Federal PSDP, but funds were not released in full. Funds of Rs 5,569.980 million were released under 1st and 2nd quarters causing less releases of Rs 9,717.469 million (which was 63.57% of total allocation). Moreover, expenditure worth Rs 8,704.628 million was incurred against the released amount of Rs 5,569.980 million leading to overall increase in expenditure of Rs 3,134.648 million in excess over budget release. This reflected that funds amounting to Rs 3,134.648 million were utilized from previous year's savings/retained amounts, whereas, HEC was maintaining Assignment Account in National Bank of Pakistan and according to terms and conditions of assignment account, expected savings/unspent balances must be lapsed to the government well before closing of the pertinent financial year. However,

university/project wise position of budget allocation/releases and incurrence of expenditure is narrated as under:

- i. Under 32 projects/universities, funds worth Rs 3,907.693 million were got re-appropriated in favour of 17 other projects/universities by the Secretary, PD & R on 17th March, 2017. It indicated that either cash plans/works plans were prepared /got approved from the concerned ministries/divisions without legitimate need of the projects or execution pace was not up to mark due to lack of the supervision/monitoring/evaluation controls.
- ii. In 44 cases, the expenditure of Rs 4,656.015 million was incurred in excess over the budget release. The situation transpired that the universities remained unable to lapse the surplus/unsent funds to the government at the end of financial year as is evident from the record. An amount of Rs 249,736,556 was retained against 03 projects as on 30th June, 2016 and Rs 170,281,561 against 07 schemes as on 30th June, 2017 whereas, according to the instructions of Ministry of Finance/AGPR, unspent funds of Assignment Accounts are required to be lapsed to the government at the end of the financial year. Moreover, the universities were operating current accounts of the projects in the National Bank of Pakistan instead of assignment accounts without approval of the Ministry of Finance.
- iii. In 09 projects, the overall budget allocation was enhanced from Rs 800.00 million to Rs 1,679.389 million through re-appropriation process and an amount of Rs 420 million was released during 1st and 2nd quarters. However, the management did not spend any fund against certain projects during the year 2016-17. This showed that internal controls were not exercised efficiently to monitor the expenditure. Due to which, not only the government was prevented to utilize the same on other needy projects but the public was also deprived from achieving the benefits from these projects due to delaying the completion of projects abnormally.

- iv. Under 25 universities/projects, an expenditure worth Rs 1,133.128 million was incurred against the released amount of Rs 2,271.864 million resulting less utilization of funds amounting to Rs 1,138.736 million which is 50.12% in overall. This visualized that the progress of execution of works was not in line with the targets set in the PC-I and work plans / cash plans approved by the respective Ministry /Ministry of Finance and Planning & Development Division. Savings in available funds also indicated that the project management could not utilize available resources which led to non-achievement of planned objective due to ineffective financial/monitoring controls.
- v. Nine (9) projects valuing Rs 7,000 million, against which Rs 1,000 million budget was allocated originally which was revised through re-appropriation as Rs 105 million, were lying pending for approval of the competent forum. Necessary efforts made by the project management as well as HEC Monitoring Wing were not forthcoming from the produced record.
- vi. Budget of Rs 120 million was allocated against 02 universities, however, the project management and HEC Monitoring Wing could not get approved charter of the same universities by the Parliament.
- vii. The project “Establishment of COMSATS Institute of Information Technology at Jaffarabad, Balochistan” valuing Rs 752.552 million, for which funds worth Rs 10 million were allocated during the year 2016-17, was abandoned due to non-availability of land. However, efforts made by the project management and HEC Monitoring Wing were not forthcoming from produced record.
- viii. As per Reconciliation Statement with AGPR, total release was shown as Rs 14,742.483 million during 2016-17 whereas, in accordance with the Cash Book balances/HEC record, the receipt was shown as Rs 14,943.439 million (Rs 14,443.442 as per Assignment Account No. 2167-7 and Rs 499.997 as per Revolving Fund Account No. 7932-4) causing less booking of the foreign aid amounting to Rs 200.956 million in the AGPR books.

- ix. For foreign assistance, a separate Revolving Fund Account No. 7932-4 in the National Bank Main Branch Islamabad (other than Assignment Account) was opened and at the end of financial year closing balance of Rs 23.455 million (shown unspent as per cash book on 30th June, 2017) was shown. Whereas, according to the instructions of Ministry of Finance/AGPR foreign assistance was to be dealt with through assignment account and surplus/unspent balances should be lapsed to the government at the end of financial year.

Keeping in view the above facts, it was observed that the activities regarding project management supervision as well as project monitoring and evaluation were not being performed by the concerned quarters effectively. Thus, matter needs investigation besides improving the project supervision/monitoring/evaluation mechanism in order to get projects executed as per given targets of PC-I/cash plans and work plans, get approved the project from competent forum through vigorous pursuance and lapsing of the project wise unspent balances to the government timely for utilization on the other government works.

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

Audit of the development infrastructure projects of HEC was conducted for the first time by the Directorate General of Audit Works (Federal) during 2011-12. Results of audit during 2011-12 and 2012-13 were reported through Audit Report for the year 2012-13. This office had produced five Audit Reports so far for the years 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17. Audit Report for the year 2013-14 was 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	12	12	0	12	0

9.4 AUDIT PARAS

Irregularity and Non-Compliance

9.4.1 Construction of building without prior approval of Building Plan from CDA resulting in imposition of fine/penalty - Rs 6.903 million

Regulation 2.2.2 of Islamabad Residential Sectors Zoning (Building Control) Regulations, 2005 provides that no building or structure shall be constructed or any additional/alteration made thereon except (a) with the prior approval of the Authority, and (b) Minor internal repairs; in accordance with the Building and Zoning Regulations, or instructions issued by the Authority in this regard from time to time.

As per Regulation 2.2.3, 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 and or fine as prescribed in the schedules/annexure.

Audit noted that management of Shaheed Zulfiqar Ali Bhutto, Medical University, PIMS, Islamabad awarded a work, "Construction / Establishment of School of Dentistry at Shaheed Zulfiqar Ali Bhutto, Medical University, PIMS, Sector G-8/3, Islamabad" to M/s Capital Builders at contract cost of Rs 518.966 million with completion period of 24 months from the date of start (29th August, 2016).

Audit observed that the Project Director, Shaheed Zulfiqar Ali Bhutto Medical University started construction of the Basement + Ground + five-story building for establishment of school of Dentistry at PIMS Islamabad without prior approval of building plan from Capital Development Authority (CDA) Islamabad as required under Islamabad Residential Sectors Zoning (Building Control) Regulations, 2005 which was violation of the Building Control Regulations. This resulted in irregular construction of building for Rs 518.966 million. Further,

irregular construction started without prior approval of building plan from the Authority (CDA) will result payment of fine of Rs 6.903 million (covered area 138,064 sft @ Rs 50 per sft) as prescribed in the schedule/annexure-B to Building Control Regulations, 1993.

Audit pointed out the irregularity in September 2017. The management replied that during designing phase of building, it was communicated by Director, Works SZABMU that CDA approval was not required for the construction inside PIMS premises. Reply was not tenable because it was pre-requisite to obtain approval from CDA.

The matter was discussed in DAC meeting held in December 2017 wherein the Committee directed the university management that case may be pursued actively with CDA regarding approval of building plan.

Compliance to the DAC's directive was not made till finalization of this report.

Audit recommends early compliance to DAC's directive.

(DP. 21)

9.4.2 Irregular procurement of equipment through quotations instead of calling tenders - Rs 9.357 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, as per Rule 12(2), 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 during examination of the accounts record of Project Director, Expansion Programme of Quaid-i-Azam University, Islamabad that Purchase & Store Officer QAU procured equipment, chemical & glassware and lab-equipment for biological & environmental sciences and

bio-chemistry departments through piece meal quotations for Rs 9.357 million during financial year 2016-17.

Audit observed that project authorities procured lab equipment, chemical & glassware through piecemeal quotations to avoid open tendering for achieving competitive rates in violation of Public Procurement Rules. This resulted into irregular procurement of Rs 9.357 million.

Audit was of the view that irregular procurement occurred due to non-adherence to Public Procurement Rules which reflect weak internal and financial controls.

Audit pointed out the irregularity in December 2017. The management replied that most of the equipment approved in the PC-1 were purchased by opening LC's, however, the procurement of chemical and glassware was made on three (3) quotations basis for different departments as & when basis from authorized dealers/ sole distributors.

The reply was not satisfactory because under the rules, the Authority had to assess annual requirements for which open tendering process was to be adopted for competition. Procurement of chemical and other items was made through small work orders to avoid the approval of the higher authority.

The matter could not be discussed in DAC meeting.

Audit recommends regularization of the procurement from competent forum.

(DP. 36)

Internal Control Weaknesses

9.4.3 Excess expenditure over and above the approved components in PC-I - Rs 69.378 million

As per approved PC-I, cost estimates for flood protection and land reclamation works for Rs 70,301,480 based on following components:

- RCC Retaining Wall: Rs 22,206,400
- Earth Works: Rs 04,485,000
- Land Reclamation / Filling: Rs 43,610,000
- The PC-I was approved by ECNEC in November 2007 for Rs 2,862.656 million including FEC of Rs 651.843 million.
- Implementation date of the project was proposed as January, 2008 to be completed in December 2014.

Audit noted that the Project Director, COMSATS Institute of Information Technology, Park Road, Chak Shahzad, Islamabad, awarded a work “Construction of nullah flood protection works at CIIT Campus Chak Shahzad, Islamabad” to M/s Consultronix International (Pvt.) Ltd. on 8th April, 2016 at an agreement cost of Rs 139.688 million. The date of commencement of the work was 27th May, 2016 to be completed in 15 months i.e. 26th August, 2017.

Audit observed that Consultant designed flood protection wall on pile foundation of 30" dia @ 1'- 6" interval among the piles with dressed rubble masonry 1:6 mortar to fill the gap between piles, etc. (Phase-I) amounting to Rs 129.544 million and Rs 10.145 million with RCC wall and other allied items of work in (Phase-II) on item rate basis. The cost was 98.70 % above the component of work approved in PC-I. Provision of richer specification un-necessarily over-burdened the public exchequer amounting to Rs 69.387 million (Rs 139.688 million – Rs 70.301 million).

Audit was of the view that extra expenditure occurred due to non-adherence to the provisions of PC-1 and delay in taking up the scheme

Audit pointed out the matter in October 2017. The management replied that initially the main focus of the CIIT was to construct academic buildings. During 2012, there was a record flood passed through the Gumrah Kas Nullah that flooded a number of campus buildings and caused a substantial loss to the assets of CIIT. A detailed study in this regard was conducted for implementation with due diligence.

The reply was not satisfactory because project management focused on academic blocks only, although a suitable provision was made in the approved PC-I to avert the flood situation.

The matter was discussed in DAC meeting held in December 2017, wherein the Committee directed the HEC to constitute a fact finding committee to hold an inquiry in the matter and share the inquiry report with Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directive regarding holding of inquiry and fixing responsibility.

(DP. 25)

9.4.4 Acceptance of tender beyond the permissible limit of PC-I - Rs 48.598 million

According to Annexure-IV 28 (b) of Delegation of Power (General) of the Pakistan Institute of Engineering and Applied Sciences, Nilore, Islamabad to accept tenders and award administratively and technically approved works with financial concurrence subject to the following conditions.

- 1) Availability of funds
- 2) Adopt normal procedure of invitation of open tenders
- 3) Amount of any tender does not exceed by more than 10% of the Admin Approval

Audit noted that the Project Director, Pakistan Institute of Engineering and Applied Sciences, Nilore, Islamabad, awarded a work “Construction of infrastructure for teaching & research laboratories” to M/s Usmani Associate for Rs 242.651 million.

Audit observed that the work was awarded at agreement cost of Rs 242.651 million against administrative approval and PC-I provision of Rs 176.412 million which was 27% higher than approved cost in PC-I. This resulted in award of work at higher rates of Rs 48.598 million as detailed below:

Cost in Admn Approval	Rs 176.412 million
10% admissible	<u>Rs 17.641 million</u>
	Rs 194.053 million
Work Awarded	Rs 242.651 million
Excess	Rs 48.598 million

Audit pointed out the acceptance of tender at higher rate in July 2017. The Institute did not furnish reply.

The matter was discussed in DAC meeting held in December 2017, wherein the Committee directed that PC-I may be got revised upto 26th December, 2017 and got verified from Audit.

Compliance to DAC’s directive was not made till finalization of this report.

Audit recommends early compliance to DAC’s directive.

(DP. 03)

9.4.5 Upward correction in bid rates in violation of tender instructions - Rs 36.081 million

Clause IB.27 Correction of Errors instructions to bidders provides that bids determined to be substantially responsive will be checked by the Employer for any arithmetic errors. Errors will be corrected by the Employer as follows:

- (a) where there is a discrepancy between the amounts in figures and in 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, unless in the opinion of the Employer there is an obviously gross misplacement of the decimal point in the unit rate, in which case the line item total as quoted will govern and the unit rate will be corrected.

The amount stated in the Form of Bid will be adjusted by the Employer in accordance with the above procedure for the correction of errors and with the concurrence of the bidder which shall be binding upon the bidder. If, the bidder does not accept the corrected bid price, his bid will be rejected and the bid security shall be forfeited in accordance with Sub- Clause 15.6 (b) hereof.

Audit noted that Management of Shaheed Zulfiqar Ali Bhutto, Medical University, Islamabad awarded a work, "Construction / Establishment of School of Dentistry at SZABMU at PIMS, Islamabad" to M/s Capital Builders on 8th August, 2016 at an agreement cost of Rs 518.966 million with completion period of 24 months from the date of start 29th August, 2016. The contractor was last paid 8th running bill for Rs 142.959 million.

Audit observed that among the six (06) bidders, M/s Capital Builders stood first lowest by quoting their bid price of Rs 482.884 million against the engineer's estimated cost of Rs 554.057 million based on market rates. M/s Capital Builders mentioned the rates in figures only instead of both words and figures. M/s Shahid Builders stood 2nd lowest with his quoted bid price of Rs 546.650 million. M/s National Construction Limited (NCL) quoted their bid price of Rs 489.287 million but their bid was declared non-responsive due to non-provision of acceptable bid security in shape of Bank guarantee with the bid. M/s NCL

provided bid security of Rs 14.000 million in shape of insurance guarantee.

Later on, during detailed scrutiny of the bid price, corrections were made in the line item totals of individual items, page total rates. The bid cost of the first lowest bidder M/s Capital Builders was enhanced from Rs 482.884 million to Rs 518.966 million with net differential bid cost of Rs 36.082 million which was 7.24% of the total bid cost.

Audit noticed that there was a significant change/enhancement of price in the items of RCC 1:2:4 in foundation and in roof slab. There was an obvious gross misplacement of the decimal point in the unit rate of item No-6 P/L RCC 1:2:4 in foundation ... and item No-7 P/L RCC 1:2:4 in roof slab, therefore, the line item total as quoted would have been govern and the unit rate would have been corrected. Instead, the item rate was accepted which resulted in enhancement of Rs 77.408 million which was 900% of the quoted price of these items and 16.03% of the total bid price as detailed below:

Item No.	Description	Qty. (Cum)	Original		Corrected		Difference	
			Rate	Amount	Rate	Amount	Excess/ Less	%age
6	P/L RCC 1:2:4 in foundation...	1,375	11,480	1,578,500	11,480	15,785,000	14,206,500	900%
7	P/L RCC 1:2:4 in roof slab...	3,850	18,240	7,022,400	18,240	70,224,000	63,201,600	900%
	Total			8,600,900		86,009,000	77,408,100	900%

In this way, a number of corrections were made in the line item totals and page totals of the bid of M/s Capital builders which resulted in overall enhancement of Rs 36.081 million.

Audit was of the view that the bid value of M/s Capital Builders was corrected to enhance the bid amount which was apparently an extension of benefit to the contractor. Correction in bid rates in violation

of the tender instructions resulted in acceptance of higher rates for Rs 36.081 million

Audit pointed out the matter in September 2017. The management replied that there was no decimal point in the rates rather the rates were in whole rupees; hence, correction was not possible. The reply was not tenable as there was a significant enhancement of price of RCC 1:2:4 in foundation and roof slab.

The matter was discussed in DAC meeting held in December 2017 wherein the Committee directed the management to constitute a committee to conduct Fact Finding Inquiry to ascertain that whether the act of correction in bid rates was an act of favouritism or not. The DAC further directed to complete the inquiry report upto 15th January, 2018 and share with Audit. The DAC also advised the university to streamline their tendering procedure.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to the DAC's directive.

(DP. 18)

9.4.6 Execution of plastering work below the agreed specification - Rs 32.785 million

Para-16.14 provides that the unit area shall include the cost of furnishing all the materials, labor, scaffolding, appliances, tools and performing all operations in accordance with the specifications, drawings and instruction. The cost of plastering shall be deemed to be inclusive of grooves, metal lathing, mesh and preparation of surfaces. The rate quoted shall be taken as full compensation for all services and materials to be provided for finishing the work and in connection thereto. Section-16 of Technical Specification Para-16.2 under heading General provides that except as may be otherwise shown or specified, all plaster shall be Cement Sand Plaster, Except the plastered surfaces of Operation Theatres and X-

Ray Rooms which shall be barium plaster. Para-16.3.6 provides that Barites, for Barium Sulphate plaster, barium sulphate fines shall be used.

Audit noted that Management of Shaheed Zulfiqar Ali Bhutto, Medical University, PIMS, Islamabad awarded a “work, “Construction/Establishment of School of Dentistry at Shaheed Zulfiqar Ali Bhutto, Medical University, PIMS, Islamabad” to M/s Capital Builders on 8th August, 2016 at an agreement cost of Rs 518.966 million with completion period of 24 months from the date of start i.e. 29th August, 2016. The contractor was paid an item of work “P/L Cement Plaster ¾”(20 mm) thick 1:4 finished on walls, ceiling at any height including scaffolding complete in all respects as per drawings and instructions of the Engineer in-charge” for a quantity of 8,982.456 sq. meters @ Rs 365 per sqm for Rs 3.279 million upto IPC-8.

Audit observed that the nomenclature of the item of plaster ¾” was defective due to non-mentioning the required materials viz. grooving, metal lathing, mesh and preparation of surfaces as was required under the ibid specification. Due to defective nomenclature of the item of plaster, the work was considered unauthentic costing Rs 32.786 million. Rate analysis of the item was not available in record.

Audit further observed that plaster in critical areas/spaces viz. Operation Theatre, X-Ray rooms was executed with ordinary cement sand plaster instead of Barium Sulphate plaster as required under above said specification which resulted in execution of below specification item of work.

Audit was of the view that irregularity occurred due to oversight mechanism which reflects lack of technical controls.

Audit pointed out the irregularity in September 2017. The management replied that technical specification was generalized. BOQ specifies what was to be actually done. The Contractors were asked to quote rates as per requirements of nomenclature. It was neither mandatory nor feasible to adopt all specifications at each and every project. The reply

was not tenable. Plastering work was required to be executed as per specification.

The matter was discussed in DAC meeting held in December 2017 wherein the Committee directed the University Management to finalize the inquiry within 02 weeks and submit report to HEC/Audit.

Compliance to the DAC's directive was not made till finalization of this report.

Audit recommends early compliance to DAC's directive.

(DP. 19)

9.4.7 Overpayment due to non-adjustment of prices of specified material - Rs 6.717 million

According to Para No.70.1 of agreement, the amount payable to the contractor, pursuant to sub-clause 60.1 shall be adjusted in respect of the rise or fall in the cost of labour, materials and other inputs to the works, by applying to such amount as prescribed in the adjustment formula.

Audit noted that the Project Director, Pakistan Institute of Engineering and Applied Sciences, Nilore, Islamabad, awarded a work "Construction of Nuclear Engineering Department PIEAS at Nilore, Islamabad" to M/s Usmani Associates at agreement cost of Rs 242.651 million. The work was commenced on 27th February, 2015 to be completed up to 25th February, 2017 (24 months). Audit further noted that department made payment of Rs. 179.044 million up to 7th running bill.

Audit observed that in the light of contract clause-70.1 of GCC & PCC and SP-12, following provisional weightage factors for admissible elements for escalation/de-escalation were calculated as follows:

i)	Cement	0.12
ii)	Steel	0.20
iii)	Labour	0.15
iv)	HSD	0.05
v)	Fixed portion	0.48
	Total	1.00

Audit further observed that department made payment of work done upto 7th running bill but price adjustments due to decrease in the prices of Cement, Steel and High Speed Diesel (HSD) were not made. Non-adjustment of de-escalation in prices of materials resulted in overpayment of Rs 6.717 million.

Audit pointed out the overpayment in July 2017. The Institute did not reply.

The matter was discussed in DAC meeting held in December 2017 wherein the Committee directed to make price adjustments by 15th January, 2018 and get it verified from Audit.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directive.

(DP. 01)

9.4.8 Undue benefit to contractor through extra item - Rs 3.405 million

As per General Financial Rules 10 (ii) the expenditure should not be prima facie more than the occasion demands.

Audit noted that Project Director, Karakorum International University Gilgit awarded a work "Construction of faculty residences at KIU" to M/s Raheem Khan at agreement cost of Rs 15.324 million. The contractor was paid a sum of Rs 2.756 million upto 7th and final bill. Audit

further noted that a substituted item to convert terrace area of the built up houses into two rooms was approved.

Audit observed that inclusion of substituted item caused enhancement in contract cost from permissible limit of 15% to 21.64%. The substitution was made in the design of house completed at the cost of Rs. 12.471 million just only to utilize available funds. The contractor was accommodated for the item No. 9, 16, 22, 23, 24, and 25 executed free of cost against the costly item of CGI sheet roofing i.e. 250% above. This resulted in undue benefit to contractor of Rs 3.405 million.

Audit pointed the undue benefit to the contractor in July 2017. The Authority replied that dowels for two columns were not lifted at the time of construction of ground floor as this portion was use as terrace. It was not possible at this stage to erect dowels for these columns. Due to non erection of these columns, four rooms could not be constructed. To resolve this issue, expert opinion of Engr. Ali Aman Shah, CEO, Karakoram Associates was sought and he advised to change the roof slab from RCC to CGI Sheet which was lighter, durable and much resistant to earthquake as compare to RCC roofing. By changing the RCC roof with proper CGI Sheet roofing, KIU had four additional rooms for its faculty. The reply of the University was not tenable. The management got executed the extra items to bring at par on the value of the work of Rs 15.877 million to utilize the funds available.

The matter was discussed in DAC meeting held in December 2017 wherein the Committee directed the management to conduct inquiry in collaboration with Technical Committee of HEC to ascertain whether undue financial benefit was extended to the contractor. The DAC also directed to share the inquiry report with Audit and HEC.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directive.

(DP. 12)

9.4.9 Overpayment due to acceptance of higher rates - Rs 1.101 million

As per rate analysis rate of the item “Christina Wire 12-14 gauge galvanized 1” dia” was provided as Rs 239.20 per Rft (Rs 208+5%+10%).

Project Director, KIU Gilgit awarded the work, “Construction of gate and spiral razor wire at campus and residential area of KIU” to M/s Pir Ummer Farooq (Pvt) Ltd on 12th November, 2015. The contractor was paid Rs 4.944 million upto final bill.

Audit noted that the Project Director executed an item No. 2/9 “providing of Christina Wire 12-14 gauge galvanized 18 dia” for a quantity of 12,680.64 rft.

Audit observed that the item was paid at the rate of Rs 326 per rft instead of approved rate of Rs 239.20 per rft. This resulted in overpayment of Rs 1.101 million (Rs 326 - Rs 239.20=Rs 86.80 x12,680.64 Rft).

Audit pointed out the overpayment in August 2017. The Authority did not reply.

The matter was discussed in DAC meeting held in December 2017 wherein the Committee directed the management to provide comparison of rates with justification to Audit for verification.

Compliance to the DAC’s directive was not made till finalization of this report.

Audit recommends early compliance to DAC’s directive.

(DP. 17)

9.4.10 Overpayment due to excessive excavation - Rs 1.106 million

As per BOQ of agreement, the item of excavation in ordinary soil upto any depth in foundation and pipe trenches, wells etc and disposal of surplus earth outside the site including all leads and lift complete in all

respects as per drawing, specification and instruction of the Engineer in-charge was provided for 6,960 cubic meters. As per section-3.1(v) of specification, in the event of any excavation being carried out wider or deeper than shown on the drawings, it shall be filled in by the contractor at his own expense to meet the required dimension and levels with concrete or any other material approved for such purpose.

Audit noted that management of Shaheed Zulfiqar Ali Bhutto, Medical University, PIMS, Islamabad awarded a work, "Construction / Establishment of School of Dentistry at Shaheed Zulfiqar Ali Bhutto, Medical University, PIMS, Islamabad" to M/s Capital Builders at an agreement cost of Rs 518.966 million. The work was started on 29th August, 2016 to be completed within 24 months.

Audit observed that the contractor executed item of excavation for a quantity of 8,918.81 cubic meters at the rate of Rs 885 per cubic meters for foundation/basement taking extra length and width for working space. The project management paid extra quantity of excavation of 1,249.91 cubic meters which resulted in overpayment of Rs 1.106 million.

Audit was of the view that due to non-adherence to the architectural / structural drawings, extra quantities were allowed to the contractor.

Audit pointed out the overpayment in September 2017. The management replied that excavation for foundation was carried out beyond exterior face of the columns and width was measured and paid accordingly. Reply was not tenable as the excavation was carried out beyond the limits only to facilitate the manpower for which the contractor was not to be compensated.

The matter was discussed in DAC meeting held in December 2017, wherein the Committee directed the management to finalize the inquiry within 02 weeks and submit report to Audit and HEC for verification.

Compliance to the DAC's directive was not made till finalization of this report.

Audit recommends early compliance to DAC's directive.

(DP. 20)

9.4.11 Overpayment due to allowing excessive weight of steel - Rs 1.003 million

Rule 10 (i) of General Financial Rules (GFR) 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 out of his own money'.

Audit noted that Project Director, Pakistan Institute of Engineering and Applied Sciences, Nilore, Islamabad paid an amount of Rs 116.481 million on account of providing and laying hard grade ribbed deformed (60,000 PSI) reinforcement bars including the cost of strengthening, cutting, bending, binding, wastage and such overlaps not shown in the drawings.

Audit observed that department made payment for steel against measurement of standard weight whereas, as per Lab test report, the weight of steel bar indicates less weight than standard weight. Thus measuring and making payment of standard weight of steel against underweight steel resulted in overpayment of Rs 1.003 million.

Audit pointed out the over payment in July 2017. The Institute did not reply.

The matter was discussed in DAC meeting held in December 2017, wherein the Committee directed the Institute to obtain clarification from Pakistan Engineering Council (PEC) in support of their stance.

Compliance to the DAC's directive was not made till the finalization of this report.

Audit recommends early compliance to DAC's directive.

(DP. 07)

CHAPTER 10

WORKERS WELFARE FUND/BOARDS (MINISTRY OF OVERSEAS PAKISTANIS AND HUMAN RESOURCE DEVELOPMENT)

10.1 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 Fund/Boards.

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 provincial 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.

10.2 Comments on Budget and Accounts (Variance Analysis)

The table below shows position of head-wise budget allocation and expenditure for 2016-17:

(Rs in million)

Description	Budget Allocation	Actual Expenditure	Variation Excess/ (Saving)	Excess/ (Saving) in %
Establishment Charges	1,271.16	886.30	(384.86)	(30.27)
Other welfare measures	4,376.10	1,612.71	(2,763.39)	(63.14)
Education	6,713.18	3,824.10	(2,889.07)	(43.03)
Development Works	10,556.13	3,882.01	(6,674.12)	(63.22)
Total	22,916.57	10,205.12	(12,711.44)	(55.47)

(Source: Budget allocation and actual expenditure has been taken from expenditure statements provided by WWF/Boards).

- Funds of Rs 10,556.13 million were allocated for development works/new schemes in the original budget out of which only Rs 3,882.012 million were utilized leaving 63% funds unutilized. This indicated that planned targets were not achieved by the managers of Fund/Boards.
- Funds of Rs 4,376.10 million were allocated for welfare measures of workers and Rs 1,612.708 million were utilized involving a saving of Rs 2,763.392 million. Less utilization and saving of 63% of the budget was indicative of lackluster performance of the Department and workers were deprived of their welfare despite availability of funds.
- Funds of Rs 6,713.181 million were allocated for provision of “education facilities” to the worker’s children but only Rs 3,824.102 million were utilized. Non-utilization of 43% funds of allocation indicated in-efficient performance of the department and depriving the deserving students/workers from their basic rights.

10.3 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
2009-10	29	29	08	21	27.58
2010-11	13	13	1	12	7.69

Note: Audit Reports for 2011-12, 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 have not been discussed by PAC till the finalization of this report.

10.4 AUDIT PARAS

Irregularity and Non-Compliance

10.4.1 Unjustified payment of scholarships to children of employees of non-entitled units/industries - Rs 58.037 million

As per Section-2 (vi) of Industrial Relations Ordinance, 2002, any other concern or establishment, which the Federal Government may by notification in the official Gazette, declare to be an industrial establishment for the purpose of this Ordinance, but does not any concern or establishment which is owned by Government or by a Corporation established by Government or by a Corporation the majority of the shares of which is owned by Government.

Section-2 (xxx) states that “worker” and “workman” means any and all persons not falling within the definition of employer, who is employed in an establishment or industry for remuneration or reward either directly or through a contractor.

According to item No.8 Scholarship Scheme for Workers Children Para 62 of the minutes of the 102nd meeting of Governing Body’s held on 22nd October, 2009 at Islamabad, the eligible educational programme under Category-III (b) is the degree from an Engineering University / Medical College registered with HEC as well as by the Pakistan Engineering Council or PMDC.

Audit noted that Workers Welfare Board, Khyber Pakhtunkhwa made payment of Rs 58.037 million on account of scholarship, hostel/ mess charges and transport charges for children of workers/employees. Audit maintains that payment was irregular as described below:

DP No.	Amount (Rs in million)	Remarks
01	36.388	Scholarship was paid to different educational institutions to the children of workers working in National Radio & Telecommunication Corporation Ltd, M/s

DP No.	Amount (Rs in million)	Remarks
		Telephone Industries of Pakistan (Pvt) Ltd and M/s Sui Northern Gas Pipeline Ltd which did not fall under the definition of Industrial Unit.
02	14.636	Scholarships to children of employees of the WWB Peshawar which did not fall under the definition of workers.
03	7.013	Stipend, hostel/mess charges and transport charges for the children of workers studying in various Educational Institutes/ Universities, which were not registered with both HEC and PMDC or registered with either HEC or PMDC.
Total	58.037	

Audit was of the view that the irregularity occurred due to inefficient mechanism of implementation of internal controls.

Audit pointed out unjustified payment in September 2017 but the management did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit in November 2017 and January 2018.

Audit recommends early recovery of the unjustified payments.

Performance

10.4.2 Non-recovery on account of rent of flats and shops - Rs 4.334 million and non-revision of rates of shops

Rule-20 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 Workers Welfare Board, Khyber Pakhtunkhwa Peshawar recovered rent of shops and flats for Rs 2.554 million against receivable amount of Rs 5.520 million. This resulted in non-recovery of rent of Rs 2.966 million for the year 2016-17. It is worth mention that rent of Rs 1.368 million for the year 2015 was also recoverable. Any action towards realization of outstanding dues was not initiated. This resulted in non-recovery of rent of Rs 4.334 million.

Audit observed that the department was charging/realizing rent of shops @ Rs 200 to Rs 3,000 per shop situated at different locations which was fixed in 32nd Governing Body meeting held in June 2004. Audit further observed that rent was not revised despite lapse of reasonable period. Audit was of the view that non-revisions of rent for last 10 years was a recurring loss of revenue.

Audit pointed out non-recovery and non-revision of rent in September 2017 but the management did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit in November 2017 and January 2018.

Audit recommends early recovery of outstanding amount and revision of rent in the light of market trend.

(DP. 4, 5)

10.4.3 Non-allotment of 2040 completed flats - Rs 3,916.57 million

Clause-11-C of WWF Ordinance, 1971 provides that as soon as a scheme is completed regulations regarding measures for allotment, fixation of rent of the houses, cancellation of allotment and their maintenance and repairs be taken.

Section 11-D provides that any rent or arrears of rent due from any person under the scheme may be recovered by deduction from wages of the employees or as arrears of land revenue.

Audit noted that various schemes of construction of flats constructed for industrial workers were completed in Sukkur, Nawabshah and Taxila as detailed under: -

Name of Scheme	Particular	Approved cost (Rs in million)	Completion date
Construction of 1024 Flats and Infrastructure Development at Sukkur	352 Flats Package-I, 352 Flats Package-II and 320 Flats Package-III	1,689.132	31 st December, 2016
Construction of 512 Flats and Infrastructure Development at Benazirabad (Nawabshah)	256 Flats Package-I, and 256 Flats Package-II	913.438	30 th September, 2016
Construction of 504 family flats and infrastructure development work on 30 Acres of land at Hattar Road Taxila.	504 flats	1,314.00	31 st December, 2013
Total	2040 flats	3,916.57	

Audit observed that all the above schemes were shown completed on 31st December, 2016, 30th September, 2016 and 31st December, 2013 respectively and handed over by the Secretary WWF Islamabad to the Secretary WWB Sindh on 16th November, 2017. Allotment policy for 1,536 Flats handed over by the WWF to the WW Board Sindh and recovery of rent of already allotted Flats in Labour colonies was not got approved and shown to Audit. This resulted into non-allotment of flats as per approved allotment policy. Details of recovery of rent in respect of Labour Colonies was also not maintained and shown to Audit.

Audit was of the view that non-allotment of Flats was due to weak internal control system of WWF.

Audit pointed out the issue in November 2017. The management replied that due to 18th amendment in the constitution of Pakistan the

Workers Welfare Boards are independent now. Due to amendment, the process of handing/taking-over was delayed. The allotment/policy and recovery of the rent for flats/houses/plots was purely provincial Workers Welfare Board's subject.

The reply was not tenable. As per WWF ordinance 1971, WWF as a regulator was responsible for transparent allotment of workers accommodation and best use of resources.

The matter could not be discussed in the DAC meeting despite request made by Audit in January 2018.

Audit recommends that necessary measures may be taken for framing/approval of allotment policy and recovery of rent.

(DP. 28 & 39)

10.4.4 Loss to the shelterless workers due to non-completion of project within stipulated period and extending undue benefit to the sponsor - Rs 869.050 million

PC-I of the work "Construction of 500 single houses at Zone V, Islamabad" approved by DDWP in September 2011 provides that the project is related to the housing sector which is top priority of the Government of Pakistan. The establishment of labour colony in Zone-V Islamabad for industrial workers will assist the Government in achieving the goal of providing the basic facility of shelter for all. Various schemes of similar nature are being already executed in Pakistan by WWF.

Audit noted that WWF, Islamabad awarded a work on 04th June, 2012 with completion period of 30 months i.e. 05th February, 2015 but the contractor failed to complete the work within stipulated period and was extended upto April 2016.

Audit observed that the project authorities did not manage to complete the project/work and the department did not take serious steps for developing the housing project within stipulated time period. Despite

the authority has given 2nd extension upto 01st June, 2017 and 3rd extension upto 31st March, 2018 but the contractor could not complete the work in 2nd extended period. This shows that the authority has not taken special initiatives to complete the project in time, which was totally for shelter less workers of different factories of Islamabad territory.

Audit pointed out irregularity in November 2017. The management replied that the project was delayed due to land issues, court cases, non-release of sufficient amount to the WWF by the AGPR on account of development schemes and non-appointment of Secretary WWF by the Ministry for nine (09) months. Keeping in view of the above cogent reasons 2nd and 3rd extension of time (EOT) were granted. This was also approved by the competent authority of WWF. All the facts have been revealed and no time or money was wasted by the WWF.

The reply was not tenable as reasons of delay given in the reply pertained to the management. As admitted that project badly delayed for three years due to land possession problems, non-provision of funds and delay in posting of Secretary WWF, Islamabad. Contractor was prequalified on financial soundness but even after laps of six years project was still incomplete and contractor was not penalized due to non-fulfillment of contractual obligation to complete the project in 30 months.

Audit was of the view that the loss occurred due to inadequate oversight mechanism and weak internal and financial controls.

The matter could not be discussed in the DAC meeting despite request made by Audit in January 2018.

Audit recommends for investigation besides fixation of responsibility against persons at fault and speed up the construction work to accommodate shelterless labourers.

(DP. 36)

Internal Control Weaknesses

10.4.5 Unauthentic payment to contractor without detailed measurement of works - Rs 440.469 million

Para 208 of CPWA Code provides that unless in any case, the administration after consultation with Accountant General, direct otherwise, payments for all work done are to be made on the basis of measurements recorded in the MB was 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 CPWD 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 the figures for the contents and area column.

Audit noted that Director Works, Workers Welfare Board, Khyber Pakhtunkhwa, Peshawar made payments to various contractors on account of work done during the year 2016-17.

Audit observed that the payments were made without recording detailed measurement of work done in MBs. This resulted in unauthentic payment of Rs 440.469 million.

Audit was of the view that unauthentic payment was made due to weak financial controls.

Audit pointed out unauthentic payment in September 2017 but the management did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit in November 2017 and January 2018.

Audit recommends that MB be maintained as per codal requirement.

(DP. 07)

10.4.6 Non-recovery of contribution and penalty from defaulting firms - Rs 300.48 million

Worker Welfare Fund (WWF) was established under WWF Ordinance, 1971 for providing low cost housing and other welfare facilities to the workers of industrial establishment/companies. Worker welfare fund derives income for following sources:

- i. Every industrial establishment contributes 2% of assessable income under WWF Ordinance 1971 when its total income exceeds Rs 500,000 in an accounting year.
- ii. The leftover account of 5% of profits after distribution amongst the workers under companies profit (worker participation) Act 1968.

Section 5 of the Companies Profit (Worker's Participation) Act, 1968 provides that where a company defaults to comply with any of the procession, penalty of Rs 5,000 will be imposed and in case of continuing failure, a further sum of one thousand rupee for every day after first year during which the failure continues will be recovered.

Audit noted that Workers Welfare Fund Islamabad maintained registration of 941 firms/industrial units for collection of Worker Welfare Fund (software log report).

Audit observed that out of 941 Companies/industrial units only 366 firms were contributing towards Worker Welfare Fund and balance 595 companies have not submitted/filed income returns to WWF. Audit further observed that there was lack of monitoring in WWF and Security & Exchange Commission of Pakistan for registering the new companies

with WWF. This resulted in non-recovery of worker welfare trust fund due to non-contribution towards WWF as calculated below:

(Rs in million)

Particulars	Amount
Assessable Income (approx) per year company/industry	20.00
Assessable income of 595 firms (20.0x595)	11,900
2% contribution by 595 firms (11,900x2%)	238.0
Assessable Profit (11,900x10%)	1,190
5% share of profit (1,190x5%)	59.5
Total	297.5
Add penalty (5000x595)	2.98
Approximate collection	300.48

Audit was of the view that less contribution to the Fund was made due to non-framing and approval of procedures, mechanism and inadequate survey, monitoring mechanism, deficient revenue-recognition policies and weak internal controls.

Audit pointed out the Non-recovery in November 2017. The management replied that According to Rule-5 of the Companies Profits (Workers' Participation) Act, 1968, WWF can impose penalty. However, WWF is continuously observing to frame the rules, pertaining to the recovery of WPPF amount, on the pattern of its sister organization EOBI. 941 companies/firms/industries have been registered. Upto 23rd November, 2017 total 366 companies had submitted their WPPF returns; however, because of follow up of WWF, the returns were still being received from the remaining companies, which are being followed up. However, due to the mergers and winding up of various companies during the year, the number of received returns may not match with the number of companies registered in WPPF database of WWF Secretariat. Further, WWF has no legal authority to monitor or survey the companies physically. To ensure an increase in the revenue of WWF recovery rules are under process. The reply was not tenable. As per record maintained in the WWF, registration of 941 companies existed with WWF out of which 366 companies has submitted their WPPF, returns remaining 595 companies have not submitted their income returns and contribution to the

WWF. Non-collection of industrial contribution from enlisted companies was mismanagement on the part of the WWF.

The matter could not be discussed in the DAC meeting despite request made by Audit in January 2018.

Audit recommends that procedures, adequate survey, monitoring mechanism for improvement of collection of fund be adopted.

(DP. 27)

10.4.7 Inadmissible payment on account of price adjustment for extended period of contract - Rs 44.766 million

As per Chief Resident Engineer letter No. AJA/WWF/2016/024 dated 16th March, 2016 regarding Extension of Time, the approval for time extension, if granted, will only be conveyed after getting an undertaking from M/s ConPro that no monetary claim will be lodged with WWF resulting from the grant of time extension. The recommendations of CRE were approved by the Secretary Workers Welfare Fund on 15th November, 2016 vide note-36 and extension of time was granted upto 20th April 2017.

According to para 31&44 of Noting 13/N for extension in completion time upto 01st June, 2017 and 31st March, 2018 subject to condition that contractor will have absolutely no claim whatsoever for any compensation on account of these extensions. No financial implication if involved in case for extensions.

Audit noted that the work construction of 1,008 Flats in zone V, Islamabad was awarded on 03rd August, 2012 with completion period of 30 months to be completed on 02nd February, 2015. The completion time was revised upto 20th April, 2017.

Audit observed that price adjustment of Rs 44.766 million was paid to the contractor for extended period in two cases as detailed below:

DP. No.	Amount (Rs in million)
34	41.622
35	3.144
Total	44.766

Audit pointed out the overpayment in November 2017. The department replied that the project was delayed due to land issue, insufficient funds and non-appointment of Secretary WWF. The extension in completion time (EOT) was granted in consultation/recommendation of the consultant. Price adjustment was paid according to Appendix-C to bid in the contract agreement.

The reply was not acceptable. While granting conditional extension in time it was clearly decided that there shall be no financial benefit and claim whatsoever against extension. Condition on eve of extension in time was imposed by the Secretary WWF keeping in view all the factors explained by the contractor and analyzed by the competent authority. Payment of price adjustment in extended period was not admissible.

Audit was of the view that the overpayment on account of price adjustment was due to weak financial and internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

The matter could not be discussed in the DAC meeting despite request made by Audit in January 2018.

Audit recommends to recover/adjust the overpaid amount under verification to audit.

10.4.8 Award of Talent Scholarship to ineligible employees - Rs 14.943 million

Industrial Relations Act (IRA) 2012 speaks that “Worker” and “Workmen” mean person not falling within the definition of employer who is employed (including employment as a supervisor or as an

apprentice) in an establishment or industry. According to the notification issued by Government of the Punjab, Lahore & Human Resource Department, Supervisory employees such as Assistant Engineer, Production Manager, Chief Account, Factory Manager (S. No.01 to 24) mentioned in the Punjab Gazette (Extraordinary) 25th July, 2016 do not fall in the category of worker and workmen”

According to Para-1 (ii) of letter No. PWB (WEL) 5(02)(2017)/F-674) dated 09th October, 2017 issued by Punjab Workers Welfare Board Lahore. Person who is employed mainly in managerial or administrative capacity e.g. any kind of Executive Officer, Purchase officer, Admin Officer, Accounts Officer etc. does not fall in the definition of worker and workmen.

Audit noted that the Secretary Worker Welfare Board Lahore awarded Talent Scholarship to the managerial/Supervisory employee’s children in violation of eligibility criteria for establishment and worker as notified vide No.PWB(WEL)6(10)04/T.S. Policy(Vol-II) dated 24th December, 2009.

Audit observed that an amount of Rs 52,454,715 was disbursed for award of talent scholarships upto Rs 998,000 per person amongst 1,884 persons through batch No.1079, 469 & 336. Out of 1,884 persons 333 persons belong to the children of managerial/supervisory employees instead of workers or workmen’s children resident of district Shaikhupura, Lahore, Gujrat and Gujranwala. An amount of Rs 14.943 million was paid to managerial/supervisory employees’ children such as Supervisor, Accountant, Controller, Quality Controller, Admin Assistant, Superintendent, Secretary to C.E., etc. Payment of scholarships to other than worker or workmen’s children resulted into inadmissible payment of Rs 14.943 million.

Audit pointed out the inadmissible payment in October 2017. The department replied that audit was carried out for the Financial Year 2016-2017 (01st July, 2016 to 30th June, 2017), while the observation had been raised on the basis of this office letter issued on 09th October, 2017 i.e.

current Financial Year 2017-18. Further, the cases were approved as per policy at that time, hence had no retrospective effect. Moreover, no case has so far been processed with reference to letter dated 09th October, 2017. Workers Welfare Fund, Islamabad directed that Imam Masjid / Khateeb of industrial establishment performing his duties in category of worker with limited salary packages may be considered a working class and eligible for availing benefits out of WWF vide letter dated 22nd April, 2016.

The reply was not acceptable because audit observation was raised in the light of Industrial Relation Act (IRA) 2012 and strengthened with the Workers Welfare Board letters dated 09th October, 2017. Further, audit did not object scholarship given to Imam Masjid / Khateeb's children.

The matter could not be discussed in the DAC meeting despite request made by Audit in January 2018.

Audit recommends recovery of the amount involved besides fixing of responsibility against the responsible(s).

(DP. 18)

10.4.9 Payment on account of award of marriage/death grants to ineligible employees - Rs 13.660 million

“Industrial Relation Act (IRA) 2012 speaks that “Worker” and “Workmen” mean person not falling within the definition of **employer** who is employed (including employment as a supervisor or as an apprentice) in an establishment or industry. According to the notification issued by Government of the Punjab, Lahore & Human Resource Department, Supervisory employees such as Assistant Engineer, Production Manager, Chief Account, Factory Manager (Sr.No.01 to 24) mentioned in the Punjab Gazette (Extraordinary) 25th July, 2016 do not fall in the category of worker and workmen”

According to Para-1 (ii) of letter No. PWB (WEL) 5(02)(2017)/F-674) dated 09th October, 2017 issued by Punjab Workers Welfare Board Lahore. Person who is employed mainly in managerial or administrative

capacity e.g. any kind of Executive Officer, Purchase officer, Admin Officer, Accounts Officer etc. does not fall in the definition of worker and workmen.

Audit noted that the Secretary Worker Welfare Board, Punjab, Lahore awarded Death Grant to the managerial/Supervisory employees in violation of eligibility criteria for establishment and worker as notified by Punjab Workers Welfare Board, Lahore according to that workers must be covered under “Industrial Relation Act (IRA) 2012.

Audit observed that an amount of Rs 86.800 million was disbursed for award of death grant @ Rs 500,000 per person amongst 222 persons through batch No.222, whereas 29 persons belongs to the managerial/supervisory employees instead of worker or workmen. An amount of Rs 10.500 million paid to managerial/supervisory employees such as Supervisor, Accountant, Quality Inspector, Office Incharge etc. Payment of death grant to other than worker or workmen resulted into inadmissible payment of Rs 10.500 million.

Audit further observed that an amount of Rs 46.840 million was disbursed for Marriage Grant @ Rs 100,000 per person amongst 481 persons. Out of 481 persons 34 persons belongs to managerial/supervisory employees instead of worker or workmen’s children. An amount of Rs 3.160 million was paid to managerial/supervisory employee’s children such as Sales Supervisor, Accountant, Admin Assistant, Purchaser, Contractor etc. Payment of scholarships to other than worker or workmen’s children resulted into inadmissible payment of Rs 3.160 million. Total inadmissible payment comes to Rs 13.660 million.

Audit pointed out the inadmissible payment in October 2017. The department replied that the Worker Welfare Fund ordinance 1971 borrows definition of “Worker” from the Industrial Relation Act. (IRA) 2012. The definition of worker given in the law clearly provides that supervisory personnel of an industrial establishment very much cover within the definition of worker. Moreover, the Punjab Workers Welfare Board vide its letter No. PWB (WEL) 6(10)04/Vol-II Policy File, dated 07th March,

2013 has categorically clarified that supervisors are to be considered as workers following promulgation of IRA, 2012. In no case of death grant pointed out by the audit, designation of worker is as “Assistant Engineer, Production Engineer, Chief Accountant or Factory Manager” (as excluded in Punjab Gazzette (extraordinary) July, 25) and no deceased worker was in the managerial or administrative capacity, hence there is no violation of eligibility criteria set for death/marriage grant cases.

The reply was not acceptable because the Workers Welfare Board Lahore already categorized the designation of workers and employer vide their letter No. PWB (WEL) 5(02)(2017)/F-674 dated 09th October, 2017. Hence, Accountant, Quality Inspector, Office Incharge etc. did not cover under the definition of worker or workmen.

The matter could not be discussed in the DAC meeting despite request made by Audit in January 2018.

Audit requires recovery of the amount involved besides fixing of responsibility against the responsible(s).

(DP. 21 & 24)

10.4.10 Inadmissible payment due to violation of specification/drawing - Rs 5.289 million

As per Para 16, Chapter 13 of Public Health Works Specification, the maximum width of trenches in respect of which payment will be allowed for excavation will be as follow:

- a. Trenches not exceeding 7 feet in depth 20 inches plus external diameter of barrel for pipe sewer.
- b. Trenches exceeding 7 feet and not exceeding 15 feet 24 inches plus external dia meter of barrel for pipe sewer.

Audit noted that Director Works Workers Welfare Board, Punjab, Lahore measured and paid 3.5 feet width of trenches having up to 7 feet depth for 9 inches, 12 inches and 15 inches dia pipes. Quantity of

excavation as well as brick blast was measured and paid on excessive side due to excessive measurement of width of trenches.

Audit observed that as per approved construction drawing brick blast under R.C.C pipes was to be measured with thickness $\frac{1}{4}d$ (min 4") + $\frac{1}{2}D$ whereas brick blast was measured with excessive thickness.

Audit further observed that record entry of 7,941.19 Cft was made for brick blast 1½" to 2" gauge where as payment was made for crush stone 1/2" to 2" as non-scheduled item @ 73.21 per Cft + 13.45% premium.

Moreover, providing and laying crushed stone was actual comes to 9,973.40 Cft whereas due to wrong calculation quantity was paid for 11,792.00 Cft hence over payment was made of Rs 166,223. Overpayment on account of excavation of trenches and P/L brick blast was made due to violation of specifications approved construction drawing and miscalculation. This resulted in inadmissible/overpayment of Rs 5.289 million.

Audit pointed out overpayment in October 2017. The management replied that detailed calculations in this regard had been made keeping in view width of trenches as well as thickness of bedding as per design criteria provided in the Public Health Engineering Department, Design criteria, 1998 and accordingly an amount of Rs 68,323 had been arrived at for recovery from the contractor and would be recovered in final bill.

The management admitted recovery of Rs 68,323 which was not correct because overpayment due to miscalculation of Rs 166,223 was not replied. Further, record entry of brick blast of 7941.19 Cft. with the rate Rs 83.06 per Cft (73.21 + 13.45%) instead of Rs 24.33 Cft (935.59 + 160%) was admitted in Annex-II but recovery of Rs 466,386 (7941.19 x 58.73) was not added in the recovery statement by the department. Furthermore department admitted that the excessive width was measured for excavation of sewerage line for 9", 12" and 15" pipes. But in Annex-II

quantity of excavation for 0 - 5' depth was shown as enhanced from 587.53 %Cft. to 607.31 %Cft which was not possible because when length and depth are constant/unchanged quantity of excavation should be decreased.

The matter could not be discussed in the DAC meeting despite request made by Audit in January, 2018.

Audit recommends for recovery of the amount involved besides fixing of responsibility against the responsible(s).

(DP. 14)

10.4.11 Payment on account of removal of debris in violation of contract agreement - Rs 4.631 million

As per clause -7 & 17 of General Directions for the guidance of the tenderer, the tenderer shall, at his own expense, inspect and examine the site and surroundings and obtain for himself, on his responsibility, all information that may be necessary for preparing the tenders and entering into the contract shall determine and satisfy himself by such means he may consider necessary for desirable as to all matters pertaining to the tender. The tenderer shall also satisfy himself before submitting his tender as to the nature of grounds, hydrological and climatic conditions, the form and nature of the site, the nature and layout of the terrain, the availability of labour, water, electric power and transportation facilities in the area. Each tenderer shall be deemed to have satisfied himself before tendering as to the correctness and sufficiency of his tender and of the rates and prices stated in the bid schedule which rates and prices shall, except in so far as it is otherwise expressly provided in the contract, cover all obligations under the contract and all matters and things necessary for the proper completion and maintenance of the works.

Audit noted that the Project “Construction of Labour Complex at Warburton District Nankana Sahib” was awarded by Punjab Workers Welfare Board to different contractors. Audit further noted that M/s JERS

Engineering Consultants prepared Engineer estimate on the C.S.R 2004 of Pak PWD with 160% premium.

Audit observed that removal of debris and rubbish for a quantity of 215,481 cft was paid without provision in BOQ. Audit was of the view that payment for removal of debris without provision in BOQ was not admissible. This resulted in inadmissible payment of Rs 4.631 million.

Audit pointed out the inadmissible payment in October 2017. The management replied that for execution of relevant works, it was inevitably required to remove debris, which were lying at the site before the start of execution. The reply was not acceptable because before award of work the Natural Surface Level (NSL) was taken for tender drawing. BOQ and drawing was prepared by the consultant and supervision was also made by the same consultant. Hence, payment made for huge quantity without provision in the BOQ was not justified.

The matter could not be discussed in the DAC meeting despite request made by Audit in January 2018.

Audit recommends recovery of the amount involved besides fixing of responsibility against the responsible(s).

(DP. 13)

10.4.12 Procurement of vehicles without provision in BOQ - Rs 4.074 million

According to Para 10 of General Financial Rules, 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 Director Works Workers Welfare Board Khyber Pakhtunkhwa, Peshawar made payment of Rs 4.074 million to M/s Indus and Pak Suzuki Motor on account of purchase of vehicles.

Audit observed that 1300CC Loaded vehicles were procured without provision in approved BOQ. Audit was of the view that procurement of vehicles without provision in BOQ was unauthorized. This resulted in irregular expenditure of Rs 4.074 million.

Audit pointed out the irregular expenditure in September, 2017 but the management did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit in November 2017 and January 2018.

Audit recommends regularization of the expenditure beside fixation of responsibility.

(DP. 08)

10.4.13 Payment of excessive quantities without approval - Rs 17.810 million and overpayment due to separate payment of scaffolding - Rs 3.333 million

According to clarification at page 251 of Pak PWD SR 2004, sub-head 118 “Rate shall cover all the requirements of the work as included in the nomenclature of schedule of items of the contract and as specified in this chapter and included all labour and material, form-work, scaffolding tools and plants, etc. excluding the cost of reinforcement which shall be paid separately. Further analysis of item No. 90 given in book of analysis 2004, Vol-I, rate of the item “P/F machine made gutka brick tiles facing 1-1/2” to 2” thick in cement mortar 1:3...” Rs 5,312.08 per %sft inclusive of cost of scaffolding.

Audit noted that the Project “Construction of Labour Complex at Warburton District Nankana Sahib” was approved by Governing Body of Workers Welfare Fund in its meeting held on 22nd August, 2013 for Rs 926.126 million. The work was divided into seven (07) packages. Tender for package-D phase-1 was opened on 11th March, 2014 and work was awarded to M/s Bal Group of Construction at cost of Rs 109.314 million on 25th April, 2014.

Audit observed that the item of work “Extra if Scaffolding is required in any item of dado and facing” was measured and paid for quantity of 279,846 sft against provision of 180,523 sft in agreement with an excess of 55%. Audit was of the view that composite rate of brick gutka was inclusive of cost of scaffolding as per specification and rate analysis of the item. Thus, separate payment of this item was unjustified. This resulted in overpayment of Rs 3.333 million. Besides approval for the excessive quantities paid over and above the BOQ was not obtained. This also resulted in excess payment of Rs 17.840 million.

Audit pointed out overpayment in October, 2017. The management replied that whenever gutka was laid in the excessive heights, scaffolding is required from zero till the top of the building. Had gutka been laid without scaffolding no amount for extra item of scaffolding would be paid to the contractor. As regards laying of gutka without scaffolding up to the height of 5 ft., a mason can only work up to his chest height without scaffolding arrangements and once brick/gutka height increases from chest height, it requires scaffolding. The reply was not acceptable because the scheduled rate was inclusive of cost of scaffolding.

The matter could not be discussed in the DAC meeting despite request made by Audit in January 2018.

Audit recommends recovery of the amount involved besides fixing of responsibility against the responsible(s).

(DP. 20)

10.4.14 Overpayment due to application of incorrect rate - Rs 3.040 million

According to Pak PWD Schedule of Rates-2004 item No. 10 at page 456 and item No. 02 at page 548, the item of work “making earthen embankment with earth taken from approved borrow pit with a lead upto 5 mile” was payable @ Rs 560.20 per % cft as under:

Item No. 10 at page 456	Rs 184.98 per %cft
Item No. 02 at page 548	Rs 419.42 per %cft (326.52+46.45+46.45)
Total	Rs 604.40 per %cft
Less cost of lead and lift one chain being common in both items	Rs 44.20 per % cft
Net payable rate	Rs 560.20 (604.40-44.20)

Audit noted that Director Works, WWB, Lahore, measured and paid an item of work “making earthen embankment with earth taken from approved borrow pit with a lead upto 5 miles” in work “Construction of labour complex at Multan Phase-I” for a quantity of 162,775 cft.

Audit observed that rate was allowed as Rs 1,212.51 per %cft instead of 560.20 per %cft. Audit further observed that quantity of 162,775 cft was paid to the contractor against the BOQ provision of 20,000 cft. This resulted in overpayment of Rs 3.040 million (162,775 x (1,213.51 – 560.20) x 185.90) (+185.90%) per million.

Audit pointed out the overpayment in October 2017. The management replied that two scheduled items i.e. 30/8 and 456/10 were taken i.e. first item for supply of earth and second to place it as earthen embankment. The reply was not tenable because one item 30/8 was taken from sub-head “filling” and the other item 456/10 was taken from sub-head “road and runways”, hence both were not payable for consolidated item. The payment was made for earthen embankment and not for filling as per detailed measurement recorded at page 45 & 46 of MB-273, hence, overpayment was established.

The matter could not be discussed in the DAC meeting despite requests made by Audit in December 2017 and January 2018.

Audit recommends recovery of overpaid amount besides justification of excessive quantities.

(DP. 11)

10.4.15 Hiring of Legal Advisor in violation of rules - Rs 2.683 million

Rule 46(b) of Punjab PPR 2014 stated that individual consultant shall be selected by comparing the qualifications and experience of at least three consultants among those who have expressed interest in the assignment or have been approached directly by the procuring agency;

Rule 4 of Punjab Local Government (Legal Advisors) Rules 2003 stated that a local government desirous of engaging a Legal Advisor on regular basis shall invite applications through advertisement at least in two National daily newspapers indicating the requisite qualifications, experience, standing of the advocate and the maximum remuneration offered.

Audit noted that Secretary Punjab Workers Welfare Board Lahore cancelled the contract of Malik Muhammad Nawaz, Legal Advisor on 02nd January, 2008 and appointed Mr. Jari Ullah Khan as Legal Advisor on 02nd January, 2008 on the basis of C.V., extension granted to Mr. Jari Ullah Khan on 25th February, 2009 to 01st January, 2010. Malik Muhammad Nawaz was appointed again as Legal Advisor for the period w.e.f. 25th April, 2010 to 22nd January, 2015 on his request to Chairman. During this period, Mr. Jari Ullah Khan was showing non-cooperative attitude for requiring detail of court cases of Punjab Workers Welfare Board vide letter Nos.PWWB-Admn-3(15)2007 dated 17th September, 2013, 02nd October, 2013 and 16th December, 2013.

Audit further noted Secretary Punjab Workers Welfare Board Lahore reappointed Mr. Jari Ullah Khan as legal advisor vide letter No.PWWB-Admn-3(9)/2002 dated 22nd January, 2015.

Audit observed that Secretary Punjab Workers Welfare Board Lahore appointed Mr. Jari Ullah Khan as Legal Advisor without adopting the tendering process for consultancy. This resulted into irregular award of contract for Legal Advisor and payment of Rs 2.683 million during the financial year 2016-17.

Audit pointed out the irregularity in October 2017. The management replied that the Legal Advisor did not fall within the definition of consultant as consultancy services are hired against specific assignment or project. PPRA defines consultancy services as “consultancy services” means services requiring adequate technical expertise and financial capability in undertaking specific assignment or project and may be of an intellectual nature and differ from the other types of services directly connected with the procurement of goods and works in which the physical component of the activity was the main function and often involves equipment intensive assignments.

The reply was not tenable because procurement of legal consultant falls within the definition of consultancy services hence, public procurement rule applies on the procurement of legal consultancy.

The matter could not be discussed in the DAC meeting despite request made by Audit in December 2017 and January 2018.

Audit recommends recovery of the amount involved besides fixing of responsibility against the responsible(s).

(DP. 22)

10.4.16 Non-mutation of land in the name of Workers Welfare Fund (2,119 Kanal 10 Marla)

PC-I for construction of labour colony at Zone V to provide residential, educational and health facilities to the Workers was approved in September 2011 on a piece of land measuring 1,476 Kanals for 1500 Workers and their families.

As per possession report, land measuring 2,582 kanals 13 marlas was acquired for 500 houses for Labour Colony at Zone V Islamabad.

Audit noted that out of acquired land of 2,582 Kanals for construction of labour colony at Zone V Islamabad (1008 flats and 500

Houses) only 1,476 Kanals land was taken in possession by the Workers Welfare Fund.

Audit observed that out of 2,582 Kanal 13 Marla land only 463 Kanal 3 Marla land was transferred in the name of WWF Islamabad leaving 2,119 Kanal 10 Marla land for which mutation in favour of WWF was not available. This resulted into non-mutation of land 2,119 Kanal in favour of Workers Welfare Fund.

Audit held that non-mutation of land was due to weak internal control system of Worker Welfare Fund.

Audit pointed out the non-transfer of land in November 2017 but the management did not reply.

The matter could not be discussed in the DAC meeting despite request made by Audit in January 2018.

Audit recommends that efforts be made to mutate the land in the name of Workers Welfare Fund.

(DP. 40)

Annexure-1: MFDAC

Six hundred and one (601) 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/Metropolitan Corporation Islamabad	64
2.	Civil Aviation Authority	77
3.	National Highway Authority	240
4.	Pakistan Public Works Department	168
5.	Estate Office	3
6.	Federal Government Employees Housing Foundation	0
7.	National Construction Limited	0
8.	Pakistan Housing Authority Foundation	13
9.	Higher Education Commission	20
10.	Workers Welfare Fund/Boards	16
	Total	601

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, PHAF, HEC and WWF/Bs 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.

Annexure-A

Para 1.1.1: Unauthorized transfer of funds from lapsable PLA-I to non-lapsable PLA-IV - Rs 1,776.376 million

S. No.	Observation No.	Name of Division	Amount (Rs)	Remarks
1.	1	Central Electrical & Mechanical Division, Quetta	470,153,683	Contractor's claims.
2.	22	Central Civil Division, Abbottabad	1,081,356,561	Contractor's claims.
3.	46	Central Civil Division-I, Lahore	811,399	Excess security deposit
4.	56, 57, 58	Central Civil Division-II, Lahore	31,186,430	Excess security deposit
5.	100	Central Civil Division-IV, Islamabad	3,610,000	Excess security deposit
6.	101	Project Civil Division-II, Islamabad	4,139,906	Excess security deposit
7.	109,110,111	Central Civil Division-I, Peshawar	5,988,254	Excess security deposit
8.	129, 130, 131, 132, 133	Central Civil Division-III, Peshawar	5,662,404	Contractor's claims.
9.	136, 137	Central Civil Division, Bannu	51,017,479	Contractor's claims.
10.	150	Central Civil Division, Dera Ismail Khan	327,806	Excess security deposit
11.	153	Project Civil Division, Nowshera	999,645	Withheld O&M charges
12.	165	Central Electrical & Mechanical Division, Peshawar	8,125,000	WAPDA - Installation of meters
13.	227	Central Civil Division, Khuzdar	45,971,605	Contractor's claims.
14.	232	Central Civil Division-I, Quetta	18,893,435	Contractor's claims.
15.	234	Central Civil Division-II, Quetta	48,133,210	Contractor's claims.
		Total	1,776,376,817	

Annexure-B

Refer to Para 2.4.14.1

Deployment of staff in excess of sanctioned strength resulting in excess expenditure

Designation of the post	BPS	Sanctioned Strength	Actual	Excess	Average pay	Months	Amount
Environment Directorate (East)							
Assistant Director	17	01	02	1	70,000	12	840,000
Horticulture Officer	16	03	04	1	50,000	12	600,000
Horticulture Assistant	14	03	04	1	40,000	12	480,000
Supervisor	11	12	14	2	35,000	12	1,680,000
Junior Asstt.	7	01	02	01	30,000	12	360,000
OGMs	05	420	492	72	25,000	12	21,600,000
Sub-total							25,560,000
Environment Directorate (West) Urban-II							
Hort Supervisor	11	14	15	01	35,000	12	420,000
Forest Guard	09	04	06	02	35,000	12	1,680,000
LDC/J.Asstt	11	02	03	01	35,000	12	420,000
OGMs	05	275	357	82	25,000	12	24,600,000
Sub-total							27,120,000
Environment Directorate (West) Urban-III							
Forest Guard	09	04	07	02	35,000	12	840,000
Sub-total							840,000
Environment Directorate (Regional) Forest							
LDC	11	02	03	01	35,000	12	420,000
Hort Supervisor	11	01	02	01	35,000	12	420,000
OGMs	05	200	221	21	25,000	12	6,300,000
Musician	01	01	02	01	20,000	12	240,000
Sub-total							7,380,000
Environment Directorate (Regional) Soil Conservation Unit							
OGMs	05	40	57	17	25,000	12	5,100,000
Sub-total							5,100,000
Grand total							66,000,000