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

GOVERNMENT OF PAKISTAN

AUDIT YEAR 2018-19

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AAR	Accommodation Allocation Rules
ACWC	Asphaltic Concrete Wearing Course
ADA	Airport Development Agency
ADB	Asian Development Bank
ADP	Annual Development Programme
AER	Assistant to Employer's Representative
AGPR	Accountant General Pakistan Revenues
AIIAP	Allama Iqbal International Airport
AIMS	Airport Information Management System
AMP	Annual Maintenance Plan
APM	Airport Manager
ASF	Airport Security Force
BCS	Building Control Section
BOD	Board of Directors
BOQ	Bill of Quantities
BUP	Built-up Property
CAA	Civil Aviation Authority
CCD	Central Civil Division
CDA	Capital Development Authority
CDR	Call Deposit Receipt
CDL	Cash Development Loan
CDWP	Central Development Working Party
Cft	Cubic Feet
CIP	Commercially Important Person
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
DBA	Directorate of Budget and Accounts
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
ECNEC	Executive Committee of the National Economic Council
EO	Estate Office
EOI	Expression of Interest
EOT	Extension of Time
EPC	Engineering, Procurement and Construction
FA	Financial Advisor
FAR	Floor Area Ratio
FBR	Federal Board of Revenue
FGEHF	Federal Government Employees Housing Foundation
FIDIC	Federation Internationale Des Ingenieurs-Conseils (International Federation of Consulting Engineers)
FWO	Frontier Works Organization
GWL	General Waiting List
HDM	Highway Development and Management
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
IPC/EPC	Interim/Escalation Payment Certificate
ITS	Intelligent Transport System
JCR	Japan Credit Rating
JIAP	Jinnah International Airport
JV	Joint Venture
KKH	Karakoram Highway
KLM	Karachi Lahore Motorway
LAC	Land Acquisition Collector
LED	Light Emitting Diode

MB	Measurement Book
MCI	Metropolitan Corporation Islamabad
MFDAC	Memorandum for Departmental Accounts Committee
MoC	Ministry of Communications
MoU	Memorandum of Understanding
MPO	Machinery Pool Organization
NAM	New Accounting Model
NCL	National Construction Limited
NDC	No Demand Certificate
NESPAK	National Engineering Services of Pakistan
NHA	National Highway Authority
NHC	National Highway Council
NHEB	National Highway Executive Board
NHRP	National Highway Rehabilitation Programme
NIIAP	New Islamabad International Airport Project
NIT	Notice Inviting Tender
NLC	National Logistics Cell
NOC	No Objection Certificate
NTRC	National Transport Research Centre
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)
PD&R	Planning, Development and Reform
PEC	Pakistan Engineering Council
PHAF	Pakistan Housing Authority Foundation
PLA	Personal Ledger Account
PM	Periodic Maintenance
PMC	Project Management Consultants
PPRA	Public Procurement Regulatory Authority
PPWD	Pakistan Public Works Department
PSDP	Public Sector Development Programme
PSO	Pakistan State Oil

PWD	Public Works Department
QCBS	Quality Cost Basis Selection
RCC	Re-inforced Cement Concrete
RD	Reduced Distance
RE	Resident Engineer
RFP	Request for Proposal
Rft	Running Feet
RM	Routine Maintenance
RMA	Road Maintenance Account
RoW	Right of Way
SAR	Special Audit Report
SDGs	Sustainable Development Goals
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
X-section	Cross Section

PREFACE

The Auditor General conducts audit subject to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001.

The report is based on audit of the accounts of NHA, CDA, Metropolitan Corporation Islamabad, CAA, Pak. PWD, Estate Office, FGEHF, National Construction Limited, PHAF, HEC, Workers Welfare Fund/Boards and PD&R for the financial year 2017-18 and also contains some audit observations for the financial year 2016-17. The Directorate General Audit Works (Federal), Islamabad conducted audit during 2018-19 on a test check basis to report significant audit findings to the stakeholders. This includes only the systemic issues and audit findings carrying value of Rupees one 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 cases where the PAO does not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee in the next year's Audit Report.

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

Most of the Audit observations included in the report have been finalized in the light of written response of the management and discussions in the Departmental Accounts Committee meetings.

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

Sd/-

Islamabad
Dated: 14th February, 2019

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit Works (Federal), Islamabad, carried out audit of the Federal Government entities engaged in construction works, namely, National Highway Authority, Capital Development Authority, Civil Aviation 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). 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 158 personnel including officers and staff. The annual budget of the Directorate General for the current financial year is Rs 156.988 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 (2018-19), for the Compliance with Authority Audit, the Directorate General Audit Works (Federal) conducted audit of 98 formations, out of the 277 under its audit jurisdiction during Phase-I of the Audit Plan, by deputing fifteen (15) Field Audit Teams with an input of 3,525 man-days. Moreover, regularity audit of twenty-two (22) formations relating to NHA, CDA, CAA, PHAF and PD&R were conducted in Phase-II of Audit Plan of 2017-18 and significant audit observations have been included in this Audit Report.

i. Audit Objectives

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 spending public money;
iii. ascertain whether expenditure is incurred with the approval of the competent authority;
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; and
vi. ascertain that rules and procedures were followed in assessment and collection of revenues.

ii. Scope of Audit

Auditable expenditure under the jurisdiction of Directorate General Audit Works (Federal), Islamabad for the year 2017-18 was Rs 485.430 billion covering 277 formations under seven (07) PAOs. Out of this, the Directorate General Audit Works (Federal) audited an expenditure of Rs 182.918 billion to check compliance with applicable rules and regulations.

The audit coverage also includes the revenue collection amounting to Rs 143.922 billion.

iii. Recoveries at the instance of audit

The Directorate General Audit Works (Federal), Islamabad pointed out 'overpayments' and 'recoverables' amounting to Rs 34,496.067 million. The management accepted the stance of Audit to the extent of Rs 8,689.109 million. An amount of Rs 512.674 million has already been recovered and verified by Audit till the finalization of this report.

In addition to the above stated recoveries, an amount of Rs 1,139.10 million also recovered as pointed out by Audit in previous years. Total recovery of Rs 1,651.774 million was verified by Audit from February 2018 to January 2019 till the finalization of this Audit Report.

iv. 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 to discuss and resolve audit observations.

The Principal Accounting Officers are regularly requested to convene DAC meeting to discuss Audit Reports. During the period from 1st July, 2018 till the finalization of this Audit Report, thirteen(13) 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.

v. 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. A Risk Area Digest listing 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 with rules, regulations and prescribed procedures.
ix. Evaluating results.
x. Reporting.
xi. Follow-up.

vi. 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 ensures financial and regulatory discipline in public sector. Following are instances of major audit impact:

i. While discussing Para 2.4.2 of Audit Report on the accounts of CDA for the year 2016-17, PAC in its meeting held on 02.04.2018, issued directions to PAO that the land of the societies of which layout plan have been approved be retrieved as that property is legally of CDA and NOC of the Societies should be cancelled through advertisement.

ii. While discussing Para 2.4.45 of Audit Report on the accounts of CDA for the year 2016-17, PAC in its meeting held on 20.04.2018, issued directions to PAO to devise a comprehensive plan to handle the issue of waste material in the Capital by installing plants and dumping of waste should be away from roads, schools and residential areas.

iii. While discussing Para 3.1 of Audit Report on the accounts of CAA for the year 2016-17, PAC in its meeting held on 07.11.2017, issued directions to PAO to change the SRO by replacing three years with six months (as per existing SRO, CAA had to wait for three years before final disposal of an abandoned aircraft).

iv. While discussing Para 4.4.4.2 of Audit Report on the accounts of NHA for the year 2016-17, PAC in its meeting held on 28.03.2018, issued directions to NHA to standardize tender documents by adding the words “180 days or six months”.

v. DAC directed NHA that savings during execution of work in future shall be injected back in to the system and any additional work of emergency nature shall be authorized only by NHA HQrs (DP. 06).

vi. The DAC directed NHA that in case of single bid, the bidding process should be repeated at least once and in case of acute urgency approval may be obtained from NHA HQrs (DP. 16).

vii. DAC directed NHA to stop the practice of bridge financing maintenance works from PSDP funds forthwith and rules on the subject be observed (DP. 103).

viii. DAC directed that the consultants hired on Quality Cost Based Selection methods must be held to strict performance audit and key personnel of the consultants must be employed on the project (DP. 158).

ix. DAC directed that NHA will make its Annual Maintenance Plan more efficient. Payment of previous years' liabilities can only be done with express approval of the Executive Board-NHA to clear backlog. The NHA Executive Board must ensure that this practice is seized as early as possible (DP. 215).

vii. Comments on Internal Controls and Internal Audit Department

The present report has identified a range of irregularities, which have been recurring over the years. The recurrence of these irregularities indicates that systemic issues were cropping up either due to inadequate oversight mechanism or inappropriate design of internal controls.

Although NHA, CDA, CAA and Pak. PWD have an internal audit setup, but the financial irregularities observed during the current audit reflect that this function failed to deliver 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.

In case of other audited entities (FGEHF, PHAF, NCL), which do not have internal audit setup, we emphasize 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.

viii. Key Audit Findings of the Report

Major audit findings included in this Audit Report are:

i. NHA did not make adjustments on account of reduction in scope of work and non-compliance to contract provisions in EPC Projects for Rs 36,703.784 million in four cases. [1]

ii. Overpayments of Rs 4,882.579 million were made by NHA, CDA, CAA and Pak. PWD due to price escalation/de-escalation, incorrect application of rates and payment of inadmissible items of work in sixteen cases. [2]

iii. Recoveries on account of mobilization advance, secured advance, defective and sub-standard works were not made by NHA, CAA, Pak. PWD and PD&R for Rs 2,016.104 million in eight cases. [3]

iv. Revenue of Rs 4,170.715 million on account of lease money, building control/transfer fee, fine, rent, property tax,

[1] Para 2.4.14, 2.4.15, 2.4.24, 2.4.25

[2] Paras 2.4.20, 2.4.28, 2.4.33, 2.4.34, 2.4.35, 2.4.36, 2.4.37, 2.4.42, 2.4.44, 2.4.53, 3.4.15, 4.4.20, 4.4.32, 4.4.34, 5.4.10, 5.4.18

[3] Para 2.4.26, 2.4.38, 2.4.45, 2.4.51, 4.4.24, 5.4.3, 11.4.4, 11.4.5

premium on commercial plots, etc. was not realized/ recovered by CDA, CAA and Pak PWD in eleven cases. [4]

v. NHA, CAA, Pak. PWD, PHAF and HEC awarded works in violation of Public Procurement Rules for Rs 14,609.440 million in twelve cases. [5]

vi. CDA and CAA made payments against work done of Rs 11,688.03 million without recording measurements in the Measurement Books in two cases. [6]

ix. Recommendations

i. Recoveries of overpayments may be made to ensure financial discipline and responsibility may also be fixed against the responsible.

ii. Recoverables from contractors on account of mobilization advance, secured advance and defective works, etc. may be recovered besides contract management may be strengthened to avoid such lapse.

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. Rules for maintenance of basic accounting record for works execution and payments may be implemented in true letter and spirit.

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[4] Paras 3.4.8, 3.4.9, 3.4.22, 3.4.24, 3.4.25, 3.4.34, 3.4.35, 4.4.18, 5.4.29, 5.4.31, 5.4.33

[5] Paras 2.4.1, 2.4.10, 4.4.3, 4.4.7, 4.4.8, 4.4.9, 5.4.2, 5.4.15, 8.4.1, 8.4.3, 8.4.4, 9.4.3

[6] Paras 3.4.18, 4.4.2

SUMMARY TABLES AND CHARTS

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S. No.	Description	No.	Budget (Expenditure & Receipts)
1.	Total Entities (Ministries/PAOs) in Audit Jurisdiction	07	695,377.513
2.	Total formations in audit jurisdiction	277	
3.	Total Entities(Ministries/PAOs) Audited	07	
4.	Total Formations Audited	98	343,292.362
5.	Audit Inspection Reports	98	

Table 2: Audit Observations classified by Categories

(Rs in million)

S. No.	Description	Monetary Value of Audit Observations
1.	Unsound asset management	380.748
2.	Weak financial management	10,773.765
3.	Weak internal controls relating to financial management	113,406.856

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	390.201	219,151.801	91,009.508	32,740.852	343,292.362	291,746.81
2.	Monetary Value of Audit Observations	92.810	111,805.240	10,311.767	2,351.552	124,561.369	118,445.12
3.	Recoveries pointed out at the instance of Audit	-	26,548.735	7,947.332	-	34,496.067	11,303.53
4.	Recoveries Accepted/ Established at the instance of Audit	-	2,990.099	5,699.010	-	8,689.109	5,638.62
5.	Recoveries Realized at the instance of Audit	-	1,069.599	582.175	-	1,651.774	1,021.20

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	36,897.644
2.	Reported cases of fraud, embezzlement, theft and misuse of public resources	15.451
3.	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances)	198.813
4.	Quantification of weaknesses of internal control systems	78,760.352
5.	Recoveries and overpayments, representing cases of established overpayment or misappropriation of public monies	8,689.109

Table 5: Cost-Benefit Ratio

(Rs in million)

S. No.	Description	Current Year	Last Year
1.	Outlays audited	343,292.362	291,746.81
2.	Expenditure on Audit	156.988	160.35
3.	Recoveries realized at the instance of Audit	1,651.774	1,021.20
4.	Cost-Benefit Ratio	1:10.52	1:6.37

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 paras on budget utilization and accounting procedures are as follows:

1.1 AUDIT PARAS

1.1.1 Irregular expenditure on work charged establishment - Rs 1,826.870 million

Para 2.03 (a) & (b) of Pak. PWD Code requires 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.

As per standard formula for estimation of annual and special repair, proportionate cost is bifurcated in following three components:

i.	Work through contracts	…….	65%
ii.	Staff salary	…….	25%
iii.	Material	…….	10%

The expenditure on pay and allowances of regular establishment is chargeable to head of account "A01-Employee related expense".

Audit noted that Pak. PWD booked an expenditure of Rs 1,826.870 million on account of pay and allowances of regular work charged staff against Head A-13 Repair and Maintenance under Grant 49-Civil Works.

Audit observed that total expenditure on account of Repair and Maintenance was Rs 2,335.289 million, out of which Rs 1,826.870 million were against salary of work charged staff which constitutes seventy-eight(78)% against the admissible 25%. Moreover, the expenditure on regular work charged staff was charged to maintenance grant instead of head "A-01-Employee related expense".

This resulted in irregular expenditure of Rs 1,826.870 million.

Audit pointed out the matter in October, 2018. The department replied that an expenditure of Rs 1,826.870 million pertains to the salaries of Work Charged/Maintenance staff against the budget of Rs 1,830.382 million provided by the Finance Division, therefore, question of misclassification of expenditure does not arise. The department further replied that the case has already been taken up by the Ministry of Housing & Works with the Controller General of Accounts vide letter dated 10th July, 2018 under which the Ministry has requested for creation of new detailed Object classification "Salaries of Maintenance staff" under major object classification "A01-Employee related expense" for payment to the Maintenance Staff Establishment. Payment of pay & allowances of Maintenance Staff is the first and foremost obligation of the department.

The reply was not tenable because expenditure of pay and allowances is being charged to Head "Repair and Maintenance" instead "Employee related expense". Moreover, budget specified for repair and maintenance of government buildings was being utilized on salaries of the work charged staff which compromised the maintenance of government property by insufficient repair maintenance.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein the DAC was informed that the Ministry of Housing and Works is taking up the issue for transfer of pay of work charged employees to Head "Employees related expense" with Ministry of Finance. Para was pended till final action/resolution of the issue.

Audit recommends action for resolution of the issue.

(Para 6 Comments on Appropriation Accounts and DP. 01, 05, 20, 63, 97, 108, 121, 131, 145, 180)

1.1.2 Unauthorized transfer of funds of Development Schemes from PLA-I (Lapsable) to PLA-IV (Non-lapsable) - Rs 198.813 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 (PLA) in 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 observed during scrutiny of the monthly account of the Executive Engineer Central Civil Division Pak. PWD Abbottabad for the month of June, 2018 that the funds for Development Schemes under Prime Minister's SDGs Achievement Programme were originally placed under PLA-I (Lapsable). Subsequently, in the month of June, 2018 the funds amounting to Rs 196.631 million were transferred to the PLA-IV to avoid lapse of unspent amount on closing of the financial year as per requirement of PLA-I account.

Audit further noted that Executive Engineer Central Civil Division-II Pak. PWD Quetta approved contractor's claim (3rd Running Bill) for the work "Construction of Black Top Road from Mal Chowki to Soryanrhi Union Council Mal Tehsil & District Sibi (NA-26) and booked the expenditure against the work done for Rs 9.954 million. At the time of payment in May 2018, an amount of Rs 2.182 million was withheld. The withheld amount withdrawn from lapsable PLA-I, was unlawfully transferred to PLA- IV (non-lapsable account).

This resulted in to irregular transfer of funds of Rs 198.813 million from lapsable account to non-lapsable account.

Audit pointed out the irregularity in November 2018. The department replied that the funds were received almost in the last quarter of the fiscal year. Due to shortage of field staff the detailed measurements were not possible in short span of time. Similarly the test checks were also not possible. Hence, in the interest of the schemes as well as to avoid the litigation on the subsequent stage by contractors, amounts against the work done at site were withhold and taken in PLA-IV (Part-V).

The reply was not acceptable. The amount was withheld and booked as expenditure which caused the overstatement of expenditure during the financial year 2017-18. The amount was withheld in violation of Finance Division instructions and unspent fund balances were not surrendered but transferred to Non-lapsable PLA-IV.

Audit recommends that action be taken against the persons at fault besides improving budgetary mechanism.

(Paras 1 and 86 PLA-I of ML)

CHAPTER 2
NATIONAL HIGHWAY AUTHORITY
(MINISTRY OF COMMUNICATIONS)

2.1 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 is under the administrative control of Ministry of Communications (Communications Division). As per Schedule-II of Rules of Business, 1973 (amended up to January 2019), business assigned to Communications Division includes National Planning, research and international aspects of roads and road transport; National Highways and strategic roads; National Highway Council and Authority; Administration of the Central Road Fund and Fund for Roads of National Importance.

NHA has its Headquarters at Islamabad with Regional Offices at Peshawar, Abbottabad, Burhan, Gilgit, Kallar Kahar, Lahore, Multan, Karachi, Sukkur, Quetta and Khuzdar.

2.1.1 Duties and Responsibilities

As per NHA Act, 1991 (amended in 2001), 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 in to 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.

2.1.2 Organizational Structure

NHA is headed by 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.

2.1.3 Funding/Income sources and positions

Grants

- Federal Government

Loans

- Cash Development Loan (CDL) - 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

2.2 Comments on Budget and Accounts (Variance Analysis)

Table below shows the position of budget allocation and actual expenditure for the financial year 2017-18:

(Rs in million)

Type of Funds	Original Budget	Revised/ Final Budget	Actual Expenditure i/c CDL adjustment	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development					
Maintenance Grant (GoP)	2,462.316	1,454.383	1,454.383	-	-
Road Maintenance Account/ AMP	48,532.420	12,875.576	12,875.576	-	-
Sub-Total	**50,994.736**	**14,329.959**	**14,329.959**	**-**	-
Development Funds					
PSDP (Local)	233,570.337	199,130.334	195,575.017	(3,555.317)	(1.78%)
PSDP (Foreign)	86,150.000	133,294.554	133,294.554	-	-
Sub-Total	**319,720.337**	**332,424.888**	**328,869.571**	**(3,555.317)**	(1.07%)
Grand Total	**370,715.073**	**346,754.847**	**343,199.530**	**(3,555.317)**	**(1.02%)**

Operating income for the financial year 2017-18 is as under:

(Rs in million)

Sr. No.	Description	Estimated Revenue	Actual Receipt realized	Excess/ (Shortfall)	Excess/ (Shortfall) in %
1	Toll Collection	20,684.150	19,298.420	(1,385.730)	(6.70)
2	Weigh Stations Income	350.000	540.850	190.850	54.53
3	Police Fine	4,298.920	4,014.650	(284.270)	(6.61)
4	Right of Way/Rental Income	1,700.000	1,912.910	212.910	12.52
5	Other Miscellaneous	975.000	2,078.310	1,103.310	113.16
	Total	**28,008.070**	**27,845.140**	**(162.930)**	**(0.58)**

1. Audited financial statements for the year 2017-18 were not produced by the Authority till the finalization of this report. Therefore, Audit is unable to comments on the accounts and financial statements.

2. A sum of Rs 128,051.030 million was actually released to NHA for utilization on development projects under PSDP (Local) during the financial year 2017-18 after adjustment of Rs 71,079.304 million on account of repayment of Cash Development Loan. PSDP Utilization report indicated that NHA actually utilized a sum of Rs 124,268.602 million on development projects, leaving a balance of Rs 3,782.428 million unspent as on 30th June, 2018. However, reconciliation statement of Assignment Accounts indicated a balance of Rs 3,555.317 million. Difference of Rs 227.111 million needs to be explained. (DP. 423)

3. Against the estimated receipts of Rs 28,008.070 million, the Authority actualized net receipt of Rs 27,845.140 million showing a shortfall of Rs 162.930 million (0.58%).

4. Against the estimated receipt of Toll Collection of Rs 20,684.150 million, the Authority was able to actualize net receipt of Rs 19,298.420 million showing a shortfall of 1,385.730 million

(6.70%) despite the fact that toll rates and quantum of traffic and length of motorway/road network were increased during the year.

5. Against the estimated receipt of Police Fine of Rs 4,298.920 million, the Authority was able to actualize net receipt of Rs 4,014.650 million showing a shortfall of Rs 284.270 million (6.61%) of original estimate.

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

Compliance position with 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
1989-90	3	3	2	1	66.67
1990-91	9	9	8	1	88.89
1991-92	31	31	25	6	80.65
1992-93	88	88	83	5	94.32
1993-94	117	117	26	91	22.22
1994-95	38	38	34	4	89.47
1995-96	25	25	23	2	92
1996-97	45	45	42	03	93.33
1997-98	468	468	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	0
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
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
2008-09	SAR-	4	-	4	0

Year	Total Paras	Total No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of compliance
	120				
2010-11	86	86	43	43	50
	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	02	08	20.0
2016-17	205	25	19	06	24

Note: Audit Reports for 2011-12, 2012-13, and 2017-18 have not been discussed by PAC till the finalization of this Audit Report. Whereas, Audit Report for 1997-98, Special Audit Report 2008-09 (FY 2005-08) and Audit Reports for 2014-15, 2015-16 and 2016-17 were partially discussed.

2.4 AUDIT PARAS

Irregularity and Non-compliance

2.4.1 Award of additional works without fresh tender - Rs 7,778.460 million

Rule 12 (2) of Public Procurement Rules 2004 states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media, principally at least two national dailies, one in English and the other in Urdu. Rule 42 (c) (iv) of ibid rules provides that a procuring agency shall only engage in direct contracting if the repeat orders do not exceed fifteen percent (15%) of the original agreement.

Para 70 of NHA Code Volume-I provides that if in case of a variation order, the project cost exceeds by more than 15% of the original project cost, fresh approval for administrative, technical and financial sanction for entire revised cost (original plus variation) shall be obtained from the competent authority.

Audit observed that during execution of twenty-nine (29) Development projects/Periodic Maintenance/Rehabilitation/Routine Maintenance works, additional works were awarded to the contractors in addition to their original works without tendering. In some cases the original locations (where the work was to be executed) was changed through variation orders. Audit is of the view that award of additional works and change of locations through variation orders was violation of rules. This resulted in irregular award of additional works Rs 7,778.460 million **(Annexure-A)**.

Audit pointed out the issue in January-September 2018. The Authority replied that the works were executed as per site requirement after approval of the competent authority.

The reply was not accepted, because the enhancement of works more than 15% beyond the original scope of works was violation of PPRA Rules and directions of PAC.

The matter was discussed in the DAC meeting held on 7th - 8th November 2018 and 14th - 15th January 2019. The DAC directed that in future all changes of sites/locations with respect to utilization of saving will require approval of the Executive Board/competent forum. NHA Board will examine the issue and submit its findings to Ministry/Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.2 Non-obtaining of vouched account and payment for land beyond the actual requirements - Rs 2,638.172 million

As per Para 72 of Central Public Works Accounts Code, every payment for whatever purpose must be supported by a voucher setting forth full and clear particulars of the payment/claim.

Para-12 Chapter-7 of NHA Code Vol-I provides that the funds credited to the Land Acquisition Collector's (LAC) account shall be treated as an advance. The LAC shall be responsible for rendering complete accounts record and supporting documents on quarterly basis to the accounts section concerned for settlement of advance.

Audit noted that the Authority made a payment of Rs 2,638.172 million to the Assistant Commissioner/LACs on 15th September, 2017 for land required for additional two lanes of road for the project "Improvement & Widening of additional two lanes on either side from Thokar Niaz Baig to Hudyiara Drain Multan Road (N-5)".

Audit observed that due to change in design, the work of two additional lanes was reduced to one lane but excessive amount paid for acquisition of land was not received back and adjusted. Vouched account of the same was not obtained by the Authority despite lapse of one year and the land was also not mutated in the name of Authority.

Audit pointed out the irregularity in November 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends adjustment of excess payments made to the LAC as per actual site requirement.

(DP. 437)

2.4.3 Award of works without detailed quantities - Rs 1,402.319 million

As per para 2.10 of NHA Code Volume-II, Administrative Approval means the formal acceptance by the competent authority of proposal for incurring expenditure on a work connected with the requirements of the Road Maintenance Account (RMA). It is, in effect, an order to execute a specified work or to procure specified goods and services at a stated cost. Para 2.11 of the Code provides that Technical Sanction means the order of the competent authority sanctioning a properly detailed estimate of the cost of a work, good, or service related to RMA. Technical sanction shall be construed as a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data.

Audit noted that the Authority awarded 177 Routine Maintenance works of Rs 1,402.319 million during the year 2017-18 as detailed below:

(Rs in million)

DP No.	Name of Formation	Number of works	Amount
01	General Manager Punjab (South), Multan	86	441.972
216	General Manager Balochistan (West), Gwadar	21	78.461
414	General Manager Balochistan (North), Quetta	70	881.886
	Total	**177**	**1,402.319**

Audit observed that engineer estimates of these works were without calculation of quantities required at site of work. Also Contract agreements/BOQs of all the works were without quantities, which is against the rules. This resulted in irregular award of works for Rs 1,402.319 million.

Audit pointed out the irregularity during August-December 2017. The Authority replied that Chairman NHA has approved to procure the Routine Maintenance contract through open competitive bidding and obtaining lowest rates for execution of all items on as & when required basis against funds provided. After award of contract, a detailed joint survey of the site is carried out by officer & field staff and approved by the authorized officer. This practice has been devised after the long experiences of NHA to avoid any variation in Routine Maintenance Contracts.

The reply was not accepted because calling of tenders and award of works without site surveys and detailed calculation of required items was irregular and in violation of rules referred above.

The matter was discussed in DAC meeting held on 7th - 8th November, 2018. The DAC directed that a four member committee will examine the procedure/policy and RMA Standard Operating Procedure and submit its report with recommendations by 21st November, 2018. Compliance of DAC directive was not reported till finalization of this report.

Audit recommends compliance of DAC directive.

2.4.4 Execution of capital/development work from Road Maintenance Account - Rs 1,243.516 million

As per NHA Code Volume-I, Original Capital Works are defined as works, necessitated by administrative, as distinct from technical or engineering reasons, comprising new works/constructions, additions, works necessary to bring into use previously abandoned building, roads falling in the category of original works, etc.

Audit noted that NHA awarded the project “Rawat-Rawalpindi Widening Project-Phase-II” to M/s A.K Communication for Rs 1,243.516 million.

Audit observed that the work was awarded without preparing PC-I and without administrative approval from the competent forum i.e. Central Development Working Party (CDWP). Audit further observed that the capital and development work was awarded against Road Maintenance Funds.

Audit pointed out the matter in July 2018. The Authority replied that the said work for widening of existing bridges was charged to RMA because it was not a new construction.

The reply was not acceptable because the work was of Capital nature involving cost of Rs 1,243.516 million and competent forum to accord administrative approval was CDWP. NHA, however, awarded the work with the approval of NHA Executive Board.

The matter was discussed in DAC meeting held on 7^{th} - 8^{th} November, 2018. The DAC pended the para for verification of record to check whether it is a Capital / Development work or a maintenance work within 15 days. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 116)

2.4.5 Unauthorized approval of Variation Orders - Rs 827.180 million

Para 70 of NHA Code Volume-I provides that If in case of a variation order, the project cost exceeds by more than 15% of the original project cost, fresh approval for administrative, technical and financial sanction for entire revised cost (original plus variation) shall be obtained from the competent authority.

Para 71 of NHA Code provides that in a case where such excess has the effect of exceeding the maximum monetary limit of the original sanctioning authority, the variation order shall be submitted for the approval of the authority within whose power the project as amended falls. No work shall be carried out and no expenditure shall be incurred until fresh approval from the concerned authority has been obtained for the revised cost.

Audit noted that National Highway Authority during execution of different works made payments to contractors against enhanced scope of through variation orders for Rs 827.180 million, as detailed below:

(Rs in million)

DP No	Name of Project/Description	Contract Amount	Revised Contract Cost after Variation	Amount of variation and %	Competent forum of approval	Approval Accorded by
311	Qila-Saifullah-Loralai-Waigum Rud Section of NHA N-70, Lot-1	4,454.848	5,115.879	661.031 (14.83%)	ECNEC	Member West Zone
119	Construction of Road Safety Training Institute NH&MP at H-8/2 Islamabad	63.626	157.834	94.208 (148%)	NHA Executive Board	Chairman NHA
51	PM-2014-15-SS-01(KM107-117)	99.425	121.393	21.968 (22%)	NHA Executive Board	Member South NHA
	PM-2014-15-SS-02(KM171-202)	281.46	331.433	49.973 (17.75%)	NHA Executive Board	Member South NHA
Total			**4,899.359**	**827.18**		

Audit observed that the approval of variation orders was accorded by other than the competent forum as detailed in the table above. This resulted in unauthorized approval of variation orders and payment of Rs 827.180 million.

Audit pointed out the irregularity in July and September, 2018. The Authority replied that the variation orders were initiated when the necessity of deviation from original drawings or BOQ due to site requirement was essential.

The reply was not accepted because the variations were got approved at Member and Chairman NHA level and approval from competent forum i.e. NHA Executive Board and ECNEC was not obtained as required.

The matter was discussed in the DAC meeting held on 7th& 8th November, 2018. The DAC directed NHA to bring the matter before NHA Executive Board for rectification/amendment. Compliance to the DAC directive was not reported till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.6 Defective estimation caused enhancement of earthworks - Rs 547.448 million

Para 56 of Chapter-2 of NHA Code Vol-I provides that Technical Sanction is a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data. It shall be issued on the basis of detailed estimates for the project as a whole, after administrative approval is accorded.

Audit noted that National Highway Authority awarded a contract for Up-gradation, Widening & Improvement of Zhob-Mughal Kot (Lot-2) Killi Khuda-e-Nazar to Mughalkot (N-50) to M/s Maqbool - Zarghoon (JV) at an agreement cost of Rs 4,043 million on 14th January, 2016 with date of completion on August, 2018.

Audit observed that during execution of contract, quantities of favourable items like excavation of unsuitable and formation of embankment from borrow were increased. The amount of earthworks was increased from Rs 868.698 million to Rs 1,416.146 million. Defective estimation caused enhancement of earthworks for Rs 547.448 million.

Audit pointed out the irregularity in September 2018. The Authority did not reply.

The matter was discussed in DAC meeting held on 26th-27th December, 2018. DAC directed NHA to hold an inquiry for faulty/ defective estimation. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 252)

2.4.7 Mis-management in procurement of works - Rs 390.945 million

Para 56 of Chapter-2 of NHA Code Volume-I provides that technical sanction means the order of the competent authority sanctioning a properly detailed estimate of the cost of a work of construction or repair proposed to be carried out by the Authority. 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.

NHA Executive Board in its 264th meeting held on 16th May 2016 approved the estimates of rehabilitation & widening works including PM-2015-16-SN-03, 07 and 08.

Audit noted that General Manager, Sindh North, NHA, Sukkur floated tenders for periodic maintenance works of Sindh North Region on 26th August, 2016. The contracts PM-2015-16-SN-03, 07 and 08 were awarded to M/s HRK & Co and M/s Karamullah Construction Company respectively at 28.43%, 31.50% and 31.40% below the engineering estimates on 18th April, 2017 for Rs 141.804 million, Rs 144.572 million and Rs 104.569 million respectively.

Audit observed that after issuance of acceptance letter the scope and design of works were changed. The contractors regretted to execute the changed scope of work at quoted rates.

This resulted in non-execution of 03 periodic maintenance works for Rs 390.945 million. Audit is of the view that non-execution of three works may result in higher cost due to price hike. Further, the road users were deprived from the benefit of safe road usages and avoidance of accidents.

Audit pointed out the irregularity in December 2018. The Authority replied that the contracts were designed and procured at NHA HQrs which were reviewed before execution by supervisory consultants. The contractors did not agree to execute the said non-BOQ items with the same bid rates of below 31.50 %, 31.40% and 28.43% respectively as proposed by NHA HQrs. Resultantly, the contracts were recommended for annulment and re-tendering.

The reply was not accepted because the design and technical sanction estimates were faulty. The Authority lost the opportunity to get the works executed at rebated bids up to 31% below the engineering estimates.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for fixing of responsibility and recovery of loss from the responsible under intimation to Audit

(DP. 492)

2.4.8 Expenditure without prior approval of variation order - Rs 306.044 million

As per Para 2.61, Chapter-II of NHA Financial Manual, in respect of any work which has been administratively approved, no officer will take any action to incur expenditure in excess of the approved amount beyond permissible limits whether such excess is due to error in the approved estimates, alteration of the approved design or other causes without obtaining prior sanction from competent financial authority.

Audit noted that the work “Construction of Gwadar-Ratodero Road Project (M-8), Section-IV (Package-IV)” was awarded to M/s SMADB Pvt Ltd for Rs 524.857 million and last variation order was approved of Rs 2,909.560 million.

Audit observed that against the approved cost of Rs 2,902.560 million, work done of Rs 3,208.604 million was measured and paid. This resulted in unauthorized expenditure of Rs 306.044 million.

Audit pointed out the unauthorized expenditure in October 2018. The Authority replied that rationalized VO-5 as per actual site requirement was submitted to NHA Board. Payment of work-done was allowed provisionally for timely completion of project.

The reply was not accepted because NHEB in its 264th meeting dated 16th May, 2016 allowed provisional payment due to pending VO-4. Audit did not object the VO-4 and objection was raised for the excess payment over VO-5.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of Rs 306.044 million along with disciplinary action against the persons at fault.

(DP. 381)

2.4.9 Award of consultancy contract at higher rates - Rs 241.856 million

Para 2.2 of Guidelines of Asian Development Bank provides that Quality and Cost Based Selection (QCBS) method is used when the borrower and the consultant can estimate with reasonable precision the personnel time as well as the other inputs required of the consultants.

Para 2.27 provides that Least Cost Selection is only appropriate for selecting consultants for simple projects, where well-established practices and standards exist. The RFP define the minimum qualifying marks 750 out of 1000. Technical proposal will be opened first and evaluated then financial proposals will be opened in public, the firm will be the lowest price shall be selected and invited to finalize the contract.

Audit noted that expression of interest for construction supervision of consultants for “Post Flood NHRP project” was invited on 27.04.2016 on quality cost basis. Six firms were shortlisted. The financial proposal was announced of these six technically qualified (JVs) wherein M/s Resource Development Consultant stood 1st lowest at evaluated amount of Rs 545.332 million.

Audit observed that the contract was awarded to M/s SMEC International for Rs 787.189 million. This resulted in award of consultancy contract at higher cost of Rs 241.857 million.

Audit pointed out the irregularity in August, 2018. The Authority replied that selection of consultants was made on Quality Cost Basis as per ADB Guidelines.

The reply was not accepted because the nature of work involved for consultancy was a routine nature work and Least Cost Selection tendering was required as per ADB Guidelines referred above. Moreover, during execution of work M/s SMEC International did not deploy key foreign and national experts (on which basis they were awarded the contract).

The matter was discussed in DAC meeting held on 12^{th}-13^{th} December, 2018. DAC directed for verification of relevant record from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 157, 158)

2.4.10 Award of works to the 2nd lowest - Rs 179.740 million

As per rule-38 of Public Procurement Rules 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 rule-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 the Authority awarded 9 works involving Rs 1,433.489 million to various contractors during the year 2017-18.

Audit observed that the works were awarded to 2nd lowest bidders instead of 1st lowest. This resulted in loss of Rs 179.740 million, as detailed below:

(Rs in million)

DP. No	Name of work	1st lowest bidder	Agreement cost	Excess Amount
150	Reh. of National Highways Behrain-Kalam Section N-95 Package-I (lot-I & II) 11.365 Km and 8.575 km	1,173.236	1,322.184	148.95
297	BSHS-2014-15-PN-WZD	16.297	21.029	4.73
297	BSHS-5-2014-15-PN-LHR-05	28.545	37.436	8.89
340	RM-KP-16-1025(k)	6.733	10.581	3.85
340	RM-KP-16-1026(k)	3.954	7.206	3.25
340	RM-KP-16-1027(k)	6.141	11.193	5.05
340	RM-KP-16-1093(S)	6.976	8.297	1.32
340	RM-KP-16-1099(S)	5.607	7.227	1.62
340	RM-KP-16-1094(S)	6.251	8.334	2.08
		1,253.74	**1,433.489**	**179.74**

Audit pointed out the loss in August-September, 2018. The Authority replied in one case that the work was awarded on Least Cost Basis to the 2nd lowest bidder. In other cases the contractors failed to provide performance guarantee within given time period and contracts were rescinded after forfeiture of security deposit and works were awarded to 2nd lowest bidders.

The reply was not accepted because the works were illegally awarded to the 2nd lowest bidders. Works were required to be re-tendered to achieve the competitive rates through open competitive bidding.

The matter was discussed in DAC meeting held on 12th-13th December, 2018. DAC directed that verification of technical and financial bids and financial capacity of the contractor may be made from Audit in 15 days. It was further directed that NHA will recover the security from the contractor. The contractor will be barred for five years for participation in NHA contract. NHA will present to Audit the enabling rules regarding award to the second lowest bidders for verification. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.11 Procurement of vehicles without provision in PC-I - Rs 16.00 million

As per Para 88 (vi) of Chapter 3 of NHA Code Volume-I, 2005, no project vehicle shall be purchased unless a provision thereof exists in the PC-I of that project.

PC-I of the project "Construction of Yakmach to Kharan Road Project" was approved by ECNEC for Rs 13,758 million. There was no provision for procurement of vehicles in the approved PC-I of the project.

Audit noted that National Highway Authority awarded a contract "Construction of Kharan-Yakmach Road Project Section-I (Kharan to Shahi Ghari 50 KM)" to M/s SMADB-RMS JV on 13th November, 2015 for Rs 2,859.682 million.

Audit observed that three vehicles amounting to Rs 16.00 million were procured by the Authority through the contactor without provision in PC-I.

Audit pointed out the irregularity in January 2018. The Authority clarified that the procurement was carried out at NHA HQrs where the vehicles were included, keeping the utmost requirement and considering the remotest and insecure area of the country. So without the vehicles the project operations and supervision were not possible.

The reply was not accepted because there was no provision for purchase of vehicles in the PC-I of the project.

The matter was discussed in DAC meeting held on 7th-8th November, 2018. DAC directed Chairman NHA (M&I) to conduct an inquiry in the matter and fix responsibility of purchase of vehicles without provision in the PC-I. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 40)

2.4.12 Payments against antedated and tampered measurements - Rs 6.927 million

Para 209 of CPWA Code provides that all payments for work or supplies are based on the quantities recorded in the MB. It is incumbent upon the person taking the measurements to record the quantities clearly and accurately as per actual dates of execution. No entry in the measurement book may be erased. Errors in words and figures should be corrected by crossing out incorrect words and figures and inserting the corrections under dated initials of responsible officer.

Audit noted that Deputy Director (Maintenance) NHA, Balakot allowed payment of work done on the basis of antedated record entries, which were changed/tampered but not authenticated and countersigned by the Deputy Director/Director, Maintenance (Northern Areas).

Audit observed that work done entries were mostly recorded by a Lab Technician. These record entries were found antedated and tampered. RDs and dates all were changed which were initialed by Lab Technician and not attested/authenticated by the Deputy Director/ Director.

This resulted into payment of uncertified work done on the basis of antedated measurements in violation of rules - Rs 6.927 million.

Audit pointed out the irregularity in August 2018. The matter was discussed in DAC meeting held on 26th-27th December, 2018. The DAC advised Chairman NHA to suspend the concerned Deputy Director immediately under intimation to Audit for such gross negligence. He may be debarred from field postings for one year and made to undergo basic engineering course for quality and measurement. Inquiry may be got conducted by competent authority under NHA rules. Findings may be shared with DAC for further consideration. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 243)

Internal Control Weaknesses

2.4.13 Non-provision of details of exemptions - Rs 19,047.00 million

As per contract agreement for the project "Construction of Sukkur-Multan Motorway" exemption against custom duties, levies and other relevant taxes on equipment and construction materials amounting to Rs 19,047.00 million was provided to the contractor.

Audit noted that the Authority awarded the project Multan-Sukkur section Lahore-Karachi Motorway to M/s China State Construction Engineering Corporation for Rs 294.352 billion.

Audit observed that 2,835 numbers machinery and equipment of different make and made were imported besides different materials for execution of the project, but the details of cost of custom duties, levies and other relevant taxes on equipment and construction materials imported was not available. The bills of lading submitted in support of imports by the contractor did not contain the information/details of amount of exempted duties, levies and other relevant taxes. This resulted in non-provision of details of exempted duties and taxes amounting to Rs 19,047.00 million.

Audit pointed out the matter in August 2018. The Authority replied that the information about exempted amount will be provided after obtaining from concerned quarter.

The matter was discussed in DAC meeting held on 12^{th}-13^{th} December, 2018. The DAC directed that the exemption given to the contractor shall not exceed the approved limit. NHA and MoC will get the latest details of the exemptions already availed by the contractor from the FBR and share the same with Audit by 13^{th} January, 2019. Compliance of DAC directives was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 133)

2.4.14 Loss due to non-adjustment of reduction in scope of works - Rs 18,977.531 million

Clause-5.1 Section-VIII Particular Conditions, Vol-III of Contract Agreement for EPC contracts as detailed below, provide that any saving incurred/resulted shall be credited to employer's account. Apart, the contractor as well as Employer both has the option of invoking clause 13.2/13.3 of Conditions of Contract to carry out the value engineering exercise at any time if it can reduce costs to the Employer of executing, maintaining or operating the works.

Audit observed that in EPC Projects as detailed below, the structures provided in the contract as Employer's requirement were reduced during execution of work. But the cost of these reduced structures which was built-in under the contract cost was not recovered/adjusted from the total contract amount. This resulted in non-recovery/adjustment of Rs 18,977.531 million, as detailed below:

DP. No.	Name of EPC Project	Cost of structures not executed (Rs in million)
61	Karachi Lahore Motorway (KLM) Lahore Abdul Hakeem Section	7,318.699
141	Construction of Peshawar - Karachi Motorway Section-II Sukkur - Multan Section 392 km	4,951.237
268	Construction of KKH-Phase-II, Havelian-Thakot Section CPEC (Length 118.057 Km)	6707.595
	Total	**18,977.531**

Audit pointed out the matter in August-September 2018. The Authority replied the Contractor is entitled to receive the entire amount denominated against a specific item of work upon its completion based on detailed design prepared by the Contractor and approved by AER/ NHA. This is irrespective of the fact, whether the quantities so executed are more or less than the BOQ quantities.

The reply was not accepted because the contractor included cost of structures in his bid cost which were not actually required at site of work. The contractor saved cost of these unexecuted structures but was not credited to NHA/government.

The matter was discussed in DAC meetings held in November, December 2018 and January 2019. DAC directed that final design and quantities may be finalized and outcome may be reported back to DAC.

Audit recommends that the cost of reduced scope of work may be recovered from the contractor under intimation to Audit.

2.4.15 Non-recovery of unexecuted items of work - Rs 14,884.047 million

As per item 201.3.1 of NHA's General Specifications (Chapter Sub-base and Base), when the required thickness is fifteen (15) cm or less, the aggregate base may be spread and compacted as one layer in road, but in no case shall a layer be less than seven and one half (7.5) centimeters thick. Where the required thickness is more than 15 cm, the aggregate base shall be spread and compacted in 2 or more layers of approximately equal thickness, but in any case the maximum compacted thickness of one layer shall not exceed 15 cm. All subsequent layers shall be spread and compacted in a similar manner.

As per section 4 (ii) schedule of prices and payment for facilities for Employer's Representative and his staff of the contract agreement for the project, Construction of Sukkur-Multan Motorway, the basis of payment will be actual quantities of work as per schedule of prices and payments, as measured and verified by the employer's representative and valued at the rates and prices tendered in the priced schedule of prices and payment where applicable and otherwise at such rates and prices as the employer's representative may fix within the terms of the contractor.

Audit noted that during the bidding process for Multan-Sukkur section of Karachi-Lahore Motorway, M/s China State Construction Engineering Corporation emerged as lowest evaluated responsive bidder with their bid price of Rs 406,332.270 million. As per record negotiation meetings were held with the lowest bidder. During negotiations NHA and the Contractor agreed to reduce the bid amount from Rs 406,332.270 million to Rs 294,352 million. While reduction amount of Rs 111,980 million some minimum requirements of execution of work were agreed between NHA and the contractor. The project was awarded at rationalized/reduced amount of Rs 294,352 million.

Audit observed that minimum requirements of scope of work as provided in the contract agreement as a result of rationalized bid was deviated by the contractor during execution of work. No recovery/contract cost adjustment was made for such deviations involving Rs 14,884.047 million **(Annexure-B)**.

Audit pointed out the matter in August 2018. The Authority replied that the contractor complied with the intent of the EPC Contract spirit, any revision in Contract value on this account will be against the Contract Conditions.

The reply was not accepted because the contractor did not execute the work as per contract agreement. The contractor saved cost due to non-execution of agreed scope of work which requires credit to NHA/ Government instead to the contractor.

The matter was discussed in the DAC meeting held on 12th-13th December 2018. The DAC directed that NHA will justify all observations of Audit and come to the DAC by 15th February, 2019. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends recovery/adjustment of the amount involved under intimation to Audit.

2.4.16 Non-imposition of liquidated damages - Rs 10,204.262 million

Clause 47.1 of CoC Part-I/II states that, if the contractor fails to comply with the Time for Completion, then the contractor shall pay to the Employer 1% of contract price for each day of delay in completion of the works subject to a maximum of 10% of contract price.

Audit noted that the National Highway Authority awarded 32 Packages of various projects to different contractors. The works were awarded to the contractors with specific dates of completion. The works were required to be completed within given time schedules.

Audit observed that the contractors failed to execute the works as per approved works schedules. The contractors rendered themselves liable to pay Liquidated Damages worth Rs 10,204.262 million **(Annexure-C).**

Audit pointed out the matter in November 2018. The Authority replied regular letters were being issued to the contractors at various levels to expedite the persistent slow progress.

The reply was not accepted because the contractors failed to achieve required timelines. It was the responsibility of the management to impose liquidated damages as per clauses of the agreement.

The matter was discussed in DAC meeting held on 12th-13th December, 2018. The DAC constituted a committee headed by CFAO for ascertaining reasons of delay and fixing responsibility by 12th February, 2019. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.17 Non-implementation of the Annual Maintenance Plan and clearance of previous year liabilities - Rs 6,860.977 million

Para 5.9.3 of Chapter-5 of SOP, RMA NHA Code (Vol-II) provides that maintenance works shall commence from 1st July of every calendar year and be completed during the financial year (that is by 30th June of the next calendar year). Annul Maintenance Plan for conservation of the National Highway network is an essential requirement under the RMA Rules and SOP. This year, the Annual Maintenance Plan is prepared by using the program analysis of HDM-4 for computing the Routine, Periodic works and Rehabilitation schemes.

Para 6.3 Chapter 6 of Financial Management NHA Code (Vol-II) provides that NHA head office shall disburse funds from the contract RM Account in the form of ‘releases’ to the regional headquarters and ‘payments’ directly to the party as per contract. As per procedure for releases and payments the disbursement to the Regional Headquarters shall be on quarterly basis from the allocated budget approved for annual RMA programme.

Audit noted that approved Annul Maintenance Plan for the year 2017-18 was prepared by RAMD Section NHA Headquarters, Islamabad. Accordingly funds were allocated to all the regional offices for execution of works and implementation of Annual Maintenance Plan.

Audit observed that the regional offices under the supervision of General Managers failed to implement the Annual Maintenance Plan in its true letter and spirit. Most of the allocated funds were paid to clear the liabilities of previous years and the current year's works were not even executed. This resulted in non-implementation of Annual Maintenance Plan for Rs 6,860.977 million, as detailed below:

(Rs in million)

DP No	Location/Formation	Amount
91	GM Balochistan South Khuzdar	461.04
215	GM Balochistan West Gwadar	261.78
244	GM Northern Areas Abbottabad	880.21
409	GM Punjab North Lahore	2,418.527
487	GM Sindh North Sukkur	2,839.420
121	Road Asset Management Directorate	-
	Total	**6,860.977**

The matter was discussed in DAC meeting held on 7th-8th November, 2018 and 26th December 2018 wherein DAC directed that NHA will make its AMP more efficient. Payment of previous years' liabilities can only be done with express approval of the Executive Board-NHA to clear backlog. The NHA Executive Board must ensure that this practice is stopped. Compliance of DAC directives was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.18 Excess expenditure due to faulty design - Rs 3,232.074 million

Para - 64 (Chapter-II) NHA Code Vol-I provides that in case the design technically fails or a change in quantities entails a change in the cost by more than 15% of the original technical sanction under normal circumstances (scope of work or alignment remaining the same), inquiry shall be initiated for fixing responsibility.

Audit noted that National Highway Authority awarded a contract for Up-gradation, Widening & Improvement of Zhob-Mughal Kot (Lot-2) Killi Khuda-e-Nazar to Mughalkot N-50 to M/s Maqbool-Zarghoon JV on 14th January, 2016 for Rs 4,043.635 million. The design of the entire project was prepared by Asif Ali Associate excluding C Cut area (which was prepared by M/s Zeeruk International). The Engineer estimate/BOQ was prepared on the basis of said design and technically sanctioned by the competent authority.

Audit observed that during execution of work the BOQ quantities were found deficient and variation order was initiated for inclusion of enhanced quantities of earth work and insertion of non-BOQ items. During execution, design was changed and rigid pavement was converted into flexible pavement and reinforce earth retaining structure was converted in to RCC retaining walls. Formation width (width of shoulders on each side of road) of the road was not designed keeping in view high mountainous terrain which also necessitated caused heavy cutting activity involving higher cost. The contract cost has been revised/enhanced from Rs 4,043.634 million to Rs 7,275.708 million. This resulted in extra financial burden of Rs 3,232.074 million (Rs 7,275.708 million - Rs 4,043.634 million).

Audit pointed out the irregularity in September 2018. The matter was discussed in DAC meeting held on 26th-27th December, 2018. DAC deferred the para till finalization of design.

No progress towards finalization of design was reported till finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 253)

2.4.19 Non-obtaining of performance security - Rs 2,062.89 million

Clause 10.1 of conditions of contract states that the contractor for construction of Burhan Hakla to D.I. Khan Motorway, (Tarap to Kot Bailian 52.5 KM Section) shall provide performance security to the employer in the prescribed form. The said security shall be furnished or caused to be furnished by the contractor within 28 days after the receipt of the Letter of Acceptance. The performance security shall be of an amount equal to 10 percent of the contract price stated in the Letter of Acceptance.

Audit noted that National Highway Authority awarded a contract for construction of Burhan Hakla to D.I. Khan Motorway, (Tarap to Kot Bailian 52.5 KM Section) Package-III to M/s FWO at a cost of Rs 20,628.942 million on 28th October, 2016 with date of completion 27th October, 2018.

Audit observed that the contractor did not furnish the Performance Security @ 10% of contract price of Rs 2,062.89 million to the Employer whereas the cost of Performance Security was also included in the bid cost.

Audit pointed out the irregularity in January, 2018. The matter was discussed in DAC meeting held on 7th-8th November, 2018. The DAC directed NHA to take up the matter with Ministry of Defence for their input in the matter. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 80)

2.4.20 Overpayment due to price de-escalation and incorrect price escalation - Rs 1,716.685 million

As per clause 70.1 of the contract agreement "There shall be added to or deducted from the contract price such sums in respect of rise or fall in the cost of labour and/or materials or any other matters affecting the cost of execution of the work as may be determined in accordance with Part-II of the conditions.

Audit noted that the National Highway Authority executed various road infrastructure projects during the year 2017-18 and made payments to the contractors against their running bills.

Audit observed that prices of specified material provided in the Appendix-C to the contracts were decreased from those prevailing 28 days prior to bid submission date but the management of the project remained unable to make adjustment in the prices of specified material. Audit further observed that the Authority paid incorrect rates for calculation of price escalation and also revised/enhanced the factor-C escalation in certain cases. This resulted in overpayment due to non-recovery of de-escalation and incorrect price escalation amounting to Rs 1,716.685 million **(Annexure-D)**.

Audit pointed out the overpayment in January-November 2018. The Authority admitted the non-deduction of de-escalation and promised to recover during next bills of the contractors.

The matter was discussed in DAC meeting held on 7th-8th November, 2018 and 14th-15th January 2019. NHA admitted recovery of de-escalation. DAC directed NHA to effect recovery within 30 days and get the record verified from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.21 Irregular expenditure on Emergency Maintenance – Rs 1,337.830 million

As per para 69 Chapter 02 NHA Code Volume-I, if in case of an emergency or upon the orders of a superior authority, a work has been commenced and liability has been incurred in connection with any work in violation of this fundamental rule, the concerned officer shall inform the concerned director (Accounts) in writing that he is incurring an unauthorized liability stating the approximate amount of the liability he is likely to incur.

As per para 58 the Member (Operations)/(Construction) may approve the emergency work after consulting Member (Finance) about the budget position. Para 59 provides that any emergency work valuing over Rs 2.0 million shall be dealt with prior approval of Member (Operations)/(Construction) within the allocated budget in the approved maintenance plan (approved by Executive Board). However, in all such cases the Chairman NHA shall be informed in writing.

Audit noted that an expenditure of Rs 1,337.830 million was incurred by Regional General Managers during the financial year 2017-18 on Emergency Maintenance. Out of total expenditure Rs 915.185 million was for the previous financial years and Rs 422.645 million for the financial year 2017-18.

Audit observed that the expenditure was incurred without approval of Member (Operations)/(Construction) as emergency work after consulting Member (Finance) about the budget position. While demanding funds from NHA Headquarters details of emergency works were not provided by respective Regional General Managers. Therefore, the condition of special allocation of budget for Emergency Works was not met. Emergency works were not brought into the information of the Chairman NHA as required. This resulted in unauthorized/irregular expenditure by Regional General Managers/HQrs of Rs 1,337.830 million.

Audit pointed out the irregularity in July 2018. The Authority replied that the matter pertains to all regional office. After receiving of all documents, we would be able to provide suitable reply comprehensively.

The matter was discussed in DAC meeting held on 7th-8th November, 2018. NHA informed the Committee that action has already been taken against the responsible. The DAC directed NHA to share disciplinary actions taken against the responsible of incurring irregular expenditure with Ministry and Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 122)

2.4.22 Excess payment due to excess quantities - Rs 1,296.212 million

As per Government of Pakistan Planning and Development Division letter No.20 (1)DA/PC/79-Vol.XIV dated 22nd June, 1980 "If the total estimated cost as sanctioned increases by a margin of 15% or more or if any significant variation in the nature of scope of the project has been made, irrespective of whether or not it involves an increased outlay, the approval of the ECNEC/Competent authority shall be obtained in the same manner as in the case of the original scheme without delay".

Audit noted that the Authority awarded following projects to the contractors during the year 2017-18:

S No	Name of Project	Package	Contractor
1	Construction of Lahore Eastern Bypass)	Package-II (from Kala Khatai Road to Lahore-Sialkot-Motorway including Kala Khatai Interchange	M/s Khalid Rauf & Co
2	Construction of Lahore Eastern Bypass	Package-I from Lahore Ring Road to Kala Khatai Road including Bridge over River Ravi and Lakhudher Interchange	M/s ZKB-Reliable JV

Audit observed that due to changes in design and incorrect estimation, an amount of Rs 1,296.212 million was paid for the excessive quantities. This resulted in unauthorized execution of work of Rs 1,296.212 million.

Audit pointed out the irregularity in November 2018. The Authority replied that as per Appendix-D to Bid, the quantities given in the BOQ were estimated and provisional while the payment was made as per actual work done.

The reply was not acceptable because due to major changes in design, the quantities of work for various items were extra-ordinarily increased up to 184% and 4400% which indicates poor planning and mis-management.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends action against persons responsible for ill-planning resulting in major changes/deviations.

(DP. 473, 474)

2.4.23 Unjustified hiring of consultants for EPC Contract - Rs 1,081.359 million and US$ 3.319 million

As per Para 6 of Chapter-4 of NHA Code Volume-I, 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 the Authority awarded contracts for construction of Lahore-Abdul Hakeem Section of PKM and Construction of Thakot-Havelian project to the contractors on Engineering, Procurement and Construction (EPC) basis. Audit further noted that in the agreement of the contractor there was a provision of Design Consultant as well as a Quality Control Team which have to be hired by the contractor.

Audit observed that in presence of built-in provision of consultancy in the EPC contracts, the Authority hired the services of Assistant to Employer's Representative on both the projects with the cost of Rs 1,081.359 million and US$ 3.319 million. No independent test checking was being performed by the AER however, test performed by the quality assurance team of the contractor were submitted to the AER. This resulted in unjustified hiring of consultants as Assistant to Employer.

Audit pointed out the issue in December, 2017. The Authority replied that it was necessary to hire services of consultant to assist the Employer's Representative in all design matters, quality assurance issues and monitoring of progress of work. The AER has employed best available staff to ensure that 15% mandatory check has been done after strictly adhering NHA's contract and specifications. Further replied in case of vetting of design that to review all the components of facilities, huge team was required, which was not available with NHA. Therefore, the provision was made in the agreement.

The reply was not tenable because as per construction requirement 100% test checking was required to be witnessed by the AER but in consultancy contract witnessing and checking was restricted to 15%. Hence, the staff deployed for 100% quality assurance was beyond the genuine requirement. Moreover, vetting of design could be managed by the central design wing of NHA which was not done and spent huge amount by outsourcing against the canons of financial propriety.

The matter was discussed in DAC meeting held on 7^{th}-8^{th} November, 2018. DAC directed NHA to provide justification of hiring of consultants on EPC contract along with their responsibilities to Audit for verification within 15 days. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 65, 66, 270)

2.4.24 Non-recovery due to less execution of items of works - Rs 1,952.206 million

(A) As per Para-1 of Employer's Requirements Volume-III of contract agreement for "Construction of Peshawar-Karachi Motorway, Lahore-Abdul Hakeem Section M-3", the client shall make available an outline design which shows the alignment, general profile, location of the structures, interchanges and rest areas etc. as "Minimum Requirement".

As per Note 4.5.2 of Contract Documents Volume-12, the Employer's Requirement regarding Pavement Structure for main Carriageway was provided for Aggregate Base Course with the thickness of 38 c.m. and the required thickness of Asphaltic Base Course was 17 c.m.

Audit noted that National Highway Authority awarded EPC contract for construction of Peshawar Karachi Motorway, Lahore-Abdul Hakeem Section M-3 (230 KM) to M/s CR20G – ZKB (JV) at a cost of Rs 148.654 billion in February, 2016 with date of completion on 18th August, 2018.

Audit observed that during execution of work the required thickness of aggregate base course was reduced from 38 c.m to 34 c.m and the thickness of asphaltic base course was reduced from 17 c.m to 16 c.m by the contractor. Recovery on account of reduced thickness was, however, not made from the contractor. This resulted in non-recovery of Rs 1,938.175 million on account of reduced thickness of items of works, as detailed below:

DP No.	Description of Item	Required thickness of item	Actual executed thickness	Amount involved (Rs in million
275	Aggregate base course	38 c.m.	34 c.m.	932.163
276	Asphaltic base course	17 c.m.	16 c.m.	1,006.012
Total				**1,938.175**

Audit pointed out the non-recovery in September 2018. The Authority replied that the reduced thickness was provided in accordance with the value engineering and keeping in view the strength and safety of roadway section. Saving on this account has been credited to the Employer.

The reply was not accepted because contract amount was not reduced accordingly. Record in support of reply was also not provided.

The matter was discussed in the DAC meeting held on 14th January 2019. The Authority informed that recovery was effected. The DAC directed to get the relevant record verified by 25th January 2019. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(B) Inspection Team accompanied by representatives of the employer, consultant and contractor conducted inspection from 9th April to 11th April, 2016 of ICB-IV, the team headed by GM Inspection issued recommendations vide its letter dated 29th April, 2016.

As per inspection report, ICB-II & ICB-IV of Project "Kalat-Quetta-Chaman (balance work)" the works were initially awarded to M/s HCL with date of commencement on 6th February, 2006 which was subsequently re-assigned to M/s MAB/REX JV on 27th January , 2009 but was released from performance on 20th July, 2013, due to the security situation. The contractor achieved progress up to 53.10% vs 83.20% and 56.21% vs 87.56% respectively only.

As per observation raised by Inspection Team, material testing of ICB-II, clause 5.14 thirty six (36) cores were taken at an interval of 1.0 Km. According to inspection, less thickness i.e. 12.4 c.m and 12.5 c.m respectively comes against design of 13.00 c.m at Km 61+100 and 106+000. Inspection Team further pointed out that in ICB-IV, 54 cores at 2Km interval were taken from Asphaltic Concrete Base Course (ACBC) and Asphaltic Concrete Wearing Course (ACWC), out of which combined thickness of cores at 7 locations have been found of less thickness. Additional cores than taken around seven cores of less thickness and average thickness of one core has been found 12.5cm against 13.00 cm required in ICB-IV.

Audit noted that in ICB-IV, 54 Nos. material samples for cores were taken at an interval of 2 Km and 7 Nos cores comes to less combined thickness of ACBC and ACWC and a further cores taken around 7 Nos less thickness and average thickness of which come to 12.5 c.m and in ICB-II the thickness of the combined asphaltic items comes 12.4 c.m and 12.5 c.m for 2000 meter length as test taken at the interval of 1.0 km.

Audit observed that combined thickness of seven (7) cores have less thickness of ACBC and ACWC i.e. average 12.5 cm against design/specification of 13 c.m, one core taken at an interval of 2.0 Km. In this way less thickness of ACBC and ACWC of 12.5 cm was executed in 14 Km length of road. Hence, execution of less thickness 7.5 cm instead of 8.0 cm of ACBC was required to be recovered for Rs 14.031 million.

Audit pointed out non-recovery in January 2018. The Authority replied that 02 No cores were found to be of lesser thickness against design thickness. However, the spot was reinvestigated and deficiency was found to be localized.

The reply was not accepted because the results of spots cores were taken on one side at KM 61+075 and 61+125 out of which one core was also found having less thickness again i.e. 12.8cm against 13cm whereas tests at KM 106+100 was not carried out in re-inspection.

The matter was discussed in DAC meeting held on 7^{th}-8^{th} November, 2018. DAC pended the para till the provision of report by M&I. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 33)

2.4.25 Non-recovery of built-in cost of exempted duties on import of material - Rs 890 million

As per para-7.9 of 258th NHA Executive Board Meeting held on 21st December, 2015, revised PC-I, based on the final EPC Bid Price of Rs 133.980 billion, was approved by ECNEC on 19th December, 2015. This bid price excluded cost of duties & taxes for import of machinery & equipment on re-export basis and any further increase in rate of income tax prevailing 28 days prior to bid submission date. However, an amount of Rs 890 million on account of duties on import of material was built-in in the EPC bid price and the contractor agreed to adjust the said amount in ITS provisional sum in case exemption of duties on import of material was granted.

Audit noted that the Project "Construction of KKH-Phase-II, Havelian-Thakot Section" was awarded to M/s China Communication Construction Company for Rs 133.980 billion.

Audit observed during discussion with the P&CA Section, NHA, that the Government of Pakistan granted exemption of duties on import of material, however, exemption letter could not be received from the said section. Audit further observed that the Project Management neither adjusted the built-in cost of duties in the ITS provisional sums, nor recovered the same from the contractor so far. This resulted in non-adjustment/non-recovery of Rs 890 million.

Audit pointed out the issue in September-October, 2018. The matter was discussed in the DAC meeting held on 14th - 15th January 2019. The DAC directed that verification of exemption particulars be got done by 13th February, 2019. In case of non-verification, details of tax paid be shown to Audit. In case of exemption Rs 890 million be adjusted as per contract. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 265)

2.4.26 Non-recovery of mobilization advance - Rs 791.215 million

As per clause 60.11 (Financial Assistance to contractor) of Particular Conditions of Contract:

- 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.

- 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.

Audit noted that the National Highway Authority paid mobilization advances of Rs 845.947 million to the contractors against three projects during the year 2009, 2016 and 2017.

Audit observed that the mobilization advance amounting to Rs 791.215 million was still recoverable from the contractors despite lapse of considerable period. This resulted in non-recovery of mobilization advances of Rs 791.215 million **(Annexure-E)**. Audit further observed that in case of project Gwadar-Ratodero Road Project Khuzdar-Shahdakot Road Section-IV, (Package-III) mobilization advance bond guarantee was also expired in November, 2017.

Audit pointed out the non-recovery in October-November, 2018. The Authority replied in case of project Improvement & Widening of additional two lanes from Thokar Niaz Baig to Hudyiara Drain Multan Road (N-5), Lahore, that the contractor could not achieve the planned physical and financial progress due to non-shifting of utility services and non-handing over of the land/site due to litigation. The proposal of change of design was under approval, land acquisition would be resolved and the mobilization advance would be recovered accordingly. In other cases the Authority replied that due recovery of mobilization advance will be recovered in the next IPCs of the contractors.

The contention of the Authority was not acceptable because, a huge amount was under the utilization of the contractors since long resulting in an undue financial benefit to the contractors.

The matter was discussed in the DAC meeting held on 14^{th} – 15^{th} January 2019. The DAC directed to effect the recovery from next IPC. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.27 Non-recovery of financial charges on undue financial aid to the contractor - Rs 642.961 million

According to Clause 60.12 (a) of Conditions of Particular Application (Part-II) of project "Lyari Express Project", NHA Karachi an interest-free Mobilization Advance up to 10% of the Contract Price stated in the Letter of Acceptance shall be paid by the Employer to the Contractor in two equal parts upon submission by the Contractor of a Mobilization Advance Guarantee for the full amount of the Advance in the specified form from a Scheduled Bank in Pakistan acceptable to the Employer or from foreign bank counter guaranteed by local schedule bank in Pakistan.

Audit noted that NHA Management enhanced mobilization advance from 10% to 20% in November 2002 through amendment No. 2. Additional 10% advance was allowed for opening of Letter of Credit through escrow account for procurement of imported construction material including re-enforced earth.

Against contract amount of Rs 4,892 million (excluding provisional sum) NHA paid mobilization advance of Rs 1,121.870 million (against admissible Rs 489.20 million) including Rs 728.915 million for opening of LC for purchases of imported construction material i.e. reinforced earth etc. as per M/s FWO statement of escrow account dated 14th June 2003.

Audit further observed that NHA also paid secured advance of Rs 615.282 million (in addition to Rs 1,121.870 million) against the imported material 'reinforced earth'. This resulted in undue financial aid to the contractor and non-recovery of interest for Rs 642.961 million.

Audit pointed out undue financial aid in November 2018. The Authority replied that mobilization was paid to the contractor under COC Part-II clause 60.12 while secured advance payment against reinforced earth imported material was paid under clause 60.11 for opening the LC through Escrow account as per design requirement. Therefore both payments were made separately under different clauses of CoC-II.

The reply was not accepted because the contractor was allowed secured advance against that material against import of which the contractor was already paid additional amount.

The matter was discussed in DAC meeting held on 15th January, 2019. DAC directed that PD will effect recovery as reconciled with Audit by 15.2.2019. Compliance to the DAC directive was not reported till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 433)

2.4.28 Overpayment to the contractor due to enhancement of rate of excavation through re-rating - Rs 504.712 million

Clause-52.2(c) Conditions of Contract Part-II of contract agreement provides that no change in unit rates or prices quoted shall be considered for any item in the Schedule of Bill of Quantities, unless such item individually accounts for an amount of more than 5% of the sum named in the letter of acceptance, and the actual quantity of work performed under the item exceeds or falls short of the original billed quantity by more than 30%. The change in Unit Rates shall not be applicable for excavation of rock for Railway and Road Tunnel.

Audit noted that NHA awarded the contract for "Construction of Lowari Tunnel to M/s Sambu (JV) at contract cost of Rs 5,545.00 million (Revised cost of Rs 6,047.00 million). The work was started on September 26, 2005 to be completed upto September 30, 2008 (Revised September 30, 2010).

Audit observed that the Authority re-rated some excavation items without taking into consideration the above-mentioned contract clause which prohibits any re-rating/enhancement of the rate. This resulted in overpayment of Rs 504.713 million.

Audit pointed out the irregularity in October, 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery and action against responsible.

(DP. 363)

2.4.29 Loss to Government exchequer due to out of contract re-rating - Rs 425.909 million

Clause 52.2 of COC Part-II of contract agreement for the work Shahdad Kot Road Section-IV, Package-III (M-8), provides that there will be no change in rate for quantities of the item where the variation is limited up to 10%. Re-fixation of rate would be applicable of items where the variation in quantities of individual item is more than 30% and also the cost impact has varied more than 2%. Further, the revised rate will be applicable only for varied quantities.

As per Para 6(e) of amendment No. 03 dated 29.08.2016, the contractor will raise no claim whatsoever like Prolongation costs, idling and damages, etc., for upcoming period i.e. 1st July, 2015 to 31st January, 2017.

Audit noted that the work Shahdad Kot Road Section-IV, Package-III (M-8) was awarded to M/s Nazir & Co - A.M Construction (JV) with agreed cost of Rs 1,115.844 million on 09.08.2004 with completion period of 24 months. The contractor could not complete the work in stipulated period even additional mobilization advance interest free of Rs 221.704 million was given as financial assistance and price escalation of Rs 734.577 million. Due to slow progress of work the employer imposed liquidated damages on the contractor and also termination of employment as contractor notice on 08.01.2016. Thereafter, the contractor challenged the Notice of Termination of Employment as contractor in the Lahore High Court. The Honorable High Court while denying suspension of Termination of Employment as Contractor Notice, directed the Chairman NHA to resolve the issue vide Lahore High Court Orders dated 18.01.2016 and 09.02.2015.

Audit further noted that the parties agreed that the contractor would resume the work on project at full throttle so as to complete the project by 31st January, 2017.

Audit observed that without mentioning amendment No. 3, the Executive Board was requested for re-rating of four items of work which do not meet with the criteria as per contract clause 52.2 because rates were enhanced up-to 371%, whereas nominated contractor performed the works on original BOQ rate in 2017-18. This indicates that the BOQ rates were workable. Due to re-rating the Government exchequer sustains loss of Rs 425.909 million.

Audit pointed out the loss in October 2018. The Authority replied that the subject project was a sick project and Contractor had already borne heavy losses regarding continuous suspension of work and mobilization & demobilization of project site because of worst law and order situation. Based on above scenario and many other reasons consequent of worst law and order situation the project could not be completed and after a lapse of 12 years time the rates of BOQ as of CSR 2000 become unworkable. Thus, in order to compete this sick project and after due consultation with the Contractor, Consultant , General Manager concerned during the several meetings, members of re-rating committee decided that the rates which were recommended by the Engineer are rational. Therefore, NHA Executive Board in its 291st meeting dated 29 December 2017 approved the rates of mentioned four items as recommended by the re-rating committee.

The reply was not acceptable because price escalation clause exists in the contract. Hence, re-rating out of contract clauses is unjustified and needs recovery under intimation to audit.

The matter was discussed in DAC meeting held on 15th January, 2019. DAC directed that recovery be effected from the main contractor in consultation with Audit by 15.02.2019 by GM concerned. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 374)

2.4.30 Non-recovery due to non-insurance of works - Rs 376.322 million

As per Clause 21.1 of the contract agreement for the works, contractors were required to insure works, equipment and liabilities for death or injury to any person. As per Clause 25.3, in case of failure to do so the employer may effect and keep in force any such insurance, and pay any premium as may be necessary for that purpose and from time to time deduct the amount so paid from any moneys due or to become due to the contractor. The amount to be insured is contract amount plus 15%. Clause 25.5 provides that the contractor shall be obliged to place all insurance relating to the Contractor (including but not limited to, the insurances referred to in Clause 21, 23 and 24 with either National Insurance

Company of Pakistan or any other insurance company operating in Pakistan and acceptable to the Employer.

Audit observed that the contractors did not obtain insurance (All risk policy) for the value of works Rs 77,634.825 million as required under the provisions of the contract. In some cases, the insurances were obtained, through other than AA rating agencies or for lesser period than required.

Audit is of the view that the contractor's rates were inclusive of cost component of insurance premium. By non-insuring of works not only the financial interest of the Authority was put to a risk but financial benefit of Rs 376.322 million **(Annexure-F)** was also given to the contractor on account of insurance premium.

Audit pointed out the issues in December 2017, January 2018 and July to October 2018. The Authority admitted the non-insurance of works in some case. In some cases the Authority did not reply.

The reply was not accepted because the directions of the Public Accounts Committee were widely circulated to Principal Accounting Officers of Ministries, Department and Authorities etc., which was binding to incorporate in the bidding documents.

The matter was discussed in DAC meetings held in November and December 2018. The DAC directed NHA to obtain insurance from the contractors and recover premium of un-insured period. The Committee also directed the Authority to initiate disciplinary proceedings against the staff responsible of non-obtaining of insurance cover. In case of Sukkur-Multan Motorway project a committee under CFAO comprising DFA, SO (F&A) and Member (Finance) NHA will determine the capacity of EFU to cover this project. In case of deficiencies the committee will fix responsibility and report to DAC by 13th January, 2019. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.31 Defective provision of items in BOQ for balance work – Rs 303.778 million

USAID agreed to finance the balance works of Project "Kalat-Quetta-Chaman" ICB-II & IV along with additional works. USAID allocated US$ 90 million for the project. The MOU between USAID, EAD and NHA was signed on 14th October, 2013 while the Activity Agreement between USAID and NHA was signed on 11th October, 2013.

Following items were shown unexecuted/balance work against the ICB-II & IV:

S. No	Item No.	Item Description	Length (in Km)
1	201	Granular Sub-base	30.709
2	202	Aggregate Base	34.981
3	203	Asphalt Base Course	39.993
4	305	Asphalt Concrete wearing Course	44.769

Audit noted that the Authority awarded Project "Kalat-Quetta-Chaman" ICB-II & IV along with additional works to M/s FWO on EPC contract basis.

Audit observed that the quantities of items of work incorporated in BOQ for balance work were on very higher side and without any detail estimate/calculation which was required to be incorporated in BOQ with reference to execution of items by former contractor.

This resulted in loss of Rs 303.778 million due to excess payment to the contractor.

Audit pointed out loss in January 2018. The Authority replied the Contract for Balance Works (KQC) was awarded on FARA (Fixed Amount Reimbursement Agreement) basis. In the instant case, non-binding BOQ were prepared by subtracting work done at site by previous contractor (obtained from joint survey) from total estimated quantities of the project (Obtained from available design).

The reply was not tenable because the revised PC-I indicates completion of 60% work by previous contractors which was also substantiated by the inspection report. Hence the quantities of items of work incorporated in non-binding BOQ were on very higher side.

The matter was discussed in DAC meeting held on 7th-8th November, 2018. DAC directed General Manager concerned to finalize the accounts of the releasing Contractor after verification of quantities of the both Contractors within 6 weeks. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 31)

2.4.32 Irregular enhancement of quantity due to incorrect estimation - Rs 300.299 million

Para 56 of NHA Code (Chapter Two-Planning Process) provides 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 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 the work Construction of Hakla to Pindi Gheb (Length 63.04 Km), Package-V was awarded to M/s LIMAK-ZKBJV, on 31st Oct, 2016 at agreed cost of Rs 16,886.803 million. Audit further noted that according to the BOQ/Engineer's Estimate, provision of earth work under item 108 (b) "formation of embankment from road way excavation in unclassified rock material", was to be executed to the extent of 93,487 cu.m, which was 3% of the total quantity of road way excavation.

Audit observed that the item “Formation of embankment from roadway excavation in unclassified rock material” was executed, measured and paid for a quantity of 1,155,009 cu.m against the total quantity of road way excavation of 2,296,498 cu.m, which was 50.294% of the total road way excavation. Audit further observed that the quantity of item No.108 (b) was enhanced 1,235% over and above the BOQ provision. This resulted in to irregular enhancement of earth work due to ill planning for Rs 300.299 million.

Audit pointed out the irregularity in August and September 2018. The Authority replied that the quantities were paid as per site condition. The amount difference between 108(a) and 108(b) had been withheld till the approval of variation order.

The reply was not tenable, because, the Project Management stated nothing about the enhancement of quantity of item No.108 (b) to the extent of 1,235% due to ill-estimation by Design Consultant/Design Section NHA.

The matter was discussed in DAC meeting held on 12th-13th December, 2018. DAC directed that recovery of excess amount and adjustment of item to be ensured by GM (Western Route) alongwith its verification by Audit. Penalty also be imposed on the Design Consultant as per agreement clause and got verified from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 193)

2.4.33 Overpayment due to incorrect measurements - Rs 229.199 million

Item 108 “formation of embankment” of NHA General Specifications, provides that material for embankment shall consist of suitable material excavated from borrow, roadway excavation or structural excavation and shall include all lead and lift. Borrow material will be used only when material obtained from roadway or structural excavation is not suitable or is deficient for embankment formation and shall include all lead and lift. Item 106 of NHA general specifications provides when the contractor is directed to excavate unsuitable material below the surface of original ground in fill areas, the depth to which these unsuitable materials are to be removed will be determined by the Engineer. The contractor shall schedule his work in such a way that authorized cross sections can be taken before and after the material has been removed. Only material which is surplus to the requirements of the project or is declared in writing by the Engineer to be unsuitable will qualify for payments under pay Item No. 106 a, 106 b, 106 c, and 106 d as the case may be.

Audit noted that National Highway Authority awarded a contract for "Up-gradation, Widening & Improvement of Zhob-Mughal Kot (Lot-2) Killi Khuda-e-Nazar to Mughalkot N-50" to M/s Maqbool-Zarghoon JV on 14th January, 2016 for Rs 4,043.635 million.

Audit observed that two (02) BOQ items "Formation of Embankment from Borrow" and "Formation of Embankment from Hard Rock" were measured and paid in IPC 1 to 6 to the extent 260,074 Cu.m and 91,998.11 Cu.m respectively. Measurement in MB showed that embankment was constructed from Borrow common and hard rock on those RDs. The quantities earlier measured in the BOQ items of Formation of Embankment were subsequently paid as Non-BOQ items. The fictitious measurement resulted in overpayment of Rs 229.199 million.

Audit pointed out the overpayment in September 2018. The matter was discussed in DAC meeting held on 26th-27th December, 2018. NHA admitted recovery. DAC directed that recovery will be effected by 31st January, 2019 by General Manager (N-50) under intimation to Audit Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 254)

2.4.34 Non-Compliance of DAC directives regarding recoveries - Rs 257.256 million

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.

During the Departmental Accounts Committee meetings held during 2018-19 to discuss audit paras on the accounts of National Highway Authority for the financial years 2017-18, the Committee issued directives for recovery of Rs 257.256 million in sixteen cases **(Annexure-G)** with a certain timeline for making recovery.

NHA did not comply with the DAC directives and showed lack of interest in resolving the issue by taking required action and used delaying tactics for recovery from the contractors/responsible(s) and inquiries for fixing responsibility.

Audit recommends compliance of DAC directives regarding recovery besides taking action against the responsible.

2.4.35 Overpayment due to higher rates for excessive quantities of earth works - Rs 206.561 million

As per clause 52.2 of the contract agreement regarding power of Engineer to fix rates, provided further that no change in the contract shall be considered unless such item accounts for an amount more than 2 percent of the contract price as stated in the letter of acceptance and the actual quantity of work executed under the item exceeds or fall short of the quantity set out in the bill of quantity by more than 25 percent.

Audit noted that the Authority awarded Package III & IV of Kalat Quetta Chaman project to different contractors.

Audit observed that while execution of projects, quantities of various items were increased exorbitantly and the excess was more than 2% of overall contract cost and more than 25% of the item but the same were not considered for re-rating. This resulted in overpayment due to non-rerating for excessive quantities involving Rs 206.561 million.

Audit pointed out overpayment in October 2018. The Authority replied that "The Engineer" has been requested to offer his comments regarding the para.

The reply was not accepted because as per clause 52.2 of the contract agreement re-fixing of rates was admissible against the items where the increase/decrease in quantity resulted in change in the cost for an amount more than 2 percent of the contract price and the actual quantity of work executed under the item exceeded or fall short of the quantity set out in the bill of quantity by more than 25 percent. As pointed out, the number of items against which the contractor quoted rates much higher than the estimated rate was increased manifold and qualified for re-fixing of rate conditions. But full rates were paid besides price escalation was paid to the contractor against these enhanced quantities. Hence recovery is stressed upon.

The matter was discussed in DAC meeting held on 15th January, 2019. DAC directed GM concerned to provide objective brief alongwith record to Audit for verification. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 398, 405)

2.4.36 Overpayment due to excessive measurements of aggregate base course - Rs 184.821 million

Para 202.4.1 regarding Measurement of General Specification of NHA (Contract Specification) stipulates that the quantity of crushed aggregate base course to be paid for, shall be measured by the theoretical volume in place as shown on the Drawings or as directed and approved for construction by the Engineer, placed and accepted in the completed crushed course. No allowance will be given for materials placed outside the theoretical limits as shown on the cross-sections.

Audit noted that the work Construction of Pindi Gheb to Tarap (Length 50.019 Km), Package-IV was awarded to M/s LIMAK-ZKBJV on 21st July, 2016 at agreed cost of Rs 21,386.222 million.

Audit observed that 30,160 meter length of aggregate base course was measured and paid under main carriageway with the cross sectional area from 8.04 sq.m to 9.254 sq.m instead of 4.450 sq.m as per approved design. This reflects improper checking of the item wise quantities measurement by the staff of supervision consultant with ultimate result of overpayment of Rs 184.821 million.

Audit pointed out overpayment in August and September 2018. The Authority replied that the quantities of Aggregate Base Course were calculated in excess due to some errors in cross sectional areas. However, the excess quantities shall be adjusted in the forthcoming IPC.

The matter was discussed in DAC meeting held on 12th-13th December, 2018. The Project Management stated during discussion that the excess payment will be recovered and verified to Audit. DAC directed to expedite recovery/its verification besides issuance of warning to the Supervision Consultant for lack of effective supervision Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 197)

2.4.37 Overpayment due to non-execution of work with available material at site - Rs 183.124 million

As per contract agreement for the project "Construction of Lahore Eastern Bypass Package-I" an item of work 108c "formation of embankment from borrow excavation in common material" was provided for a quantity of 4,860,319 cu.m. Addendum No. 2 for the work provides that the item "Formation of embankment" shall also include formation of embankment outside the limits of roadway, for the construction of Gunda Bund or other flood protection works as directed by the Engineer".

Audit noted that the Authority awarded the project "Construction of Lahore Eastern Bypass Package-I" to M/s ZKB-Reliable JV for Rs 7,410.714 million on 2nd April 2017.

Audit observed that under bill No. 1 (earth work), an item of work 108c "formation of embankment from borrow excavation in common material" was executed for a quantity of 5,674,202 cu.m @ Rs 425 per cu.m for Rs 2,411.536 million against provision of a quantity of 4,860,319 for Rs 2,065.636 million. The excessive quantity of 813,883 cu.m (5,674,202 – 4,860,319) was required to be paid under item No. 108A "formation of embankment from roadway excavation in common material" (current and stone apron) @ Rs 200 per cu.m. This resulted in an overpayment of Rs 183.123 million.

Audit pointed out overpayment in November 2018. The Authority replied that the quantities given in the BOQ were estimated and provisional while the payment was made as per actual.

The reply was not accepted because the work was not executed as per contract agreement.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the overpaid amount.

(DP. 472)

2.4.38 Non-recovery from the contractor as per provision of contract - Rs 129.724 million

BOQ1-1/1 and 4A-1/1 of contract agreement for "Construction of Lowari Tunnel" provides that the contractor to stockpile sufficient quantity of suitable hard rock/material from the excavation. Rock suitable will be transported to contractors crusher plant for use in the production of Water Bound Macadam, Retaining Walls, Gabions, Riprap, Stone Pitching, stone for ditch lining Granular material and other structural requirements. The cost of excavation, crushing and transporting it to the site is to be included in the above excavation item rate.

Audit noted that NHA awarded the contract for "Construction of Lowari Tunnel" to M/s SAMBU (JV) at contract cost of Rs 5,545.00 million (Revised cost of Rs 6,047.00 million). The work was started on September 26, 2005 to be completed up to September 30, 2008 (Revised September 30, 2010).

Audit observed that certain items of work of tunnel excavation were got executed and stones and other material obtained from these items were required to be utilized in certain items like Water Bound Macadam, Retaining Walls, Gabions, Riprap, Stone Pitching, stone for ditch lining Granular material and other structural requirements under Bill No.3,4,5 and 6. As per provision of the contract the stone obtained from the excavations was required to be efficiently utilized in these items and accordingly cost of the stone thereof was to be deducted from the contractor's IPCs but a review of the IPC No.73 on completion of the tunnel work indicated that no such deduction/recovery was made from the contractor. Non-adherence to contract caused non-deduction/recovery of of Rs 129.724 million.

Audit pointed out the irregularity in October 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of amount involved.

(DP. 372)

2.4.39 Overpayment due to execution of work beyond drawing/design - Rs 123.651 million

Revised PC-I of the project Construction of Shaheed Benazir Bhuttu Bridge over River Indus Connecting Chachraan Sharif with Kot Mithan was approved by the ECNEC in its meeting held on 26th July 2017 for Rs 9,304.160 million. Broad features of the project provide:

- Road embankment height from 1.0 meter to 5.5 meter and pavement design 'embankment fill material' to be executed 'as per profile'.
- Surface width of 13.3 meter, i.e. 7.3 meter carriageway, 08 cm asphalt base course, 15 cm wearing course and 3.0 meter shoulders width both side (2.5 m treated).

As per design/Plan & Profile for the project, the average Natural Surface Level (NSL) 90.158 and average Formation Road Level (FRL) 97.800 for KM 12+250 to 14+011 and average filling height comes to 7.541 (FRL 97.800 (-) NSL 90.158).

CDWP approved PC-I of the project Construction of Bridge Over Ravi River at Syed Wala Pattan District Okara for Rs 987.00 million against estimated cost of Rs 1,159.00 million with design reviewed pavement width 7.3 meter to 6.10 meter and surfacing from asphaltic ABC and ACWC to TST.

Audit noted that the Authority awarded two packages of the project Shaheed Benazir Bhutto Bridge and one package of Bridge Over Ravi River at Syed Wala Pattan District Okara to various contractors.

Audit observed that during execution of work the Authority did not follow the designs/drawings, due to which an amount of Rs 123.651 million was overpaid to the contractors **(Annexure-H)**.

Audit pointed out the overpayment in November 2018. The Authority replied in cases of Shaheed Benazir Bhutto bridge that the revised PC-I was prepared by supervisory consultants in which old drawing was attached, but the BOQ of the project was based on contract design/drawings and the work was executed and paid according to the approved construction design/drawings.

The reply was not accepted because the revised PC-I was approved by the highest forum i.e. ECNEC and supposed to be based on actual quantities and parameters as provided in guidelines for Project Management. In case of bridge over Ravi River the Authority replied that the financial concurrence was obtained from Accounts Section (CZ) Wing before approval of re-appropriation/VOs from Member (CZ). Further replied that the quantity of the item 108c was calculated and paid as per cross sectional area.

The reply was not tenable because PC-I/revised PC-I provided the authorization for incurring the expenditure in line with the scope and parameters included in it. Moreover, Audit also pointed out overpayments on the basis of same approved design/drawings issued for construction.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery.

2.4.40 Non-recovery of cost of training - Rs 100 million

Clause-13 Appendix –B Instruction to Bidders Vol-III of Contract Agreement provides that Training and Employment plan of local work force for which contractor is to at least have a budget of Rs 100 million for incurring expenditures on arranging such trainings for Employer/ Employer’s Representative including Assistant Staff who are to supervise the construction activities and later maintain and operate the facility after construction. This is not reimbursable and contractor has to consider this amount included in his overheads.

Audit noted that National Highway Authority awarded a contract for construction of Peshawar Karachi Motorway Lahore Abdul Hakeem Section M-3 (230 KM) to M/s CR20G – ZKB (JV) at a cost of Rs 148.654 billion on February, 2016 with date of completion 18.08.2018.

Audit observed that 22 months expired and a payment of Rs 70.164 billion was made to the contractor but the requisite training to the local staff was not made by the contractor for which Rs 100 million was built-in under the contract cost. This state of affairs is evident that contractor included Rs 100 million in his bid price but employer did not fetch the benefit of training to its staff despite expiry of 2/3rd expiry of time of the contract hence, this provision needs to be adjusted and may be utilized for the proposed objective of training.

Audit pointed out the irregularity in December, 2017. The Authority replied that contractor has employed number of trainee engineers and technical staff at the project for training of the personnel about the working methodologies and other site issues to ensure execution of work with quality and safety.

The reply was not accepted because trainings of the employer and employer's representatives were to be carried out by the contractor for the fixed cost of Rs 100 million. The provision of trainee engineers as replied had no concern with this training.

The matter was discussed in the DAC meeting held on 7th-8th November 2018. DAC directed NHA to provide record relating to employment of trainee engineers for verification within 15 days. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 63)

2.4.41 Non-recovery from the defaulter contractor - Rs 97.642 million

Audit noted that 291st NHA Executive Board Meeting was held on 29th December, 2017 (Para 5.16), NHA Executive Board approved the rates of Asphalt Wearing Course, Prime Coat, Double Surface Treatment and Aggregate Base Course which was recommended by the re-rating committee with financial impact up-to Rs 289.355 million to be completed within 03 month i.e. March 31, 2018.

The Board directed the Contractor to complete the work within the period of three months. In case of failure on the part of the Contractor, construction machinery and retention money of the Contractor pledged with NHA will be forfeited.

Audit noted that General Manager (Construction), M-8 Project paid the revised rates of three items of work as per approval of NHA Executive Board decision in meeting held on 31.12.2017. Whereas contractor could not complete the work up till October 2018. This resulted non-pledging of construction machinery and non-forfeiture of retention money amounting to Rs 97.642 million.

Audit pointed out the issue in October 2018. The Authority replied that the contractor had already completed most of the works and mainly fixing of expansion joints was pending at bridges due to shortage of materials and funds. Now the contractor is trying to arrange funds from his other projects in order to complete the balance work of one to two months.

The reply was not acceptable because as per last progress report for the month of September 2018 issued by the consultants only 75.46% work was completed by the contractor. Hence, decision of the Executive Board needs implementation along with disciplinary action against the persons at fault.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends implementation of Executive Board decision besides action against persons responsible.

(DP. 378)

2.4.42 Overpayment due to incorrect higher rate - Rs 92.777 million

The Chairman NHA finalized the classification and utilization of Roadway Excavation in a meeting held on 16th June, 2017 and decided that the embankment currently being made from Roadway Excavation material is not Rock. Excavation itself is not a payable item, unless declared surplus or unsuitable by the Engineer. As such, this Embankment does not qualify the requirement of 108(b) "Formation of Embankment in Roadway Excavation in rock material" and shall be paid under item No.108 (a) "Formation Embankment from Roadway Excavation in common material", even if made from Common Borrow, for contractor's own convenience".

Audit noted that work Construction of Tarap to Kot Belian (Length (52.500 Km), Package-III was awarded to M/s Frontier Works Organization on 21st July, 2016 at agreed cost of Rs 20,628.943 million. Audit further noted that work Construction of Rehmani Khel to Kot Belian, Sub-Package-2A was awarded to M/s SKB-KNK JV on 5th May, 2017 at agreed cost of Rs 9,232.715 million.

Audit observed that the Authority measured and paid certain quantity of roadway excavation under Item No. 108(b) whereas according to the above decision of the Chairman NHA the said quantity of Roadway Excavation was also required to be paid under item 108(a). This resulted in to an overpayment of Rs 92.777 million.

Audit pointed out overpayment in August and September 2018. The Authority replied in case of package-III that the payment of item No. 108(b), Formation of Embankment from Roadway Excavation in Unclassified Rock Material has been made strictly under the provision of Contract Documents/test reports. And in case of package-2A replied that the material extracted from roadway was declared as “rock” and was utilized under item 108 (b) of contract BOQ.

The reply was not accepted, because in accordance with the decision of Chairman, NHA excavation was to be paid under roadway item No.108(a) instead of 108(b), as embankment from roadway excavation in rock material did not qualify the requirement of item No.108(b). However, if site condition was otherwise then the matter should have been referred to NHA Head-Quarter for review of the previous decision in case of Package-III and item No.108(b) paid accordingly as per revised decision.

The matter was discussed in DAC meeting held on 12^{th}-13^{th} December, 2018. GM (Western Route) was directed to explain and get verified the position in detail from Audit and bring up the matter in the next DAC meeting Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 201)

2.4.43 Unjustified hiring of consultant for maintenance works - Rs 90.641 million

As per Para 7(ii) of Govt. of Pakistan Finance Division letter No. F.3(10)Exp.II/94-Vol-I-68 dated 08.02.2002, Guidelines for hiring of consultants, the consultants should not be appointed for routine functions of an organization.

Audit noted that the Authority awarded various consultancy/ supervision contracts for maintenance works as below:

(Rs in million)

DP No.	Region	Name of Consultant	Contract/ Revised cost
02	GM Maintenance Punjab (South) Multan	M/s PEAS Consulting (Pvt) Ltd	45.759

DP No.	Region	Name of Consultant	Contract/ Revised cost
12	GM Maintenance Sindh (North) Sukkur	M/s PEAS Consulting (Pvt) Ltd	19.892
56	GM Maintenance Sindh (South) Karachi	M/s PEAS Consulting (Pvt) Ltd	24.990
		Total	**90.641**

Audit observed that full fledge maintenance units along with fleet of vehicles were working under supervision of respective Member with a GM (Maintenance), Director Maintenance, Deputy Directors, Assistant Directors and Inspectors/Supporting staff etc. but the consultancy services of periodic maintenance works were awarded to the consultant firm which was against the canons of financial propriety. Hence in presence of skilled manpower/engineers within the Authority, hiring of consultant for such works stands violation of above directives and excess expenditure of Rs 45.759 million.

Audit pointed out the issue in December 2017 and January 2018. The Authority replied that these consultancies were awarded throughout Pakistan in all regions of NHA as per NHA HQ policy. Further, full time resident supervision of Material Engineers and Surveyors was not available with NHA so in order to have effective and proper quality testing, assurance and the quantity control, deployment of consultants proved useful for the last many years in NHA.

The matter was discussed in the DAC meeting held on 7th – 8th November 2018. The DAC directed NHA to provide advertisement, deliverables and achievements of consultants to Audit for verification. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.44 Overpayment due to inadmissible item of work - Rs 88.382 million

Item No. 108.4.2(b) of General Specification NHA provides that the quantity to be paid for shall be the number of cubic meters placed in embankment and measured as provided above for material from structural excavation. Payment will be deemed to include cost of excavation, hauling, dumping, spreading, watering, rolling, labour, equipment, tools and incidental necessary to complete this item. Item No. 108.4.1(i) "formations of embankment from borrow excavation" (NHA Specification) further provides that measurement shall be made as under:

Formation from borrow = Total embankment quantity (minus) Roadway excavation quantity (minus) Structural excavation quantity.

Audit noted that National Highway Authority awarded a contract for construction of Burhan Hakla to D.I. Khan Motorway, (Pindi Gheb to Tarap 50 KM Section) Package-IV to M/s LIMAK – ZKB (JV) at a cost of Rs 21,386.221 million on 4th November, 2016 with date of completion 3rd November, 2018.

Audit observed that an item of work 107-a "formation of embankment from structural excavation in common material" was executed with the quantity of 240,000.02 Cu.m@ 350 per Cu.m involving Rs 84.000 million. Audit further observed that, the same material was shown utilized in the formation of embankment from structural excavation under Item No. 108-d and again a payment of Rs 88,382,267 was made to the contractor.

Audit is of the view that as per provision of contract specification cost of excavation was not separately payable for the excavated material used in the work as its cost was built-in under the item of work 108-d, hence, measurement and payment of both items was not admissible and caused overpayment.

Audit pointed out the irregularity in January, 2018. The Authority replied that quantities of structural excavation utilized in the formation of embankment shall be adjusted in conformance with the item-specific requirements stated in the Contract.

The matter was discussed in DAC meeting held on 7th-8th November, 2018. NHA admitted the overpayment. Whereas, DAC directed NHA to affect recovery from the next IPC and get it verified from Audit. The Committee also directed the Authority to issue warning to Consultants and Project Director with copy to the Pakistan Engineering Council. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 69)

2.4.45 Non-recovery due to defective/substandard work - Rs 87.953 million

As per Agreement condition 1.1 (e)(i) "Contract Price" means the sum stated in the Letter of Acceptance as payable to the Contractor for the execution and completion of the Works subject to such additions thereto or deductions there from as may be made and remedying of any defects therein in accordance with the provisions of the Contract.

Audit noted that National Highway Authority awarded works regarding Up-gradation, Widening and Improvement of Surab-Basima-Nag-Panjgur-Hoshab section of road N-85. The project was got executed through eight sections by M/s Frontier Works Organization. Audit further noted that Monitoring Team of NHA visited the project and observed following deficiencies in the execution of work and recommended recoveries against section-I, II, III &IV through their Report dated 22nd March 2018:

- Cost of ACWC be adjusted downward @ 10% for poor riding quality between KM 0 and KM 28 of section-I of the project.

- Recovery be applied for less width of carriageway (by 12.5 cm average) for 45% length of the road between KM 0-49.
- Recovery be applied for applying less width of chlorinated rubber paint.
- Recovery be applied @2% of the cost of expansion joints for bumpy riding on bridges.
- Cost of side barriers on bridges be adjusted downward @ 10% for poor finish.
- Cost of concrete of wing walls/parapet walls of culverts be adjusted downward @ 2% for poor finish.
- Cost of grouted rip-rap/stone pitching be adjusted downward @ 10% for substandard work.
- Recovery be applied @ 5% of the cost of DST of shoulders for lose top treatment at many locations.

Audit observed that for the above mentioned deficiencies an amount of Rs 87.953 million was required to be recovered from the contractor but no such recoveries were made from the contractor. This resulted in undue favour to the contractor and non-recovery of Rs 87.953 million.

Audit pointed out non-recovery in October 2018. The Authority admitted the recovery and promised to recover the same from contractor.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the amount.

(DP. 388)

2.4.46 Non-deduction and remittance of sales tax - Rs 162.893 million

Finance Department Government of Punjab and Khyber Pakhtunkhwa has levied sales tax on services @ 15% w.e.f. 1st July, 2015.

As per Government of Punjab Finance Department notification dated 05th October 2016, sales tax rate is 1% of construction cost.

As per para-3-FIN-7 of RFP in respect of hiring of Assistant to Employer Representative (AER) the grand total is inclusive of all the applicable Federal and Provincial taxes. All these taxes are required to be built in the quoted rates and not be mentioned separately.

Audit noted that the Authority executed agreements two agreements for Assistant to Employer's Representative and consultancy services for Design Review and Construction Supervision against the project Lahore-Abdul Hakeem section of PKM and section III & IV of project Hakla-Yarak (D.I. Khan) Motorway.

Audit observed that deduction and remittance of GST to provincial revenue authority was not made by the Authority from the payments of consultants, although their rates were inclusive of GST.

This resulted in non-deduction of GST Rs 162.893 million as detailed below:

Rs in million

DP.No.	Name of work	Amount
67	Lahore-Abdul Hakim Motorway	85.614
71	Burhan-Hakla-DI Khan Motorway(ACE)	29.987
81	Burhan-Hakla-DI Khan Motorway(NLC)	47.292
Total		**162.893**

Audit pointed out the issue in December 2017 and January 2018. The Authority replied in case of Lahore-Abdul Hakeem project that the consultants of Pakistan have filed a case in court of law against sales tax (Sindh High Court has issued a Stay Order in this regard) and decision of deduction of Sales Tax from consultants will be taken once the final judgment will be given by the courts.

The matter was discussed in the DAC meeting held on 7th-8th November 2018. The DAC directed the Authority to get the recovery verified from Audit within 15 days. DAC further directed Member

Finance, NHA to resolve the issue to the satisfaction of Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.47 Non-deduction of trimming charges from the formation of embankment - Rs 68.578 million

Item 108.3 provides that no surplus material shall be permitted to be left at the toe of embankment or at the top of cut sections. Side slopes shall be neatly trimmed to the lines and slopes shown on the Drawings or as directed by the Engineer and the finished work shall be left in a neat and acceptable condition. In order to prevent erosion of the slopes the Contractor shall compact the trimmed slopes to the required density prior to laying top soil or as directed by the Engineer.

Audit noted that the Authority awarded following projects to be execution in Balochistan province:

DP No	Name of Project	Agreement Cost (Rs in million)
248	(Lot-1) Zhob to Killi-Khuda-e-Nazar N-50	4,803.218
317	Yakmach Kharan Package-I	2,422.699
	Yakmach Kharan Package-II	2,859.682

Audit observed that an item 108-c formation of embankment from borrow in common material was got executed and paid to the contractors, whereas, the embankment slopes were untrimmed and protection work was yet to be executed. As such due to non-execution of the said component, certain percentage of the item rate was required to be withheld but full rate was allowed for payment. This resulted in non-deduction of trimming charges of Rs 68.578 million

Audit pointed out the issue in September 2018. The Authority did not reply.

The matter was discussed in DAC meeting held on 26th- 27th December, 2018. NHA admitted recovery. DAC directed that recovery will be affected by 31st January, 2019 under intimation to Audit. The penalty of Rs 5.0 million be imposed on main Consultant. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.48 Excess payment due to measurement of excessive land - Rs 73.867 million

As per drawing of "Construction of Shaheed Benazir Bhutto Bridge over River Indus connecting Chachran Sharif with Kot Mithan" consultant M/s EA Consulting (Pvt) Limited worked out land required for Bridge and approaches for 68,255 square meter.

Audit noted that Land Acquisition Collector submitted a demand statement on 16th February 2018 for Rs 140.564 million for land acquisition of 143,861 square meter (Rs 977 per square meter) which was paid by Director Land (Central Zone) NHA Lahore on 20th February 2018.

Audit observed that payment to LAC was made for excess land of 75,606 square meter against requirement of 68,255 square meter as worked out by the consultant. This resulted in an excess payment of Rs 73.867 million.

Audit pointed out excess payment in November 2018. The Authority replied that payment to land affectees was not yet made. After the approval and disbursement, reconciliation would be made.

The reply was not accepted because the akas (shajra), marked roads along with field book, khasra wise detail of land acquired and award announced was not produced for verification.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends production of record for verification.

(DP. 445)

2.4.49 Unjustified payment due to allowing extra quantities of debris - Rs 55.851 million

Item 510 of NHA General Specification consists of dismantling, removal, wholly or in part and satisfactory disposal of broken material from buildings, fences, bridges, culverts, drainage facilities at different locations and any other obstructions which are not designated or permitted to remain on those sections of existing highways except for the obstructions to be removed and disposed of under other items in the contract. It shall also include the salvaging of designated materials and backfilling the resulting trenches, holes, pits and ditches.

The quantity of dismantling the structure to be paid for, shall be measured in cubic meter or kilogram of structure dismantled. All such measurements shall be agreed by the Engineer and the Contractor before the dismantling work starts. Necessary shop drawings will be prepared by the contractor for such purpose.

Audit noted that NHA awarded the work of construction of Lyari Expressway to M/s FWO on negotiated rates for Rs 4,892.214 million. The contractor executed the work of Rs 4,752.714 million up to February 2008 and balance work of Rs 1,667.228 million (balance on original rates was re-rated for Rs 2,947.915 million) through variation order No. 9. The contractor was paid 51st running bill for Rs 8,773.792 million on 18th April 2018.

Audit further noted that in bill No. 6 item 510 (a) 'demolish, remove & dispose of unsuitable structure & obstructions' was paid for a quantity of 382,647 cu.m @ Rs 284.86 per cu.m for Rs 109.001 million and item No. 510 (b) 'dispose of only debris of unsuitable demolish structure' for a quantity of 488,980 cu.m @ Rs 142 for Rs 69.435 million in IPC No. 27.

Audit observed that item No. 510 (b) was provided for 25% of item 510 (a) but the said quantity was paid for 488,980 cu.m instead of admissible quantity of 95,662 cu.m (382,647 cu.m x 25%). Payment of inadmissible quantity of item No. 510 (b) for 393,318 cu.m resulted in an overpayment of Rs 55.851 million.

Audit pointed out overpayment in November 2018. The Authority replied that the ratio/percentage of any BOQ item shall not be assumed/ determined comparing to other quantities of item. The enhancement of quantities of item No.510(b) comparing to 510 (a) was totally made as per actual work was done at the site. It has no relation of any percentage/ratio taken from original BOQ.

The reply was not accepted because as both the items were correlated as evident from the nomenclature of the items. The disposal of debris of unsuitable demolished structure was only required to be paid up to 25% under item 510(b) but disposal of the debris was paid more than the percentage provided in the contract agreement.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the overpaid amount.

(DP. 430)

2.4.50 Overpayment due to separate payment of Steel Liner in piles of bridges - Rs 47.450 million

As per NHA General Specification of NHA, 1998, 407.4.1, the quantities to be paid for shall be the number of linear meters of piles, completed and accepted, measured from the pile tip elevation to the bottom of pile caps, footings or bottom of concrete superstructure. Any additional pile lengths that may be necessary to suit the Contractor's method of operation or for any other reason shall not be included in the measurements. If, the Contractor likes to use temporary casing for the convenience of preparing of boreholes, the same shall not be measured whether left in place or withdrawn after completing the boreholes.

Audit noted that tenders of the work "Construction of Lahore Eastern Bypass Package-I" were called and opened on 9th December 2016. The work was awarded to M/s ZKB-Reliable JV on 2nd April 2017 for Rs 7,410,714,044 on 2nd April 2017.

Audit further noted that a non-BOQ item No.3 'Providing, Fabrication and installation of permanent mild steel liner 10 mm (Tons)' was introduced and approved through VO-01 dated 8th June, 2018. The item was measured and paid for 344 tons @ Rs 137,999 per ton for Rs 47.450 million.

Audit observed that pay item for Permanent Steel Liner was not provided in the BOQ as the unit price of the pile was considered to be full compensation of all cost, including temporary casing if, required. Therefore, separate special provision through variation order as a non-BOQ item for Permanent steel liner for the convenience of the contractor was not required to be measured and paid. This resulted in an overpayment of Rs 47.450 million.

Audit pointed out overpayment in November 2018. The Authority replied that the permanent steel liner was mentioned in tender design/drawing but it was not incorporated in the contract BOQ.

The reply was not accepted because the steel liner was shown in contract drawing & the contractor quoted its rates keeping in view the requirement of execution. Hence, its inclusion through variation order as non-BOQ item stands irregular and requires recovery.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the overpaid amount.

(DP. 464)

2.4.51 Non-recovery of cost of works executed as a liability of the defaulting contractors - Rs 45.782 million

As per contract agreement for the Construction and Rehabilitation of Kalat-Quetta-Chaman Road N-25 (Section-II), Special Provisions clause 1.1, the contractor was responsible to ensure the least possible obstructions and inconvenience to the public. The method of construction and maintenance of the detour shall be as approved by the Engineer in writing. The detour shall consist of natural surface, properly graded and compacted, and later maintained by watering and rolling as required by the Engineer and to his satisfaction, for smooth passage of the road traffic. Detours shall be properly maintained at all times to the satisfaction of the Engineer's Representative.

Emergency Maintenance of Diversion /Existing Road, Sariab-Khad Koocha and Jungle Piralizai-Chaman Section (N-25) were under taken in April 2009. These emergency works for the value of Rs 45,781,575 were executed as liabilities against the contracts of ICB-II&IV.

Audit observed that the amount of emergency works valuing Rs 45.782 million were not depicted as recoverable in the final accounts' summary of the Contractors i.e. M/s Husnain Cotex Limited or his assignee contractor M/s MAB/REX-JV.

Audit pointed out overpayment in October 2018. The Authority agreed Audit point of view and replied that the matter of recovery was conveyed to "The Engineer" to incorporate the same in final accounts.

The matter was discussed in DAC meeting held on 15th January, 2019. DAC directed that Rs 45.782 million be effected from the contractor by 28th February, 2019 by GM concerned. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 406)

2.4.52 Unjustified expenditure due to excessive measurement - Rs 40.546 million

As per linear plan/detailed estimate for the work Periodic Maintenance from kilometer 171 to 202 (31 kilometers) at N-55, out of total length of 31 km a length of 16.7 kilometer was shown under construction with M/s FWO in another contract and remaining 14.3 kilometer was proposed for structural overlay.

Audit noted that the Authority awarded a contract No. PM-2014-15-SS-02 to M/s Niaz Khan & Brothers at an agreed cost of Rs 281.460 million. The contractor was paid Rs 117.242 million vide 9th running bill on 29th November 2016.

Audit observed that NHA made payment for structural overlay of total 31 kilometers to the contractor instead for 14.3 kilometer as required. This resulted in an unjustified/doubtful expenditure of Rs 40.546 million.

Audit pointed out unjustified/doubtful payment in January 2018. The Authority replied that comprehensive linear plan and location at N-55 where the work was carried out was submitted. The work was executed in the worst stretches of the captioned contract which was not previously attended.

The reply was not accepted because the linear plan and detailed estimates clearly indicates the reaches in possession of M/s FWO/Chinese firm where the work was carried out by the Authority irregularly and without any justification.

The matter was discussed in DAC meeting held on 7th-8th November, 2018. DAC directed NHA to get the work re-verified from M & I and report be submitted to Ministry and Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 58)

2.4.53 Non-imposition of penalty due to less provision of vehicles - Rs 38.223 million

Clause SP-708 of Contract Agreement for the work Construction of Burhan-Hakla D.I.Khan Package-III, provides that the transport for the Employer's /Engineer's Representative and site staff is to be provided under this contract. Contractor shall procure these vehicles under the instruction of the Engineer. The number of 13 vehicles covered under this provision shall be new/latest model at the time of delivery when instructions to procure the vehicles are given as per approval of the Engineer. On failure of the contractor to provide and of the services under this clause or even otherwise notwithstanding anything contained in any other clauses of the contract documents, the engineer shall have the authority on the recommendation of Resident Engineer for the supply of services under this clause, the payment for which shall be made through this contract direct to the nominated agency out of provisional sum provided in the contract or hire the good road worthy vehicles and recover the cost with 100% penalty charges from contractor's IPCs.

Audit noted that the contractor provided seven (07) vehicles of different make instead of thirteen (13) despite expiry of one half period of contract.

Audit observed that despite default on the part of contractor NHA did not penalize the contractor as required. This resulted in non-imposition of penalty of Rs 38.223 million.

Audit pointed out the irregularity in January, 2018. The Authority replied that Toyota single cabin pick-ups were not available in the market, thus rental vehicles were arranged in replacement till availability of the specified vehicles.

The reply was not accepted because the contractor was bound to provide the required vehicles as per provision of contract and in case of default penalty was to be imposed.

The matter was discussed in DAC meeting held on 7th& 8th November, 2018. DAC directed NHA to stop payment on account of maintenance of rental vehicles and previously paid amount got to be recovered. DAC also constituted an inquiry committee comprising Joint Secretary (Admn), CF&AO & Director Roads (MoC) to submit report within 5 days. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 73)

2.4.54 Overpayment due to allowing higher rate - Rs 34.394 million

As per NHA General Specification 1998 item 305.3, construction requirements for item 305a shall conform to the same as specified for Asphaltic Concrete Base Course Plant Mix under Item 203.3. The construction requirement of the said item includes the use of mixing plant, dumpers, and paver machine.

As per NHA General Specification No. 307.1, Bit-Mac shall consist of furnishing and mixing aggregates with asphalt binder at site in mobile mixing plant, spreading, compacting on an approved primed subgrade, sub-base or base course, for potholes repair, leveling course and wearing course in accordance with the specification and in conformity with the lines, grade, thickness and typical cross-section shown on the Drawings or as directed by the Engineer including sealing of cold bituminous surface cracks with sand-bitumen slurry.

Audit noted that GM (Maintenance) Punjab (South), NHA, Multan and GM Maintenance Balochistan (North) Quetta, awarded Routine Maintenance works during 2016-17 and 2017-18. The items of works "305-a & b Asphaltic Wearing Course Class-A & B for potholes" and "307a Dense graded hot bitmac" were paid at rate given in the CSR 2014.

Audit observed that as there was no use of Paver machine involved being work area less than the Paver width, recovery to the extent of equipment cost plus 25% overheads was to be made which was not done. This resulted in overpayment of Rs 34.394 million to the contractors.

Audit pointed out overpayment during December 2017. The Authority replied that for routine maintenance works, the size of patches varies from very small potholes to large scale, excessively cracked patches. On large patches, where utilization of paver machine is practically possible, work has been executed as per General Specifications of NHA. Whereas in small patches, Asphaltic material has been laid manually. As far as reduction of rate is concerned, it is stated that the said item requires much efforts and finance in manual laying method than a paver machine.

The reply was not accepted because while executing the asphaltic work manually the rate of paver should have been deducted.

The matter was discussed in DAC meeting held on 7th& 8th November, 2018. DAC directed the Authority to calculate the component of the Paver in the rate and effect recovery Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 05, 418)

2.4.55 Unjustified compensation to the toll contractor - Rs 34.290 million

Rule 23 of GFR (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 that the contract of toll collection at Khanewal Toll Plaza (N-5) was awarded to M/s Sea Sole Construction Co. on 23rd April, 2009 and handed over to the contractor on 24th April, 2009. As per record Railway authorities visited the site on 12th June, 2009 alongwith railway police and took over the possession of toll plaza operation building on the grounds that the same was constructed on Pakistan Railway's land.

The toll contractor claimed compensation through Arbitration and the court of law. Civil Judge 1st Class (West) Islamabad decided compensation in favour of the contractor for Rs 34.290 million under section 17 of the Arbitration Act 1940 and directed NHA to pay the amount on 19th May, 2018. NHA paid an amount of Rs 34.290 million on 29th June, 2018 to the decree holder M/s Sea Sole Construction Co. in compliance of Court Orders.

There were no details of the facts on record that either the toll plaza was constructed on NHA land or not. If it was constructed on Pakistan Railways owned land than the amount of loss including construction cost of toll plaza needs to be recovered from persons responsible for illegal construction of toll plaza on land not owned by NHA. And if toll plaza was constructed on land owned by NHA, then the amount of loss needs recovery from Pakistan Railways.

This resulted in loss due to compensation paid to contractor against Khanewal Toll Plaza for Rs 34.290 million.

Audit pointed out the loss in July 2018. The Authority did not reply.

The matter was discussed in DAC meeting held on 7th-8th November, 2018. NHA informed that the case is in court. DAC pended the para being court case.

Audit recommends recovery of loss from the responsible under intimation to Audit.

(DP. 105)

2.4.56 Overpayment due to measurement of inadmissible item - Rs 33.678 million

Item No.103.2 of General Specification (Contract Specification) provides that the areas from which stripping of topsoil is required shall be as indicated on the Drawings or as directed by the Engineer. The contractor shall remove topsoil from these areas to depth as directed by Engineer. Stripping of topsoil in any case shall be not less than 10cm in depth. The removed topsoil shall be transported, deposited in stock piles at locations designated by the Engineer and/or spread where indicated on the drawings or as directed by the Engineer. Engineer shall, however identify the soil as unsuitable through laboratory tests. The topsoil shall be placed separately from other excavated materials and be completely removed to the required depth from the area prior to the beginning of regular excavation or embankment work in that area. No payment will be made for topsoil removed from places other than that directed by the Engineer. Engineer shall, however identify the soil as unsuitable through laboratory tests, before such a decision.

Audit noted that the Authority awarded the Construction of Pindi Gheb to Tarap (Length 50.019 Km), Package-IV to M/s LIMAK-ZKBJV on 21st July, 2016 at agreed cost of Rs 21,386.222 million.

Audit observed that item No.106a regarding excavation of unsuitable material was measured and paid for a quantity of 724,966.36cu.m @ Rs 250 per cu.m with total payment of Rs172,179,511. During discussion with the Supervision Consultant/Project Management, it was observed that the topsoil of natural surface was stripped out at certain length with the thickness of 20cm to 30cm and removed material was measured and paid under item No.106a due to non-provision of item No.103 regarding stripping in the BOQ. Moreover, as per approval of NHA Board, the bid of the contractor accepted 16.33% below the Engineer's Estimate (based on NHA CSA-2014).

The item No.103 was required to be incorporated in BOQ through amendment/variation order and rate of the same item should have been paid @ Rs 201.10 per Cu.m (rate of item No.103 of Attock District as per NHA CSA-2014 Rs 240.66 per Cu.m less 16.44% below). This resulted in overpayment of Rs 33.678 million.

Audit pointed out overpayment in August and September 2018. The Authority replied that the Project alignment passed through cultivated fields. Top surface in roadway excavation comprised roots, stumps, weeds and organic matter which was declared unsuitable and removed under BOQ item No. 106a. No provision for stripping of top surface was given in BOQ thus not applicable.

The reply was not accepted, because the item No.103 regarding striping should have been incorporated in BOQ through amendment/variation order if it was not initially available in the BOQ and its rate should be derived on the basis of NHA CSR-2014.

The matter was discussed in DAC meeting held on 12th-13th December, 2018. DAC directed NHA to determine the rate for stripping of earth in consultation with Audit and recover excess payment, if any, accordingly and verify from Audit Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 199)

2.4.57 Non-adjustment of rate as per work done - Rs 33.330 million

Clause-1.5 of Contract Agreement for the work "Up-gradation, Widening & Improvement of Qila Saifullah-Loralai-Waigum Rud Section of NHA N-70, Lot-1 & II" provides that Supplementary information as stated in Section 6 - Employer's Requirements of bidding documents which provides that Item No.302.4.2 and 303.4.2 in pricing this item the contractor shall assume the maximum specified quantity of asphaltic material per square meter. The price paid for other rates of spread, as directed by the Engineer will be adjusted downwards to compensate for the actual quantity of bitumen used.

Audit noted that the Authority awarded a contract for Up-gradation, Widening & Improvement of Qila Saifullah-Loralai-Waigum Rud Section of NHA N-70, Lot-1 & II to M/s Umer Jan & Co.-Xuchang Guangli and M/s Maqbool-Zarghoon (JV) at an agreement cost of Rs 4,454.848 million and Rs 3,071.681 million respectively on 14th January 2016.

Audit observed that an item of work 302-Prime Coat and 303-Tack Coat was measured and payment was made at full rate which was based on maximum rate of spread. A review of the lab reports of spray rates showed that Prime Coat and Tack Coat was spread at lesser rate than maximum, hence rate adjustment was required to be downward as per aforequoted provision of contract specification. Non-adherence to contract specification caused overpayment of Rs 33.330 million.

Audit pointed out the overpayment in September 2018. The Authority replied that "The General Specifications" has priority over the Supplementary information as stated in section 6 of the bidding documents. In the General Specification the range of rate of spray has been provided but in the clause of measurement the unit of measurement shall be square meter as actually covered by prime/tack coat in accordance with these specifications. There is no such clause for adjusting the rate downwards as per actual rate of spray in the General Specifications.

The reply was not accepted because supplementary specification/information is only explanatory note of the General Specification and having no conflict with that specification as such reference priority of documents clause 1.5 is uncalled for, downward spray rate is mandatory as per provision of contract which may be adjusted accordingly.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the overpaid amount.

(DP. 373)

2.4.58 Overpayment due to incorrect rate - Rs 30.289 million

Clause -12.1 of contract agreement, for Up-gradation, Widening & Improvement of Qila Saifullah-Loralai-Waigum Rud Section of NHA N-70, Lot-1, Qila Saifullah to Loralai, provides that the works shall be measured and valued for payment in accordance with this clause. The Engineer shall proceed in accordance with this clause to agree or determine the item of work applying the measurement agreed. 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).

Audit noted that the Authority awarded a contract for Up-gradation, Widening & Improvement of Qila Saifullah-Loralai-Waigum Rud Section of NHA N-70, Lot-1, Qila Saifullah to Loralai to M/s Umer Jan & Co.-Xuchang Guangli for an agreement cost of Rs 4,454.848 million on 14th January, 2016.

Audit observed that an item of work 106b - excavation of unsuitable Hard Rock was provided in the BOQ for 112,319 Cu.m which was subsequently increased to the extent of 444,988.476 Cu.m which was 396% above the original BOQ quantity. This abnormal increase requires re-rating as per above-mentioned provisions of contract. Non-adherence to contract caused non-application of re-rating on excessive quantities over BOQ - Rs 30.289 million.

Audit pointed out the overpayment in September 2018. The Authority replied that the clause 12.3 “Evaluation” deals with the subject and does not bind “the Engineer” to reduce the rate given in BOQ under the specific contract conditions.

The reply was not accepted because NHA was bound to pay the rate of hard rock restricted to BOQ that was 112,319 Cu.m. When the quantity was increased about 300% to 400% above than the overhead cost of the contractor decrease hence rerating at reduced cost was required to be paid which was not done.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the overpaid amount.

(DP. 429)

2.4.59 Unjustified payment against defective work - Rs 23.019 million

As per Member Construction letter dated 3rd December 2016 and the Engineer letter dated 13th June 2015, and NHA Executive Board directions made in its 268th meeting held September 22, 2016 in the work "Construction of Shaheed Benazir Bhutto Bridge over River Indus with guide banks linking N-5 with N-55 near Nishtar Ghat Package-3" awarded to M/s RMC, defective work was to be removed by the contractor.

Audit noted that the work "Construction of Shaheed Benazir Bhutto Bridge over River Indus with guide banks linking N-5 with N-55 near Nishtar Ghat Package-3" was awarded to M/s RMC and agreement was signed on 14th October, 2010 with a completion period of nine (09) months. Despite issuance of several notices to the Contractor to start the work, the Contractor completely suspended the work in November, 2013. On the approval of Chairman NHA, under clause 63.1, Member (CZ) issued notice of 'termination of contract' on 18th November, 2014. After the expiry of two years, the contractor requested for revival of the contract on 17th February, 2016. NHA Executive Board approved revival of the contract on 22nd September, 2016.

Audit observed that the contractor did not remove defective asphaltic base course for 2,714 meter and restoration of aggregate base course for a quantity of 805 cu.m, as calculated from available record. This resulted in non-recovery/rectification of defective asphalt base course and aggregate base course for Rs 23.019 million.

Audit pointed out non-recovery in November 2018. The Authority replied that at this stage, the case was under process for reconsideration and no payment has been made to the contractor against aforementioned Asphalt Base Course.

The reply was not accepted because NHA Executive Board revived the contract conditionally which were not yet implemented nor cost of defective work recovered.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of defective work under intimation to Audit.

(DP. 481)

2.4.60 Non-deduction of cost of components not used in work - Rs 22.525 million

NHA introduced a new "Item 401(b)/507(b) Plum Concrete" which contained the material requirement 401.2 of General Specification NHA and construction requirement ratio of concrete and stone shall be 70% and 30% respectively and area shall be confined with the steel plates form work, minimum layer shall be not less than 60 centimeter. First fill concrete up to 70% of volume of work then embed unsoiled quarry stone after proper cleaning and washing ranging from 150 mm to 300 mm. Concrete admixture shall be used which cost deemed to be included in the item and concrete shall be delivered through pump at site.

Accordingly an Item rate was analyzed and item cost was included in the CSR- 2014 which contained all above mentioned construction requirement of Item 401 and 507.

Audit noted that National Highway Authority awarded a work/contract for “Rehabilitation of National Highways Behrain-Kalam Section N-95 Package-I (lot-I & II) 11.365 Km and 8.575 km financed through ADB Loan No.3378” to M/s ZKB-TTC and M/s KAC-AMC

(Joint Venture) at an agreement cost of Rs 2,161.848 million and Rs 1,933.199 million on 12th October, 2017 with date of completion on 11th October, 2019 respectively.

Audit observed that certain component of the construction requirements were not being used at site. As cost of these components was included in the item rate being specified requirement of the items but the cost of these components vibrator, curing compound/admixture and delivery pump needs to be deducted while making payment to the contractor.

This resulted in non-recovery of Rs 22.525 million from the contractor.

Audit pointed out the irregularity in August, 2018. The Authority replied that payment was made to the contractor as per contract rates.

The reply was not accepted because cost of equipment not used at site was not recovered/deducted.

The matter was discussed in DAC meeting held on 12th -13th December, 2018. DAC directed that Project Director Mr. Imtiaz and Resident Engineer will verify special stipulations and rate analysis and ensure that specifications of contract agreement have not been violated to the satisfaction of Audit Authorities by 26th December, 2018. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 143)

2.4.61 Non-encashment of performance guarantees - Rs 20.266 million

Clause 41.1 provides that contractor shall commence the work within 14 days from the date of receipt of engineer’s notice to commence which shall be issued within 14 days after signing of contract agreement.

Clause 14.1 provides that the contractor shall submit work programme within 42 days from the date of receipt of letter of acceptance.

Audit noted that the Authority awarded (02) periodic maintenance works on N-125 for construction of bridges i.e. PM-2015-16-NA-01 for Rs 61.593 million and PM-2015-16-NA-02 for Rs 141.073 million to M/s Gullan Khel Group (GKG) in July 2017. The contractor did not take up the works as per contractual provisions. Due to failure of contractor, the contracts were terminated by the Member (North-Zone) NHA, in March 2018 with the condition to forfeit the performance guarantees submitted by the contractor besides debarring the firm for bidding in NHA works for two (02) years.

Audit observed that performance security was not encashed. Further notification of debarring with a copy to PEC was not made. This resulted in to non-encashment of performance guarantee due to default of contractor of Rs 20.266 million.

Audit pointed out non-encashment of performance security bond in August 2018. The Authority did not reply.

The matter was discussed in DAC meeting held on 26th-27th December, 2018. NHA informed that the matter is in court of law. DAC directed that GM NHA will pursue an early decision Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 242)

2.4.62 Purchase of vehicles at higher cost - Rs 19.155 million

As per clause 52.2 of the contract agreement regarding power of Engineer to fix rates, provided further that no change in the contract shall be considered unless such item accounts for an amount more than 2 percent of the contract price as stated in the letter of acceptance and the actual quantity of work executed under the item exceed or fall short of the quantity set out in the bill of quantity by more than 25 percent.

During scrutiny of the accounts record of Widening and Improvement of N-25 Kalat-Quetta-Chaman Road Project (ICB-III), awarded to M/s Saadullah Khan & Brothers, Audit noted that as per contract following vehicles were required to be provided by the contractor at the rates mentioned below:

(Rs in million)

Quantity	Type of vehicles	Estimated rate	Quoted rate of the contractor
1	03 Door Pajero	1.500	1.350
12	Toyota Double Cabin 04 WD	2.300	2.070
2	Toyota Corolla Car	1.300	1.170

Audit observed that as the quoted rates of the contractor were on lower side as compared to Estimated rates, these vehicles were not purchased from this contract (ICB-III) and were purchased from other contracts (ICB I&II) through provisional sum at higher rates.

This resulted in undue favour to the contractor and an extra cost to the exchequer for Rs 19.155 million as detailed below:

(Rs in million)

Qty	Type of vehicles	Package from where purchased	Quoted rate of the contractor	Rate Paid	Excess rate Per Vehicle	Excess Amount
1	03 Door Pajero	ICB-II	1.350	6.274	4.924	4.924
9	Toyota Double Cabin 04 WD	ICB-I	2.070	3.595	1.525	13.728
1	Toyota Corolla Car	ICB-I	1.170	1.673	0.503	0.503
					Total	**19.155**

Audit pointed out the matter in October 2018. The Authority replied that the Kalat-Quetta-Chaman Road Project (N-25) comprises of four Contract Packages i.e. ICB-I, ICB-II, ICB-III & ICB-IV with different needs. The Variations were made with the approval of competent authority duly approved through Variation Order # 01. Besides, the variation resulted in an overall saving of Rs 13.657 million, since only 05 vehicles were purchased instead of 15 of vehicles through variation order.

The reply was not accepted because, as the quoted rates of the contractor were on lower side as compared to estimated rates, these vehicles were not purchased from this contractor and were purchased from other contracts through provisional sum at higher rates. This resulted in undue favour to the contractor and an extra cost to the exchequer for Rs 19.155 million.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the extra cost.

(DP. 399)

2.4.63 Overpayment due to higher rate - Rs 18.811 million

Clause 52.1 COC Part-I provides that all variations and any additions to the contract price which are required to be determined in accordance with clause 52 (for the purpose of this clause referred to as varied work) shall be valued at the rates and prices set out in the contract. Clause 52.1 of COC Part-II provides that where the contract provides for the payment of the contract price in local currency only, and varied work is valued at or on the basis of the rates and prices set out in the contract, payment for such varied work shall be made in local currency specified in the appendix-B to bid for payment of the contract price.

Audit noted that the Authority awarded a contract "Up gradation, widening and construction of Surab-Basima-Nag-Panjgur-Hoshab Road Project N-85 Section I to Section IV D-8 packages) to M/s FWO vide letter of acceptance dated 19th June, 2007 for Rs 17,454.018 million.

Audit noted that the contractor quoted its rates for item No. 106a "Excavate unsuitable common material" @ Rs 167.020 per cu.m against the CSR rate of Rs 143.64 per cu.m i.e. 16.27% above on CSR.

Audit observed that an item No. 106bii "Excavate Unsuitable medium rock material" was not provided for in the BOQ/Agreement and was allowed to be executed through variation order @ Rs 418.320 per cu.m instead of admissible rate of Rs 409.81 per cu.m. This resulted in an overpayment of Rs 18.811 million.

Audit pointed out overpayment in January 2018. The Authority replied that the rate was paid after approval of the competent authority.

The reply was not acceptable as the payment was required to be made in accordance with the clause 52.1 of the contract agreement by deriving rate of item from the BOQ/CSR which was available in CSR. Payment was made on higher side.

The matter was discussed in DAC meeting held on 7th-8th November, 2018. DAC directed NHA to provide rate analysis to Audit and pended the para for verification of record by 21st Nov, 2018 Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 22)

2.4.64 Loss due to excess measurement of item of work - Rs 17.326 million

Item 309.3.1 of NHA general specification provides that the quantity of cold milling to be paid shall be measured by the number of square meters of area milled and cleaned as described above, as per drawings or as directed by the Engineer. No allowance will be given for milling outside the approved limit. Any such area milled beyond approved limits, shall be reinstated by the Contractor at his own expense. The accepted quantity measured as provided above shall be paid at the contract unit price per square meter of cold milling for the pay items under 309a to 309c from 0-30mm to 0-70mm and in the BOQ.

Para 2.2 of Chapter 2 NHA code Vol-II defines the cold milling is required only for removal of ruts or level-up overlay in wheel paths.

Audit noted that General Manager, Sindh North, NHA Sukkur awarded periodic maintenance contracts Nos. PM-2015-16-SN-01", "02" and "04" to M/s HRK & Company at an agreed cost of Rs 474.214 million on 31st January, 2017.

Audit further noted that item 309a cold milling 0-30 mm and item 309b in two layers were executed on given RDs for a quantity of 110476.2 sq.m and 221536 sq.m on entire width of 7.30 meter respectively.

Audit observed that the said item was shown measured for milling up to 130 mm on entire width and length of carriageway, but as per NHA specification & in CSR item of cold milling was provided maximum up to 0-70 mm therefore, milling beyond the specified depth was not practicable/economical. Execution/measurement of item beyond specification/CSR caused unjustified measurements/ payment of Rs 17.326 million.

Audit pointed out loss in December 2018. The Authority replied that periodic maintenance contracts having a scope of work for "Structural overlay" which includes removal of existing road up to 13cm by cold milling and laying on fresh asphaltic layers of 5cm ACWC and 8cm ACBC layers for the proper treatment of pavement, which was not possible by applying only 0-70mm cold milling. Further, as per NHA specifications there was no restriction for application of 0-50mm cold milling in two layers to achieve the desired thickness for laying Asphalt layers.

The reply was not accepted because as only three items of cold milling was provided in the CSR from 0-30mm, 0-50 mm and 0-70 mm which reflects the maximum execution of 0-70mm milling through this method. Execution beyond 0-70mm was not covered in CSR and in accordance with NHA General Specifications.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the amount involved.

(DP. 488)

2.4.65 Overpayment due to separate measurement of built-in component - Rs 15.217 million

Item No. 407.3.8 – General Specification NHA provides that test piles which are shown on the Drawings or ordered by the Engineer shall conform to the requirements for piling as specified and shall be so located that they may be cut-off and become a part of the completed structure. 407.3.2b – Fabrication of Permanent Lining further provides that if shown on the drawings, the contractor shall provide a permanent lining suitably formed of ten (10) mm minimum thickness mild steel plate complying with B.S 4360.

Para-5 Appendix-D to Bid – Preamble BOQ of contract agreement stipulates that the whole cost of complying with the provisions of the contract shall be included in the items provided in the priced BOQ, and where no items are provided, the cost shall be deemed to be distributed among the rates and prices entered for the related items of the works.

Audit noted that National Highway Authority awarded two contracts for construction of Burhan Hakla to D.I. Khan Motorway, (Tarap to Kot Bailian 52.5 KM Section) Package-III and (Rehmani Khel to Yarak 56 KM Section) Package-I to M/s FWO and M/s National Logistic Cell (NLC) at a cost of Rs 20,628.942 million and Rs 13,257.000 million respectively.

Audit observed during the review of the interim payment certificates and measurement books that an item of work eleven (11) and three (03) test piles were casted by using the BOQ item 407, 401 Concrete Class A3 and paid to the contractor without provision in the drawings/BOQ, and also permanent casing was also shown measured/paid over these piles. Non-provision of the item in the BOQ is indicative that cost of test piles was included in the other item of work and it was not separately measureable for payment of Rs 12.367 million and Rs 2.850 million respectively. This resulted in overpayment of Rs 15.217 million.

Audit pointed out the irregularity in January, 2018. The Authority replied that vide item No.407.4.2 the payment for Test pile and the Load test have been mentioned separately. For Test pile it is mentioned that the Test pile whether or not used in the complete structure, are constructed adjacent to structure as per requirements of the contract document shall be paid at the contract unit price for pile installation. For the Load test, it is mentioned that Load test shall be paid for at the contact unit price for pile load tests, either one and half (1.5) times or two (02) times the design load. The unit price for test loading to three (03) times the design load shall include the total load test with all load increments as described in item 407.3.9. In light of the above the contactor has been compensated separately for the Test pile and for the Load test for execution of test pile and load test. As far as payment for the casing is concerned, it has not been made.

The reply was not tenable as there was no provision drawing/design/BOQ of Item No.407g Test Piles. As such it was not separately measurable/payable in accordance with the clause 5 Appendix D to Bid as its cost was deemed to be distributed among the other item of work.

The matter was discussed in DAC meeting held on 7th-8th November, 2018. DAC pended the para for verification of priority of documents as per clauses of contract. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 77)

2.4.66 Overpayment due to excessive width of item - Rs 15.055 million

According to Para 209 (d) of CPWA code all payments for work done or supplies are made on the basis of quantities recorded in the MB. It was incumbent upon the person taking measurements to record the quantities clearly and accurately. He would also work out and enter in the MB the figure for contents or area column.

Audit noted that the Project Director Lyari Expressway, NHA Karachi measured an item of work 510(a) 'demolish, removal and disposal of unsuitable structure & obstruction' in IPC No. 48 for 11,855.151 meter length walls by taking walls width up to 0.96 meter for a total quantity of 16,591.04 Cu.m. Similarly, the same item was measured in IPC No. 49 by taking structure/obstruction/walls up to 0.96 meter for a length of 19,639.54 meter for a quantity of 27,992.22 Cu.m.

Audit observed that Project Director measured the width of demolishing of obstruction/structure up to 0.96 meter which was not justified/admissible because walls of ordinary homes have a width of not more than 0.30 meter. Measurement of unjustified/inadmissible excessive width of walls resulted in an overpayment of Rs 15.055 million.

Audit pointed out the overpayment in November 2018. The Authority replied that the Project was located in thickly populated area beside river bank where the demolition of heavy built in structure of houses, mosques and other massive encroached portions was performed. During execution measurement of the individual house structure was quite hard, for that after joint discussion and as per site condition a dimension of block (outer wall) was prepared and measured accordingly. The measurement was taken as per actual. However, if any, recovery will be effective from the next IPC.

The reply was not accepted because as recording of detail measurement was not in block. The outer walls width recorded by taking 0.6 to 0.9 meter was on very higher side which showed baseless record entry against the actual practicable construction. Further, during discussion the project director agreed with audit stance and promised to re-measure the item of work for actual recovery.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the overpaid amount.

(DP. 335)

2.4.67 Non-recovery of cost of steel from the item - Rs 14.069 million

According to Typical approved Construction Drawings, New Jersey Barrier was to be constructed without steel. Moreover, steel cost was also being recovered in the all other packages due to non-utilization of steel in the new jersey barrier, as evident from the M/S NESPAK (Design Review and Construction Supervision Consultant of Package-III) letter No.3737/103/JUH/26/9501 dated 16.10.2017 under which, the contractor of Package-III was asked to recover the cost of steel @ 27.25 kg per linear meter.

Audit noted that work Construction of Yarik to Rehmani Khel Package-I (Length 55 Km) was awarded to M/s M/s NLC on 09th June, 2016 at agreed cost of Rs 13,257 million.

Audit observed that the item No.601(a)i regarding New Jersey Barrier, reportedly, was being executed under Package-I without steel. However, the cost of 143,157.875kg steel built-in under the said BOQ item, was not recovered from the contractor. This resulted in to non-recovery of cost of steel amounting to Rs 14.069 million.

Audit pointed out the non-recovery in August and September 2018. The Authority replied that New Jersey (NJ) Barrier was not reflected in Tender Drawing as well as construction drawing however the rate of NJ Barrier is part of BOQ. At later stage the drawing of NJ Barrier was issued by M/s NESPAK with steel size No. 4 @ 300 c/c vertical and 3 No. 4 bars horizontal which has been fixed.

The reply was not accepted because according to typical approved Construction Drawings, New Jersey Barrier was to be constructed without steel. Moreover, steel cost was also being recovered in the all other packages due to non-utilization of steel in the new jersey barrier, as evident from the M/S NESPAK (Design Review and Construction Supervision Consultant of Package-III) letter No.3737/103/JUH/26/9501 dated 16.10.2017 under which, the contractor of Package-III was asked to recover the cost of steel @ 27.25 kg per linear meter.

The matter was discussed in DAC meeting held on 12th-13th December, 2018. DAC directed NHA to call for the Design Consultant in the next meeting for proper explanation to the Committee regarding the under discussion matter.

Audit recommends recovery of overpaid amount.

(DP. 211)

2.4.68 Non-recovery due to non-compliance of contract provisions - Rs 13.800 million

As per Instructions to Bidder IB-23, An expenditure of Rs 0.8 million will be borne by the successful bidder for renovation of NHA offices in Balochistan North region without claiming any cost from the Employer. The above instruction was varied from work to work. In some works the amount was Rs 0.5 million and in some works provision of the vehicle was given.

Audit noted that the General Manager (Maintenance) Balochistan, NHA, Quetta, awarded and executed various Routine Maintenance works during the year 2017-18 with the above noted conditions.

Audit observed that in no case the contractors have provided above noted facilities to the Employer. No recovery has been made by the Authority on this account. This resulted in non-recovery from the contractors on account of built-in provision in Routine Maintenance works involving Rs 13.800 million.

Audit pointed out the matter in October 2018. The Authority replied that all the contractors have deposited the requisite amount in the form of Bank pay orders and handed over required vehicle of their respective contract.

The reply was not accepted because no record in support of reply was produced for verification. Moreover, the purchase of vehicles against maintenance contracts was not covered under the rules and procedure for procurement of vehicles.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery besides action against persons responsible for violation of contract agreement.

(DP. 420)

2.4.69 Excess payment due to excess execution - Rs 12.075 million

As per detailed estimate/design and BOQ of the contract PM-2014-15-BS-01, an item of work 209a "Breaking of existing Road Structure" was provided @ Rs 611 per cu.m.

Audit noted that the Authority awarded contract PM-2014-15-BS-01 to M/s HRK & Co at an agreed cost of Rs 348.914 million for functional overlay on given RDs.

Audit observed that GM (West Makran), Gwadar measured and paid a non-BOQ item No. 309 "Cold milling" for a quantity of 76,650 sq.m @ Rs 188.09/sq.m for Rs 14.417 million up to 9th running bill instead of provided item No. 209a Breaking of existing road structure as per provision for Rs 2.342 million.

Audit pointed out excess payment in January 2018. The Authority replied that only wearing coarse was needed in some locations, therefore as per technical requirement cold milling was incorporated through VO having zero financial effect and executed instead of breaking of existing ground.

The reply was not accepted because the existing asphaltic wearing course layer having thickness of 5cm which was not justified to be removed complete thickness of 5cm through cold milling rather to execute the provided item of breaking of existing road pavement structure.

Furthermore, regional authority was not empowered to substitute the items of work of periodic maintenance awarded by NHA HQ, Islamabad duly approved by NHA Executive Board in light of para 3h of progress review minutes of meeting of south & west zones held on 23rd December 2015 at NHA HQ circulated vide letter dated 30th December 2015 and was required to be regularized by NHA head office.

The matter was discussed in DAC meeting held on 7th-8th November, 2018. DAC directed NHA to get the record verified from Audit by 21st November, 2018. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 44)

2.4.70 Unjustified payment of items of work - Rs 11.655 million

As per appendix-D to Bid, bill of quantities preamble to bid clause 5 "the whole cost of complying with the provision of the contract shall be included in the items provided in the priced bill of quantities and where no items are provided, the cost shall be deemed to be distributed among the rates and prices entered for the related items of works.

Audit noted that the Authority awarded a contract No. PM-2014-15-SS-02 to M/s Niaz Khan & Brothers at an agreed cost of Rs 281.460 million. Audit further noted that a non-BOQ item No. 302a "Bituminous prime coat" was measured and paid for a quantity of 112,110.021 sq.m for Rs 11.655 million.

Audit observed that in accordance with preamble of BOQ, separate payment for bituminous, left over/beyond BOQ provision was not payable as the cost thereof deemed distributed among other asphaltic items of work. This resulted in an overpayment of Rs 11.655 million.

Audit pointed out overpayment in January 2018. The Authority replied that initially in original BOQ the quantities of Water Bound Macadam were taken for shoulders on either side and after placing the same, DST was to be carried out on both shoulders as per the BOQ. However as per actual site conditions the roadway required X-Slope to improve the profile and to match with the newly constructed north bound carriageway. Therefore, the quantities of WBM were re-appropriated to raise the profile of existing carriageway and before the placement of Asphaltic Base Course on carriageway, Item No. 302a (Cut back asphaltic bituminous prime coat) was required to be placed on WBM to coat and bound loose material particles on the surface of WBM and eventually to harden the base surface and to plug capillary voids in the WBM Surface and finally to prevent migration of moisture and to provide adhesion between the WBM and ABC. Hence, Item No 302a was incorporated as Non-BOQ Item in the Variation Order.

The reply was not accepted because the asphalt base course Plant mix was already provided in the original BOQ/X-Section/Estimates. The prime coat was not provided in the X-Section, detail estimates and BOQ; the contractor quoted its rates in accordance with the X-Section and BOQ of the contract. Preamble to bid document clearly states that the whole cost of complying with the provision of the contract shall be included in the items provided in the priced bill of quantities and where no items are provided, the cost shall be deemed to be distributed among the rates and prices entered for the related items of works.

The matter was discussed in DAC meeting held on 7th-8th November, 2018. DAC directed NHA to get the record verified from Audit by 21st November, 2018. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 59)

2.4.71 Unjustified charging of expenditure to the project - Rs 10.322 million

Trial balance of the project “Yakmach to Kharan Road” provides that it is necessary, from time to time, to check the General Ledger for accuracy. The process of drawing up a trial balance checks the arithmetic accuracy of the general ledger and whether all postings to the ledger observed the rules of double-entry book keeping.

Audit observed that NHA made payment of Rs 6.771 million on account of vehicles and amount of Rs 3.551 million on account of depreciation on vehicles respectively and charged to the project during the year 2017-18. It is pointed out that vehicles for the project were procured through Bill No.7 which is accounted for in the cost of the work done/project. Hence, the separate charging of vehicles and its depreciation to the project was unjustified as no documents/vouchers in support of this transaction were found available in the record and formation did not produce the said record despite persistent demand.

Audit further observed that a debit of Rs 9.800 million was shown to inter-office current account i.e. pay & allowances and a credit of Rs 9.800 million in the trial balance under the head of salaries in the month of June, 2018, but no supporting documents were found available thereof. Non-adherence to financial manual caused unauthorized charging of expenditure of Rs 10.322 million to the project.

Audit pointed out the unauthorized charge in September 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends rectification of accounts/proper charge.

(DP. 325)

2.4.72 Loss due to delayed payment charges - Rs 9.298 million

As per Para 63 Chapter 6 of NHA Code Volume-I, all cases of compensation involving expenditure exceeding Rs 20,000 in each case shall be brought to the notice of the Board. Further, as per Para 3 Chapter 10 of ibid provides that, Every loss shall be sanctioned by the competent authority in consultation with the Member (Finance) even if the entire loss is made good by the individual(s) held responsible by the competent executive authorities.

Audit noted during scrutiny of account record of GM (B&A) NHA Islamabad that the authority paid an amount of Rs 9.298 million on the account of delayed payment charges for the works Construction/Improvement of Road from Hyderabad Badin Road to Mirwah Sanjar Chang Road Project" and "Construction/Improvement of Road from Hyderabad Badin Road to Mirwah Sanjar Chang Road Project" respectively. This resulted in to loss to Authority of Rs 9.298 million

Audit pointed out the irregularity in May, 2018 the Authority replied that there were usually some shortcomings/observations on the bill the same was returned to project authorities. Further the delay in issuance of cheque to the contractor is mainly depends upon availability of funds received from the Government.

The reply was not accepted because NHA received one liner budget so separate allocation for each project was not involved. The penalty for delay payment was due to negligence of Finance Section. The matter needs to be probed to recoup the loss.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for fixing of responsibility besides recovery of loss from the responsible.

(DP. 352)

2.4.73 Excess payment due to inadmissible items of work - Rs 8.610 million

As per NHA General Specification, 108.4.2(b) the pay item include cost of excavation, hauling, dumping, spreading, watering, rolling, labour, equipment, tools and incidental necessary to complete this item. Item No. 108.3.2 of General Specification NHA provides that embankment formed of material consisting predominantly of rock fragment of such size that the material cannot be placed in layers of the thickness prescribed without crushing, pulverizing or further breaking down the pieces, such material may be placed in layers not exceeding in thickness than the approximate average size of rocks except that no layer shall exceed eighty (80) centimeters of loose measurement and compacted by a vibratory roller with the minimum mass.

Item - 107.1 - General Specification NHA provides that Structural Excavation shall include the disposing of excavated material, which is not required for backfill, in a manner and in locations so as not to affect the carrying capacity of any channel and not to be unsightly.

Audit noted that National Highway Authority awarded a work for “Rehabilitation of National Highways Behrain-Kalam Section N-95 Package-I (lot-I)” to M/s ZKB-TTC, (JV) at an agreement cost of Rs 2,161.848 million.

Audit observed that the Authority made an excess payment to the contractor on account of inadmissible item of work involving Rs 8.610 million as below:

(Rs in million)

DP No.	Description	Amount
146	In-admissible provision of item 108 Backfill behind Retaining Walls from Roadway/Borrow Rock & Common Material	4.695
147	In-admissible provision of item 108b Formation of embankment from unclassified roadway excavation (pre-dominant rock fragment)	3.915
	Total	**8.610**

Audit pointed out the irregularity in August, 2018. The Authority did not reply.

The matter was discussed in DAC meeting held on 12th& 13th December, 2018. DAC directed that a committee under CFAO comprising Member (EC-NHA), SO(F&A) will ascertain the validity of corrigendum to the general specifications of NHA and confirm the application of rate whether it should be according to item #107 or 108. DAC directed that the committee will fix the responsibility for apparently fictitious measurements and recommend action accordingly by 13th January, 2019. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

2.4.74 Unjustified payment of tack coat - Rs 7.813 million

As per NHA General Specification 304.4.2, the aggregate and asphaltic material measured shall be paid for at the contract unit price per square meter for a particular item 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.

Audit noted that the General Manager (Maintenance) Balochistan, NHA, Quetta, awarded the work PM-2015-16-BN-04-N-65 to M/s H.R.K & Co. and PM-2015-16-BN-06-N-40 to M/s Haji Noorullah Baloch & Co JV. The scope of works was cold milling of existing road and then execution of DST, Tack Coat and Wearing Course.

Audit observed that the Authority provided Double Surface Treatment on carriageway as crack relief layer and then executed Tack Coat before Asphalt Concrete Wearing Course. Audit is of the view that as per above specification when DST was carried out there was no need to execute Prime Coat/Tack Coat. This resulted in overpayment due to inadmissible item Rs 7.813 million.

Audit pointed out the matter in October 2018. The Authority replied that the Double Surface Treatment (DST) on carriageway as Crack Relief Layer was provided in original approved design as per site requirement. Surface treatments as per NHA's General Specifications, Bituminous/Prime Coat is applied on existing surface before laying of aggregate layer, therefore, the finished surface top aggregate layer lacks any bonding material. Therefore the approved design included Prime Coat as a bonding material between applied Asphaltic wearing course and DST top aggregate layer.

The reply was not accepted because as per specification in the item of DST, including priming of surface and rate of this was built-in in the rate of the said item. Thus, separate payment of tack coat was not required.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the overpaid amount.

(DP. 415)

2.4.75 Overpayment due to allowing higher rate of material - Rs 7.403 million

The contractor (M/s FWO) for the work "Construction of Lyari Expressway" was paid IPC-12 in May 2006, including secured advance for 'item No. 406 h (i) N-65 expansion joint' for 820 meters @ Rs 12,050 per meter against the BOQ rate of Rs 15,000 per meter.

Audit noted that the work was awarded to M/s FWO for contract amount of Rs 4,892.214 million. The contractor was paid lastly IPC-51 for Rs 8,773.792 million on 18th April, 2018.

Audit observed that the contractor was paid the item of expansion joint for a quantity of 570.76 meter @ Rs 27,970.80 per meter for which secured advance was paid to the contractor @ Rs 15,000 per meter previously. This resulted in an overpayment of Rs 7.403 million (Rs 27,970.80 – Rs 15,000=12,970.80 x 570.76).

Audit pointed out overpayment in November 2018. The Authority admitted recovery and promised to effect recovery in the next IPC.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the overpaid amount.

(DP. 338)

2.4.76 Payment of plantation of 1,000 trees without actual execution – Rs 6.960 million

As per contract agreement for the work "Widening and Improvement of N-25 Kalat-Quetta-Chaman Road Project (ICB-III)" clause SIW-6 "Furnishing & Planting Trees" clause 6.4.2 provides that payment to contractor for accepted and grown up plants/trees as per specification therein will be released 50% on substantial completion and 50% on the expiry of the maintenance period of one year.

During scrutiny of the accounts record of Widening and Improvement of N-25 Kalat-Quetta-Chaman Road Project (ICB-III), awarded to M/s Saadullah Khan & Brothers, Audit noted that the contractor was paid item of furnishing and planting trees including maintenance during the duration of contract for 1000 trees @Rs 4800 per tree for Rs 4,800,000 (Paid for 800 trees upto last IPC and measured and included in the cost of 1000 trees in the final bill not yet paid).

Audit observed that the payment was made without fulfilling the formalities as required under the provisions of contract referred above i.e. 50% on substantial completion and 50% on the expiry of the maintenance period of one year. Site of tree plantation was visited by Audit team alongwith the Project Director concerned on 23.10 2018 and it was found that there was no evidence of a single tree planted at site of work.

Audit pointed out overpayment in October 2018. The Authority replied that the site of 1000 tree plantation does not present any evidence of tree plantation is agreed. However, following needs to be considered as well:

- Project was taken over by NHA w.e.f 31.10.2010 after tree plantation.
- Defect Liability Period of the project expired on 31.10.2011.
- Team Leader M/s SMEC and Project Director conveyed that Defect Liability Period of the project is expiring and trees planted by M/s SKB on ICB-III need proper maintenance. PD (KQC) initiated a Note sheet for proper maintenance of said.
- Balochistan's environment especially, project area, is not conducive for plantation. Thus the trees could not further grow.

The reply was not accepted because as per provisions of contract referred above trees were to be planted and maintained till expiry of the defect liability period. Payment of tree plantation was to be made 50% on substantial completion and 50% on the expiry of the maintenance period of one year. But full (100%) payment was made to the contractor before substantial completion of work which was not admissible.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery besides fixing of responsibility against persons at fault.

(DP. 397)

Others

2.4.77 Irregular adjustment of loan towards PSDP allocations - Rs 71,079.304 million

According to Chapter-11 of NHA Code (Vol-I) regarding Procedure for arranging finances for the Authority, the Annual Development Program of the Authority is being financed out of the Cash Development Loans advanced every year by the Government of Pakistan, Foreign loans, Foreign relent loans and the Suppliers'/Buyers' Credits obtained in accordance with the agreements signed by the Authority with various local/foreign firms for constructions of projects. Each loan has its own terms and conditions as to repayment and the rates of interest.

While chalking out the Annual Development Program, priority in respect of fund allocation shall be given to those ongoing projects which are nearing completion so that necessary funds for repayment of the loans and the interest accrued thereon could be generated through levy of tolls/ other charges on these completed projects.

Audit noted that NHA was allocated a sum of Rs 239,570.337 million in PSDP (LC) in the budget allocation for the year 2017-18.

Audit observed that Finance Division Government of Pakistan issued sanctions for placement of amount of Rs 199,130.334 million as development loan to NHA in the assignment Account No. 2115-0 titled "National Highway Authority" for the financial year 2017-18 and Rs 71,079.304 million was adjusted against CDL. After adjustment net amount of Rs 128,051.030 million was released during the financial year 2017-18. The loan was being provided to NHA with financial terms & conditions that the loan will be recoverable in 20 years with five years grace period for interest and ten years on repayment of principal loan amount. The interest will be chargeable at the prevailing rate announced by the government for respective years.

Audit further observed that the Finance Division while releasing of Cash Development Loans to NHA during financial year 2017-18 adjusted an amount of Rs 71,079.304 million on account of recovery of loan/interest on Cash loans/recovery of foreign loan/interest on foreign loan at source. The adjustment of loan at source seems not in line with the NHA Code which provides that funds for repayment of loans and the interest accrued thereon was to be generated by NHA through levy of tolls/other charges on these completed projects. But NHA was not repaying of loans and interest accrued thereon. This resulted into irregular adjustment of development loan towards recovery of debt service charges for Rs 71,079.304 million which will affect the development projects.

Audit pointed out the matter of irregular adjustment of development loan in November, 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends that NHA should take up the issue with Finance Division to evolve a mechanism for repayment of CDL so that no direct adjustment of PSDP funds is made which have adverse bearing on the achievement of development targets set in the PSDP. Further, NHA should take concrete steps to improve its revenue enabling repayment of CDL in timely manner so that cash flows for planned development activities are not adversely affected.

(DP. 425)

CHAPTER 3
CAPITAL DEVELOPMENT AUTHORITY/ METROPOLITAN CORPORATION ISLAMABAD (MINISTRY OF INTERIOR)

3.1 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. 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.

As per Schedule-II of Rules of Business, 1973 (amended up to January 2019) CDA and MCI are under the administrative control of Ministry of Interior (Interior Division).

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, 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).

3.2 Comments on Budget and Accounts (Variance Analysis)

Comments on Receipt and Expenditure Account for the financial year 2017-18 are as under:

(A) Expenditure:

Budget allocation and expenditure for the financial year 2017-18 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					
Revenue Account (CDA)	2,967.730	5,075.122	12,925.703	7,850.581	154.68
Maintenance Grant (GOP)	2,197.00	1,809.838	2,420.648	610.81	33.75
Pak. Metro Bus System	-	1,410.671	1,410.671	-	-
Sub-Total (A)	**5,164.73**	**8,295.631**	**16,757.022**	**8,461.391**	**101.99**

Type of Funds	Budget Allocation	Actual Receipt of funds	Actual Expenditure	Variation* Excess/ (Saving)	Excess/ (Saving) in %
(B) Development					
PSDP	599.82	179.253	179.253	-	-
Self-Financing	26,379.77	9,554.256	3,332.688	(6,221.568)	(65.12)
Sub-Total (B)	**26,979.590**	**9,733.509**	**3,511.941**	**(6,221.568)**	**(63.92)**
Total (A) + (B)	**32,144.32**	**18,029.14**	**20,268.963**	**2,239.823**	**12.42**
(C) Non-Budget					
Other debts and deposits	-	3,693.436	3,177.917	(515.519)	(13.96)
Remittance	-	1,446.051	-	(1,446.051)	(100)
Sub-Total (C)	**-**	**5,139.487**	**3,177.917**	**(1,961.57)**	**(38.17)**
Grand Total	**32,144.32**	**23,168.627**	**23,446.88**	**278.253**	**1.20**

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

Comments on 'Receipt and Expenditure Account' of CDA for the year 2017-18 are as under:

i. Under non-development head, funds of Rs 8,295.631 million were received during 2017-18. Expenditure of Rs 16,757.022 million was incurred with an excess of Rs 8,461.391 million (101.99%).

ii. Funds of Rs 599.82 million were allocated in the Public Sector Development Programme for the year 2017-18 against which funds of Rs 179.253 million were released and expenditure of Rs 179.253 million (100%) was incurred.

iii. An allocation of Rs 26,379.770 million was earmarked for the development activities under the head 'Self-Financing' against which, actual funds of Rs 9,554.256 million (63.782%) were realized but an expenditure of Rs 3,332.688

million was incurred. This indicated that CDA could only achieve 34.88% of planned targets/objectives of development activities.

iv. CDA Board approved development budget for financial year 2017-18 for Rs 26,979.59 million, which was 83.93% of the total budget of Rs 32,144.32 million. Audit observed that key milestones envisaged in the original budget estimates for 2017-18 were not materialized. CDA incurred development expenditure of Rs 3,511.941 million which was 15.83% of the original development budget estimates of Rs 26,979.59 million. Financial managers of CDA did not conduct proper exercise to review their financial resources keeping in view the quantum of receipts and expenditure.

v. The development funds were not fully utilized during 2017-18 and there was a saving of Rs 6,221.568 million (65.12%). On the other hand, there was an excess of Rs 8,461.391 million (101.998%) in non-development budget. This indicated that non-development expenditure was on rise and development activities were not being given priority.

vi. Federal Government did not release any amount for Metropolitan Corporation Islamabad (MCI) during financial year 2017-18. An expenditure of Rs 5,999.640 million was booked by the CDA against MCI. Separate accounts of MCI were not maintained.

(B) Receipts:

Receipts of CDA from its own resources are as follows:

(Rs in million)

Description	2016-17	2017-18
Self-Financing Sector		
Estimated Receipts	28,617.210	26,379.77
Actual Receipts	18,765.591	9,554.256
Shortfall	9,851.619	16,825.514
Shortfall in %age	34.426	63.78

Description	2016-17	2017-18
Other Receipts		
Estimated Receipts	3,685.110	2,967.73
Actual Receipts	5,821.790	5,075.122
Shortfall/(Excess)	(2,136.68)	(2,107.392)
Shortfall/(Excess) in %age	(57.981)	(71.01)
Total Receipts		
Estimated Receipts	32,302.320	29,347.50
Actual Receipts	24,587.381	14,629.378
Shortfall	7,714.939	14,718.122
Shortfall/(Excess) in %age	23.88	50.15

i. As per CDA account for the year 2017-18, the estimated receipts under self-financing were Rs 26,379.77 million against which a sum of Rs 9,554.256 million was actually realized (63.78% of the estimates) and estimated 'other receipts' were Rs 2,967.73 million while Rs 5,075.122 million were realized (71.01% above of the estimates). This showed an excess of Rs 2,107.392 million (71.01%) in collection of 'other receipts'.

ii. There was a shortfall of Rs 14,718.922 million (50.15%) against overall estimated receipts of Rs 29,347.50 million as the Authority could generate a revenue of only Rs 14,629.378 million during 2017-18. 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.

3.3 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	Audit Paras		Compliance		
	Total	discussed	made	awaited	percentage
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
	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	39	15	72.22
2005-08 (2009-10)	94 SAR	94	54	40	57.45
2010-11	77	77	14	63	18.18
	36 PAR	36	28	08	77.78

Year		Audit Paras		Compliance		
		Total	**discussed**	**made**	**awaited**	**percentage**
		18 PAR	18	11	7	61.11
		29 PAR	29	0	29	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
2014-15	CDA	26	26	09	17	34.61
	MCI	16	0	0	0	0
2015-16	CDA	52	02	01	01	50
	MCI	12	0	0	0	0
2016-17	CDA	82	46	29	17	63.04
	MCI	45	0	0	0	0

3.4 AUDIT PARAS

Non-production of Record

3.4.1 Non-production of record relating to Land & Rehabilitation Directorate

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

Land & Rehabilitation Directorate did not provide following record for the year 2016-17, despite issuance of Intimation Letter dated 21st May 2018, Requisitions for Record dated 8th June, 2018 and 19th June, 2018 and reminder dated 2nd July, 2018:

1. Relevant files of 74 Plots transferred during the year 2016-17, along with Master Files, Qabzul Wasools and Naqsha-II.
2. Qabzul Wasools and Naqsha-II of villages i.e. Bhakar Fateh Bakhsh, Dhareak Mohri, Shah Allah Ditta, Malika, Koka, Saknal, Saham, Thatha Gujran.
3. Cash Book relating to Contingency Expenditures/Budget Receipts.

Audit pointed out non-production of record in June 2018. The Authority did not reply.

The matter was discussed in DAC meeting held on 4th January 2019. The DAC directed to hold an inquiry and fix responsibility against the person(s) at fault. Compliance to the DAC directive was not reported till the finalization of this report.

Audit recommends compliance of the DAC directive.

(DP. 09)

Fraud/Mis-appropriations

3.4.2 Misappropriation of CDA receipts - Rs 15.451 million

Para-282 of CDA Procedure Manual provides that a miscellaneous register is maintained by the Fund Group for the advance/recovery separately. The posting in the register is made with reference to the schedules detached from the pay bills and totals so arrived at are then reconciled with the reconciliation statement/register which is prepared from the Daily Payment (DP) Sheets. After the reconciliation is effected the amount involved is remitted to the parties concerned.

Audit noted during the review of the accounts record of Deputy Director Maintenance-V Faisal Masjid, Islamabad that deductions from the salaries like GP Fund, Benevolent Fund, Pension Contribution and Shoe Caring Contractors receipt etc. were remitted to the CDA Main Account for realization and accounting for the respective heads.

Audit observed that deductions and receipts were shown remitted to the CDA Main/Treasury Account, but it's accountal and realization was not forthcoming. A probe into the matter revealed that due to non-reconciliation with the Treasury these receipts and deductions were misappropriated by the cashier of the division.

Audit pointed out misappropriation in July, 2017. The Authority replied that Mr. Ejaz Hussain, cashier committed misappropriation and the case has been reported to the FIA for investigation. A departmental inquiry was also under process to judge the facts.

The matter was discussed in DAC meeting held on 4th January 2019. The DAC pended the para till finalization of inquiry report and retrieval of embezzled amount. Compliance to the DAC directive was not reported till finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 65)

Irregularity and Non-compliance

3.4.3 Loss due to accommodating landless affectees against encroachment/illegal Built-up Properties - Rs 117.973 million

Sections 32 & 33 of CDA Ordinance 1960 provide that immediately on the making of the award under section 28, the land shall vest in the Authority free from all encumbrance and thereupon the Deputy Commissioner may after giving reasonable notice to the occupier, enter upon and take possession of them.

As per regulation-2(iv) of CDA Land Acquisition and Rehabilitation Regulation-2007 (Land Sharing Basis), the fact that the landless affectees/landless dweller is bona fide resident of the village being acquired, to be confirmed by any one of the following documents:

a) Holder of Computerized National Identity Card (CNIC) issued by National Database and Registration Authority (NADRA).

b) Entry in the current voter list of the village being acquired.

c) Entry of his or his ancestor’s name as tenants in the land record of the village on or before 31st December, 2006, for last four consecutive Khasra Girdawari’s.

d) Proof of two year old electricity connection in his or his parent’s name, confirming the residence in the village from which he or she is being dislodged.

Audit noted that Deputy Commissioner, CDA announced Award for built-up properties (BUPs) regarding acquisition of remaining properties in village Majuhan (Park Enclave Phase-I) Tehsil & District

Islamabad on 20th July, 2016. Audit further noted that land of the village was acquired by the Deputy Commissioner, CDA for different schemes in 1961, 1966, 1968, 1970, 1972, 1979 & 1981 and announced Award of the BUPs on 15th May, 1972.

Audit observed that Award of 22 BUPs was announced besides allotment of residential plots. The above mentioned BUPs were in fact the encroachments/illegal constructions after the announcement of original Award dated 15.05.1972 due to non-taking of possession of the respective village timely. Non-taking of possession of the land acquired resulted into loss of Rs 117.973 million. (22 plots @ Rs 5.00 million each plus amount of Award Rs 7.973 million)

Audit pointed out the loss in June 2018. The Authority replied that according to the Award and policy Land Directorate allotted plots to the owners of BUPs as per their entitlement and Award announced by the DC, CDA.

The reply was not tenable. Had the award of land and BUP been announced together, possession of land could have easily been taken and CDA could have saved huge amount.

The matter was discussed in DAC meeting held on 4th January 2019. The DAC directed to hold inquiry at Ministry level to be headed by Joint Secretary (CDA) Interior Division to sort out the matter and submit report within 30 days to Audit. Compliance of DAC directive was not reported till finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 01)

3.4.4 Unjustified payment on account of compensation against two Brick Kilns - Rs 15.251 million

According to para-8 of Award regarding acquisition of land in Revenue Estates mouzas Nun, Badana Kallan, Sheikh Pur & Jahngi

Syedan Sector H-16, Islamabad, announced by the Deputy Commissioner, CDA on 15.01.2009 for 8,104 kanal and 10 marlas, Survey/measurement work of BUPs was required to be completed forthwith from the date of announcement of Land Award to enable the Deputy Commissioner, CDA to announce the BUP Award.

Audit noted that the Deputy Commissioner, CDA announced Award of BUPs/Bricks Kilns falling in the area of district prison, Islamabad (720 kanal) on the acquired land for Sector H-16 situated in the Revenue Estate Nun and Badana Kallan on 30th March, 2015. Audit further noted that the Deputy Commissioner rejected/dismissed the claims of BUPs of Haji Khalid Mehmood Ch. S/o Ch. Alif Din Gujjar and Mr. Muhammad Zahoor S/o Ch. Khan regarding Bricks Kilns falling in the prison on the basis of report of Assistant Director Land that no BUPs of these individuals existed in the boundary of Islamabad jail as per demarcation of acquired area dated 7th March, 2012, 29th November, 2013 and 10th June, 2014.

Audit observed that the above persons appealed under Section-36 of CDA Ordinance against BUPs/Brick Kiln Award dated 30th March, 2015 in court of Commissioner, CDA. The Commissioner CDA remanded the case to the Deputy Commissioner, CDA for reconsideration of the BUPs claim. The Deputy Commissioner, CDA allowed the BUPs/Brick Kilns compensation to the above named persons on 23rd November, 2015. Whereas, the above persons were not entitled of any compensation of BUPs/Brick Kilns because their claims were already rejected/dismissed through earlier Award dated 30th March, 2015. This resulted into unjustified payment of Rs 15.251 million.

Audit pointed out the unjustified payment in June 2018. The Authority replied that Award of BUPs/Bricks kilns falling on the land reserved for district prison Islamabad in Sector H-16 was made on 30th March, 2015 in pursuance of Directive No. 995 dated 10th July, 2014 issued by the Chairman, CDA. The said acquisition was made in the best interest of Authority as the possession of land for construction of district prison was taken over. Brick kilns were falling within the land reserved for district prison.

The reply was not accepted because no BUP/Brick Kilns of the applicants did not exist in the area of District Prison Islamabad. As per survey conducted by the AD Land three times.

The matter was discussed in DAC meeting held on 4th January 2019. The DAC directed CDA to submit justification along with relevant record for verification to Audit. Compliance of the DAC directive was not reported till finalization of this report.

Audit recommends compliance of the DAC directive.

(DP. 02)

3.4.5 Unjustified allotment of plots to land affectees - Rs 114.00 million

The policy approved by the President of Pakistan under Demand No.5 of the Summary initiated by the Chancellor of the respective university for acquisition/possession of land of the village Chahan for International Islamic University Sector H-11, Islamabad, as communicated to the CDA by the Cabinet Division vide letter dated 04.02.1997, provides that location of plots would be determined in line with the policy and past precedent. If the plots to be allotted are given in Sector G-11 and I-11 which have much higher land values, this should be kept at bargaining level.

According to the Package deal dated 7th December, 2006 with the land affectees of Sector H-10, village Chahan and Lunda Mastal for acquisition of land 49 kanal & 01 marla, plots were required to be allotted in the Sector I-14 and according to Package deal with the land affectees of village Sorain and Bokra whereas plots to the affectees were to be allotted in Sectors I-11 and I-12.

Audit observed that the Director Land and Rehabilitation Directorate, CDA allotted forty-three (43) plots of size 25x50 ft, 25x40 ft & 30x60 ft. to the landless affectees of village Chahan and Lunda Mastal during the period from December, 2013 to June, 2017. Out of forty three (43) plots, only five (05) plots of village Chahan were allotted in sector I-12 and remaining plots were allotted in the Sector I-10/1 & Margalla Phase-II (having very higher prices as compared to the Sectors I-14 & I-12). Whereas, according to the above instructions/policy/package deals the entire plots should have been allotted in the Sectors I-14, I-11 or I-12 on availability basis or if allotted in Sector I-10 & Margalla phase-II, then difference of plot cost was required to be recovered from the affectee at market rate/bargaining level. Due to allotting thirty eight (38) plots in Sector I-10 & Margalla phase-II the Authority sustained a loss of Rs 114.00 million (Rs 6.00 – Rs 3.00 = Rs 3.00 x 38 plots) as average market rates of Sector I-10/Margalla Phase-II and Sector I-12 per plot were Rs 6.00 million and Rs 3.00 million respectively.

Audit pointed out the irregularity in June 2018. The Authority replied that the affectees of old award whose land and BUP was acquired early 1960's and BUP acquired during the 1970's, hence remaining affectees of old Award were also allotted plots in Sector 1-10, Margalla Town and Sector 1-12. During 2016, CDA Board decided that all the affectees of old villages be allotted plots only in Sector 1-11. According to the policy and awards, the residential plots were allotted legally and as per policy with the approval of the Competent Authority.

The reply was not acceptable because land award was announced in early 1960's and land should have been vacated after making payment to the land affectees.

The matter was discussed in DAC meeting held on 4th January 2019. The DAC directed CDA to justify the package deal approved by the CDA Board which was contrary to the policy approved through a summary by the President of Pakistan and its verification to Audit. Compliance to the DAC directive was not reported till finalization of this report.

Audit recommends compliance of the DAC directive.

(DP. 04)

3.4.6 Award of canteen contracts without calling tenders - Rs 10.152 million

Rule-20 of Public Procurement Rules 2004 states that the procuring agency shall use open competitive bidding as principal method for procurement of goods, services and works.

Rule-26 of GFR states that it is the duty of 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 observed that Deputy Director, Parliament Lodges & Government Hostel Directorate CDA, Islamabad did not recover space rent and utility bills from the contractors of Cafeterias in Parliament Lodges and Government Hostel for Rs 10.152 million as under:

Location	Rate in 1999 Rs	Rate in 2012 Rs	Utility Bills Rs	Sui Gas Bills Rs	Total Due Rs	Period (Months)	Amount (Rs in million)
P/Lodges	10,000 PM	16,000 PM (10000x5%x12)	50,000 PM	30,000	96,000	72	6.912
Govt. Hostel		10,000	20,000	15,000	45,000	72	3.240
Total							**10.152**

Audit further observed that the contracts were awarded without calling tenders.

This resulted in non-recovery of rent and utility charges for Rs 10.152 million and award of canteen contracts without calling tenders.

Audit pointed out irregularity in August-2018. The department did not reply.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the Committee directed to conduct inquiry, fix responsibility and action against the person(s) at fault.

Audit recommends compliance of the DAC directive.

(DP. 70)

3.4.7 Unjustified package deals with the land/landless affectees

Sections 32 and 33 of CDA Ordinance 1960, provide that **i**mmediately 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.

Para 4(2) (ii) of Islamabad Displaced Persons Rehabilitation Policy, 1996 states that allotment will, however, be subject to the condition that the affectee has not availed any benefits against acquisition of land, if any acquired from him, provided that where the acquired built-up property is located outside Abadi Deh, residential plots will be allotted to the affectee of the built-up property, as in the case of Abadi Deh, only if the land beneath is owned by the affectee himself.

As per decision of the Honorable Supreme Court of Pakistan in January, 2011(made in case of suo-moto action regarding land grabbing in Bani Gala) the CDA authorities were directed to take back possession of the entire land in accordance with law which has already been acquired without giving any concession or entering into compromise with the occupants/previous owners of the land now belonging to the CDA.

Audit noted that Director Land and Rehabilitation, CDA acquired land of Sector G-12, E-12, E-10, H-10 (International Islamic University), I-11, I-12, I-14, I-15, I-16, Zone-IV, G-11, F-11 and Khanpur Dam (water supply project) during the period from 1963 to 1991.

Audit further noted that the CDA made Package Deals with the land affectees of the same villages/Sectors in the years 2006 to 2010, due to non-taking of possession of acquired land.

Audit observed that Package Deals with the land/landless affectees were made purely due to reluctance on the part of CDA, as the Authority could not get possession of the acquired land even after payment of land compensation to the land affectees.

Audit further observed that the Package Deals were made to give double benefits to the land affectees in shape of compensation of land & allotment of plot in lieu of BUPs and further accommodating the additional landless affectee. The Package Deals were also not covered under CDA Ordinance were made only to hide the negligence for not taking over possession in accordance with the Ordinance and also to accommodate ineligible persons. Moreover, CDA did not take over possession against the acquired land of sector E-10, E-12, Service road sectors I-14, I-15, I-16 sector I-11, I-12, Zone-IV and F-11 so far, even after allowing land compensation and plots to the affectees as per Package Deals. The Authority sustained huge loss in kind of allotment of plots to the land affectees & landless affectees.

Audit pointed out the irregularity in June 2018. The Authority replied that CDA signed package deals with the Islamabad affectees to retrieve the acquired land amicably. The package deals were later on discontinued due to Suo-Moto case No. 1/2011 of Honorable Supreme Court of Pakistan and earlier package deals signed were to be honored as per Rehabilitation Policy 1996. New land acquisition and rehabilitation policy was approved by CDA Board in 2007 in order to achieve maximum progress regarding acquisition of area for further development in Islamabad.

The matter was discussed in DAC meeting held on 4th January 2019. The DAC pended the Para with the direction to hold an inquiry to be headed by Joint Secretary (CDA) and submit report within one month.

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

Audit recommends compliance of DAC directive.

(DP. 05)

3.4.8 Non-recovery of fine and restoration charges - Rs 633.042 million

As per Regulation 2.17.3 of Zoning (Building Control) Regulations, 2005 (Ban on non-conforming uses), no land or building shall be put to a non-conforming use. A non-conforming use of a residential building may render the owner and occupant of the building liable on 1st conviction to pay a fine of Rs 0.50 million and in case of failure to discontinue the non-conforming use within fifteen (15) days of conviction to an additional fine Rs 5,000 for every day up to three (03) months, the owner or the occupant, as the case may be, shall be liable to be evicted from the building and the allotment deed of the plot be cancelled.

According to Restoration Policy 2014, clause 4(a) "plot cancelled due to non-payment of premium shall be restored on payment of current auction/market price, (b) any amount remitted by the allottee will be adjusted in the same percentage/ratio that has already been paid, (c) in case of current market price is less than the original bid, the original bid will be recalculated as per General Price Index (GPI) and whichever price is higher shall be applied".

As per Municipal Administration Ordinance 1960 read with Section 15-A, The Additional District Collector has the powers to recover the arrears against defaulters in Municipality.

Audit noted that Directors Building Control Section, Municipal Administration, Estate Management-I and Estate Management-II CDA imposed fine due to non-conforming use of residential buildings as offices, beauty parlors, shops and clinics etc.

Audit observed that CDA Directorates did not recover fine/restoration charges from the owners of the buildings. This resulted into non-recovery of Rs 633.042 million, as detailed below:

(Rs in million)

DP No.	Formation	Description	Amount
11	Building Control Section	Fine due to non-conforming use	9.330
14	Dte. Estate Management-I	Fine/restoration charges	2.709
15	Building Control Section	Fine due to non-conforming use	33.500
26	Dte. Estate Management-II	Restoration charges	243.800
78	Directorate of Municipal Administration	Advertising charges	66.203
79	Building Control Section	Fine due to non-conforming use	277.500
84	Additional Collector (Revenue)/Special Senior Magistrate, CDA	-do-	-
		Total	**633.042**

Additional Collector (Revenue) CDA was also unable to impose fine by sealing of premises due to non-conforming use.

Audit pointed out the non-recovery during 2017-18. The Authority replied that allottees were asked to deposit the fine which was not yet paid. Fresh notices have been issued to the owners of the buildings for recovery.

The matter was discussed in DAC meeting held on 4th and 23rd January 2019. Member (Estate) CDA admitted the audit point of view regarding non-recovery and lack of coordination between Additional Collector and concerned Directorates of CDA. DAC showed its concerns over the weak follow-up and non-coordination/liaison of the concerned Directorates with Additional Collector CDA and directed to devise SOP for better coordination between the Directorates and early recovery of CDA dues. DAC directed to hold an inquiry to sort out why the matter was pending and fix responsibility for non-pursuance of recovery.

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

Audit recommends compliance of DAC directive.

3.4.9 Non-recovery of outstanding room rent - Rs 5.192 million

Rule-26 of GFR states that it is the duty of 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 Deputy Director, Parliament lodges & Government Hostel Directorate CDA, Islamabad was responsible to collect the rooms rent of Parliament lodges, Government Hostel and CDA Officers Hostel, Islamabad.

Audit observed that room rent was outstanding recoverable against the occupants of CDA officers Hostel, Government Hostel and Parliament lodges up to 30th June, 2018.

This resulted into non-recovery of room rent of Rs 5.192 million as detailed below.

(Rs in million)

Sr. No.	Location/Place		Amount
1	CDA Officer Hostel		4.118
2	Government Hostel	Family Suite	0.211
3	Government Hostel	Single Room	0.285
4	Parliament Lodges	Shops	0.055
5	Parliament Lodges	MNA/Senator	0.523
		Total	**5.192**

Audit pointed out non-recovery in August-2018. The department did not reply.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the Committee directed CDA to effect recovery and get it verify from Audit. No recovery was reported till finalization of the report.

Audit recommends compliance of DAC directive regarding recovery of outstanding dues.

(DP. 69)

3.4.10 Non-auction of open space area - Rs 40.655 million

Land measuring 8.00 acres and additional land measuring 2.98 acres was leased out to M/s Shifa International Hospital, H-8/4 Islamabad in November, 1986 and August, 1987 respectively @ Rs 100 per sq. yard for 33 years and possession was handed over to the lessee on 7th May, 1988. Management of the hospital requested CDA to lease out another piece of land measuring 1.78 acres. CDA Board in its meeting held on 26th August, 2015, decided to dispose of 1.78 acres land through open auction as per prescribed Rules and Policy.

Audit observed that Director Estate Management-II CDA, Islamabad neither auctioned the land measuring 1.78 acres nor recovered rent thereof due to utilization of open space/parking area from the user. The rent of open space was worked out for the period from September, 2015 to May, 2018 as per prevailing rate of Rs 143 per square yard involving Rs 40.655 million.

Audit pointed out the non-recovery in June 2018. The Authority replied that area used by M/s Shifa International Hospital does not come under the domain of Estate Management Dte-II, CDA. Allocation/ permission to use open spaces was dealt by the Directorate Municipal Administration (DMA), MCI. However, this office has intimated the same to DMA for further necessary action at their end. Result of the same will be shared with audit as when received.

The matter was discussed in DAC meeting held on 4th January 2019. The DAC directed to initiate inquiry to be headed by Joint Secretary to sort out the matter why the required action has not been taken so far by CDA. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 16)

3.4.11 Restoration of cancelled plot at less rate - Rs 430.704 million

Para-4 of Restoration Policy-2014 of CDA provides:

a) Plots cancelled due to non-payment of premium shall be restored on payment of current auction/market price.

b) Any amount remitted by the allottee will be adjusted in the same percentage ratio that has been paid already.

c) In case the current market price is less than the original bid, the original bid will be re-calculated as per GPI and whichever price is higher shall be applied.

Audit noted that open auction of plot No. 31, Markaz D-12, Islamabad measuring 1600 sq. yards was held on 26th March, 2013 and highest bid Rs 174,000 per square yard with premium of Rs 278.400 million was accepted. The successful bidder was directed to deposit Rs 64.60 million within 72 hours from the date of the issuance of bid acceptance letter and balance amount of Rs 208.800 million in two installments. Due to non-payment of balance premium up-till 21.07.2013, the management cancelled/withdrew the bid of the plot on 22.07.2013 by forfeiting 10% of total premium. The bidder requested to Authority on 30.08.2013 to restore his cancelled plot and issue allotment letter after accepting all outstanding dues. CDA Board in its meeting held on 11.06.2015, approved the restoration of the plot on payment of balance amount of Rs 226.095 million (75% of the total amount of Rs 301.460 million updated on GPI as on 01.10.2014). The bidder again failed to deposit the balance amount within scheduled time. CDA Board later on restored the plot on 09.06.2017 on payment of Rs 295.695 million. The restoration charges of Rs 295.695 million were received and allotment letter was issued.

Audit observed that lesser rates were accepted in restoration as compared to the current market rates against the CDA Restoration Policy referred above. Due to acceptance of restoration charges at original premium cost @ Rs 174,000 per sq. yard instead of current auction price of Rs 454,000 per sq. yard the Authority sustained a loss of Rs 430.704 million.

Audit pointed out the loss in June 2018. The Authority replied that as per restoration policy 2014, the CDA Board was competent to restore the cancelled plots. All the due payment, delayed charges etc. were recovered in accordance with the CDA Board decision.

The reply was not accepted because as per Restoration Policy in case the current market price was less than the original bid, the original bid will be re-calculated as per GPI and whichever price was higher was to be applied.

The matter was discussed in DAC meeting held on 4th January 2019. The DAC directed that Member (Estate) CDA shall explain the facts of the case in the next DAC meeting.

Audit recommends recovery of restoration charges at current market rate besides re-auction.

(DP. 33)

3.4.12 Overpayment due to excessive electricity bills - Rs 22.027 million

Rule-1(i) of CDA Procedure Manual Part-II Financial Procedure provides that every Officer authorized to incur expenditure from Public funds is expected to exercise same vigilance in respect of expenditure from public funds as person of ordinary prudence shall exercise in respect of his own money.

Audit noted that Deputy Director, Street Light Division, E&M Maintenance Directorate, CDA Islamabad got replaced conventional road lights of higher watt with LED lights of lower watt at various road/streets/locations during the period from 2015 to 2018. Further noted that M/s IESCO were being charging the electricity bills on lump sum load basis without actual consumption/measurement through energy meters. The Divisional authorities have paid an amount of Rs 790.968 million to M/s IESCO on account of electricity bills during the financial year 2017-18.

Audit observed that electricity bills of street lights were being paid without reduction in load (unit), reduced due to replacement of conventional road lights of higher watts with LED lights of lower watts from the monthly electricity bills. Non-reduction in electric load (units), due to installation of 3,633 numbers LED lights resulted in overpayment of Rs 22.027 million.

Audit pointed out the overpayment in July, 2018. The Authority replied that a meeting was held with Superintendent Engineer IESCO on 31.05.2018 to reconcile the load of Street light system after installation of LED lights on immediate basis decided to issue monthly billing from July 2018 to onward as per reconciled load.

The matter was discussed in DAC meeting held on 4^{th} January 2019. The DAC directed CDA to hold a meeting with IESCO at higher level through Ministry of Interior for billing on the basis of actual consumption of electricity. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 39)

3.4.13 Irregular calling of tenders of works - Rs 67.307 million

Para-81 (vi-2) of CDA Procedure Manual Part-III provides that amount of estimate must not exceed the amount included in the expenditure sanction.

Para-9 of General Financial Rules states that no authority incur any expenditure or enter in to any liability involving expenditure from public funds until the expenditure has been sanctioned by the competent authority.

Audit noted that Deputy Director, Parliament lodges & Government Hostel Directorate CDA, Islamabad invited tenders for 12 works relating to repair, maintenance, provision of furniture and other necessary equipment during the financial year 2017-18.

Audit observed that 12 tenders were called in the last week of financial year 2017-18. The estimated cost of these works was Rs 50.020 million with agreement cost Rs 82.533 million, whereas, the sanctioned budget was Rs 15.226 million.

This resulted in irregular calling of tenders without expenditure sanction for Rs 15.226 million.

Audit pointed out irregularity in August-2018. The Authority did not reply.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the DAC directed CDA to get verify the demand of funds and also streamline the financial system.

Audit recommends verification of record and measures taken for streamlining the financial system.

(DP. 67)

3.4.14 Blocking of development funds due to non-development of Sectors - Rs 2,062.00 million

Para 2.1 of guidelines for Project Management provides that policy of the Government of Pakistan is to efficiency utilizes 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.

Capital Development Authority established Sector Development Directorate having mandate to develop new sectors in Islamabad. Under the Directorate, the Deputy Director Sector Development Division-I was responsible for development of Sector E-12 and I-12 and Deputy Director, Division-II was responsible for development of sector C-15, Islamabad to meet residential requirements in line of Master Plan of Islamabad.

Audit observed that a contract of development of sector E-12 was awarded at agreement cost of Rs 71.498 million in May-2016, and development work of I-12 was awarded to M/s Zafar & Co at agreement cost of Rs 49.697 million in April-2015 for Construction of Major Roads of the sector. During financial year 2017-18 Rs 200.00 million were allocated for development of Sector E-12 Rs 100.00 million were allocated for I-12 and Rs 1,500.00 million for development of new work. Under the development division-I and Rs 262.00 million were allocated for development of sector C-15 during 2017-18 to execute already awarded work. But the funds were not utilized. Non-utilization of the allocated funds by the divisional authority reflects non-effective implementation of the project activities. Abnormal delay in execution of development works deprived the allottees of plots, to reside there even after payment of the cost of plot. The extraordinary delay would also cause increase in cost of project.

Audit pointed out the issue in October, 2018. The Authority replied that development works could not be started due to non-possession of land. Reply was not tenable because the development contracts were was to be awarded after possession of land. It was the responsibility of CDA and sector development management to make arrangement for vacation of land.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the Authority explained that development works could not be started due to hindrance in possession of land. DAC was not satisfied with the explanation and expressed its concerns that why works were awarded without clear possession of land and directed CDA to get verify the facts from Audit.

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

(DP. 99)

3.4.15 Non-adjustment of price de-escalation - Rs 3.652 million

According to clause 70.1 of particular conditions of contract part-III the amount payable to the contractor shall be adjusted in respect of the rise or fall in the cost of specified material.

Audit noted that during the years 2015-16 and 2016-17 there was a trend of decrease in the prices of high speed diesel and bitumen.

Audit observed that Director Roads (North), CDA, did not process the de-escalation to be adjusted from the claims/IPCs of the contractor on account of fall in the prices. It was further observed that time extensions were granted without any financial benefit to the contractor. This resulted into overpayment of Rs 3.652 million.

Audit pointed out the non-recovery of price adjustment in September 2018. The Authority replied that an amount of Rs 1.902 million on account of price adjustment (de-escalation on bitumen) has already been adjusted.

Overpayment due to non-adjustment/recovery on account of de-escalation as pointed out in the Para was admitted. Actual recovery based on detailed calculation in support of notified rate of material consumed was to be effected.

The matter was discussed in DAC meeting held on 23rd January, 2019 where the Authority admitted the recovery and promised to effect in the next IPC of the contractor. DAC directed to effect the due recovery and get it verified from Audit at the earliest.

Audit recommends recovery of overpayment/adjustment of de-escalation.

(DP. 103)

3.4.16 Unauthorized expenditure on up-gradation of signalized road - Rs 60.037 million

As per instructions of Planning Commission with regard to project management life cycle, development projects are prepared on the approved format i.e. PC-I proforma. The PC-I proforma alongwith detailed instructions for filling them.

Audit noted that Deputy Director, Road Division-IV, CDA awarded a work "Improvement/up-gradation of signalized intersection on Murree Road with Kashmir Highway, Islamabad" against the estimate of Rs 91.761 million.

Audit observed that PC-I was neither prepared nor got approved form the competent forum for work "Improvement/up-gradation of signalized intersection on Murree Road with Kashmir Highway, Islamabad" and expenditure charged to the annual recurring cost of an old project "Addition of 3rd lane to Murree Road from Faizabad interchange to Serena Hotel and rehabilitation of existing road" which was executed many years ago. Charging expenditure of a new work to a closed project, either to the project savings or annual recurring cost stands unauthorized and inadmissible. This resulted into unauthorized expenditure of Rs 60.037 million

Audit pointed out the irregularity in September 2018. The Authority replied that the work "Improvement/up-gradation of signalized intersection on Murree Road with Kashmir Highway, Islamabad" was charged to the approved PC-I "Addition of 3rd lane to Murree Road from Faizabad interchange to Serena Hotel and rehabilitation of existing road" amounting to Rs 485.515 million. The 2% recurring cost of road work which comes to Rs 8.125 million per annum and total Rs 65 million from date 2008 to 2016 whereas this Division has consumed expenditure Rs 60.01 million.

The reply was not convincing. Expenditure Rs 60.037 million for a new work "Improvement/up-gradation of signalized intersection on Murree Road with Kashmir Highway, Islamabad" was charged to an old PC-I for addition of 3rd lane to Murree Road from Faizabad interchange which was stated to have been approved in 2005, whereas new work was started in 2018 with a gap of thirteen year, status of old work of Faizabad road approved in 2005 whether completed and accounts closed was not mentioned in reply.

Expenditure of Rs 60.037 million was charged to the closed work. If main works accounts are still open and not closed then saving of one project cannot be utilized towards expenditure of entirely a new work. Status of main PC-I of Faizabad interchange and expenditure incurred was not shared with Audit.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the Authority explained that expenditure was charged to the recurring cost @ 2% meant for maintenance of an old work 'Addition of 3rd lane to Murree road from Faizabad interchange to Sarina Hotel and rehabilitation of existing road' executed in 2006-07. DAC was not satisfied with the explanation and directed to probe the matter through inquiry to ascertain the reasonability and rule provision of the expenditure of a new work charged to the old work.

Audit recommends compliance of the DAC directives regarding inquiry and fixation of responsibility.

(DP. 106)

3.4.17 Non-recovery of outstanding Property tax - Rs 640.619 million

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 in to Treasury.

According to Section 49-A of CDA Ordinance, 1960, any sum due to the Authority from or any sum wrongly paid to any person under this Ordinance shall be recoverable as arrears of land revenue.

Audit noted during scrutiny of accounts record of Revenue Directorate CDA, Islamabad that Rs 380.429 million on account of Property tax of residential buildings and Rs 260.127 million on account of commercial buildings were shown outstanding up to June 2018. Total outstanding amount was Rs 640.619 million.

Audit observed that huge amount on account of Property tax was outstanding due to weak follow up towards recovery of the outstanding taxes. Effective steps were required at top management level for devising a comprehensive system of follow up of defaulter cases through Additional Deputy Collector CDA.

Audit pointed out outstanding recovery in October-2018. The Authority replied that against the default amount a sum of Rs 166.68 million has been recovered. Revenue Directorate CDA has already been issuing Property Tax bills and followed by the notices/show cause notices to the defaulting units in order to recover the outstanding dues. Directorate intends to submit request to the High-ups to appoint a permanent Collector to help in the matter. The reply was not acceptable, because in support of reply the management has not produced any record of recovery.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for early recovery of property tax.

(DP. 120)

3.4.18 Payment without detailed measurement - Rs 2,740.492 million

Paras 208-209 of CPWA Code provide that payments for all works done and for all supplies are made on the basis of measurements recorded in Measurement Book (MB). The MB should, therefore be, considered very important accounts record. As all payments for work or supplies are based on the quantities recorded in the MB, it is incumbent upon the person taking the measurements to record the quantities clearly and accurately.

Audit noted that Director Road (South) CDA made payments of Rs 2,740.492 million to the contractor of work "Construction of Interchange at Karal Intersection and Interchange at Sohan & Khanna Intersection on Islamabad Expressway" without recording detailed measurements of each item of work done in the measurement book in violation of rules.

Audit observed that only abstract of cost was prepared in the MBs without recording detailed measurements of each item of work done. Without detail measurement in the MB the veracity/authenticity of payment could not be verified. The CDA adopted an irregular method of work measurement/record keeping by dispensing with an approved and established method of record keeping for all Public Sector Infrastructure Works. The project authorities adopted an unreliable system of computer based proforma in place of forms approved by the Office of the Auditor General of Pakistan and Finance Division. An irregular deviation by the project authorities within CDA was also a compromise on mandatory oversight and internal controls of 100% work done certified by the

Engineer in-charge and 10% test check by the supervisory officer. This resulted in unauthentic payment of Rs 2,740.492 million.

Audit pointed out unauthentic payment in November 2018. The Authority replied that copies of abstracts were prepared on the computerized based forms. It was also replied that detailed measurements have been taken on measurements books as pointed out by audit. Verification of detailed measurements was still to be made.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for maintenance of Measurement Books as per rules and its verification.

(DP. 127)

3.4.19 Irregular running of Laundry shop - Rs 2.556 million

As per Clause "F" of contract of two laundry shops in Parliament Lodges and Government Hostel, the license is not transferrable.

Audit noted that Deputy Director, Parliament Lodges & Government Hostel Directorate CDA, Islamabad, granted a license for running of laundry services in Parliament Lodges and government Hostel. A license was issued vide No. CDA/Dte/P.L/506/99/175 dated 02.09.1999 for one year to M/s Haji Muhammad Sharif.

Audit observed that an area of 2130 sft was handed over for laundry services after assessment of its monthly rent of Rs 22600 during 1997-98, but the rent was reduced to Rs 6000 per month on grounds of poor business activities in Parliament Lodges. The validity of license was up to August, 2000. Since that neither formal agreement nor any license was renewed for laundry purposes and lastly rent was further reduced to Rs 3000 per month for area of 2132 sft. Per sft Rent Rs 1.41 per month, was not deposited by the allottee. Furthermore the allottee, M/s Muhammad Sharif was expired and a new person M/s Muhammad Nadeem Sharif was running business of the laundry in Parliament Lodges and Government Hostel unauthorizedly. Hence, the contract was to be awarded through tendering for getting competitive rates. Thus rent of Rs 2.556 million was recoverable from the allottee of laundry shops in Government Hostel and CDA officers Hostel.

Audit pointed out the issue in August-2018. The department did not reply.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the Committee directed to conduct inquiry, fix responsibility for non-awarding of laundry work through open competition and finalize the report within seven days.

Audit recommends compliance of DAC directive.

(DP. 72)

Internal Control Weaknesses

3.4.20 Non-recovery of withholding tax on auctioned plots - Rs 60.278 million

As per Income Tax Ordinance 2001, Section 236-A, (1) 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 , and any authority, a company, a foreign association declared to be a company under sub-clause (vi) of clause (b) of subsection (2) of section 80, or a foreign contractor or a consultant or consortium or collector of customs of 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 (10% as amended in Finance Act-2013), from the person to whom such property or goods are being sold.

According to Brochure (Foot Note under Condition-II of Mode of Payment) the bidder shall be liable to pay applicable taxes while depositing premium in the manner and time frame prescribed by FBR and other departments. In case of failure to pay the installments or applicable taxes the accepted bid should be automatically withdrawn and 10% of the total premium shall be forfeited.

Audit noted that Estate Management-I & II, CDA accepted bid of plot No.09, I-8 Markaz measuring 1244.44 sq. yards in favour of Mr. Muhabbat Khan s/o Zahir Khan at bid cost of Rs 400,000/- per sq. yards in the auction held on 13th - 14th December, 2016 for the total premium of Rs 497.776 million but the bidder did not deposited the advance tax @ 10 % with FBR and produced an exemption certificate wherein Mr. Muhabbat Khan was shown AOP of M/s Zahir Khan and Brothers. Further CDA allotted Plots No. 408 & 409, Sector F-11/2, Islamabad to Mr. Zahir Khan through open auction held on 16.05.2017 at bid value of Rs 51.000 million and Rs 54.000 million respectively with the terms and conditions that the bidder shall be liable to pay all the applicable taxes.

Audit observed that the Authority did not recover the withholding tax from the allottee amounting to Rs 49.778 million (Rs 497.776 million x 10%) @ 10% of the premium cost of the plots. It was further observed that tax was not recovered on the basis of exemption certificate given by the FBR in case of Association of Person, whereas, the Certificate of AOP was issued to M/s Zahir Khan & Brother's not the allottee of the plot Mr. Muhabbat Khan (Son of Mr. Zahir Khan). Due to non-recovery of Income Tax from the bidder (whom plot was leased out in individual capacity), the government sustained a loss of Rs 60.278 million (Rs 49.778 million + 10.500 million). Audit further observed that Director Estate Management-I did not recover the withholding tax from the allottee amounting to Rs 10.500 million @ 10% of the premium cost of the plots. The tax was not recovered on the basis of exemption certificate given by the Commissioner Income Tax Quetta Zone. Advance tax was required to be recovered from the allottee as Exemption in tax was considerable in case of plots allotted in the name of Association of Persons (AOP) whereas plots were allotted to a person in individual capacity. This resulted in non-recovery of the withholding tax on the auctioned plots the government sustained a loss valuing Rs 60.278 million.

Audit pointed out the loss in July, 2017 The Authority replied that the successful bidder has paid the total price of plots along with CVT whereas did not pay withholding tax and submitted tax exemption certificate from FBR Authority mentioning both the properties which was valid up to 2018. The reply was not acceptable as exemption claimed by the individuals was not valid.

The matter was discussed in DAC meeting held on 4th January 2019. Audit was of the view that subject exemption of FBR was not relevant in the case of individual for which the necessary clarification from FBR was required and matter was being taken up with FBR. The matter has been taken up with FBR for clarification which was still awaited.

Audit recommends for early recovery alongwith disciplinary action against the person(s) at fault.

(DP. 10, 32)

3.4.21 Non-recovery of outstanding premium of commercial plots - Rs 2,197.047 million

According to Islamabad Land Disposal Regulation 2005, Chapter VI, Condition No. 19 regarding cancellation of plots, the allotment of plots shall be liable to cancellation on account of (a) Non-payment of dues within specified period. (b) Non-completion of building within the specified period. (c) Violation of other terms and conditions of allotment, e.g. non-confirming use, sub-division, amalgamation of plots etc.

Audit observed that Director Estate Management-II, CDA failed to recover the outstanding premium against various commercial plots, allotted through open auctions held in December, 2016 and May, 2017. Audit further observed that a period of more than one year was elapsed but the management did not make strenuous efforts towards recovery of outstanding dues of Rs 2,197.047 million along with delayed payment charges, cancellation and taking over possession of the plots, as detailed below:

(Rs in million)

DP No	Description	Amount
22	Non-recovery of premium	1,859.645
28	Non-forfeiture of premium	337.402
	Total Rs	**2,197.047**

Audit pointed out the non-recovery in June 2018. The Authority replied that the recovery was under process and in some cases the amount has been recovered. The recovery in rest of the cases was under process. Recovery effected by the authority was however not got verified from audit.

The matter was discussed in DAC meeting held on 4th January 2019. DAC directed to submit plot-wise detail of total recovery due, effected and balance to Audit for verification. Compliance of DAC directive was not made till finalization of this report.

Audit recommends compliance of DAC directive.

3.4.22 Non-recovery of Capital Value Tax and Advance Tax - Rs 57.325 million

As per condition No. 01 of "mode of payment" of the respective auction broacher of commercial plots the successful bidder will be required to deposit within 72 hours of the issuance of bid acceptance letter 25% of the total premium of the plot after adjusting the token money along with proof of payment of applicable taxes. Non-payment of this amount will result in the automatic cancellation of his bid and forfeiture of the token money.

Audit observed from accounts record of Director Estate Management-II CDA that neither the allottees provided any proof regarding payment of applicable taxes i.e. Advance/Withholding Tax @ 10% and CVT@ neither 2% nor the CDA management recovered the required taxes. This resulted in non-recovery of Advance/Withholding Tax and CVT amounting to Rs 57.325 million.

Audit pointed out the irregularity in June 2018. The Authority replied that as regards Plot No.311 Fruit & Vegetables Market Sector I-11/4, bid of successful bidder was cancelled on 16.10.2015 with the approval of Chairman CDA and for Plot No. 308, 309, 310 Fruit & Vegetables Market Sector I-11/4, Islamabad the bidders have been issued Notices/Letters for remittance of CVT. Outcome shall be conveyed accordingly.

The matter was discussed in DAC meeting held on 4th January 2019. DAC directed CDA to pursue recovery by serving notices to the defaulters. DAC pended the Para till recovery of CVT and advance tax. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 27)

3.4.23 Non-finalization of inquiries

According to Establishment Division Secretary's D.O. letter No. 5/1/81-C.II (A), dated 06.06.1981(Sl-130 of ESTA Code) the following measures should be strictly observed while conducting/finalizing of the disciplinary cases:

a) The Inquiry Officer be carefully selected for his competence and capability to hold the inquiry.
b) A time-limit should be prescribed for completion of the inquiry
c) Until the inquiry is completed, the Inquiry Officer, the accused as well as the witnesses concerned should not be permitted to proceed on leave, training course or on transfer in or outside Pakistan.

d) A check-sheet, recording the day to day progress, should be maintained by the Inquiry Officer.
e) The inquiry proceedings once started should be held without interruption, as far as possible, on day to day basis.
f) On receipt of the inquiry, the case should be processed expeditiously by the Ministry concerned.
g) It should be impressed upon the Inquiry Officer that the quality of work produced by him will reflect on his efficiency, which will be recorded in his ACR.
h) The initiating officer should record his assessment of the Inquiry Officer's performance in the ACR.

Audit noted that Director Security, CDA conducted Facts Finding Inquiry regarding misplacement of files of plots No.52, 53, 54,57,58,59 and 60 Industrial Area Sector I-9/2 Islamabad on 22.11.2013 and copy thereof submitted to the then chairman CDA by hand. The inquiry officer concluded that:

- Five folders files of plot No.52, 53, 54,57,58,59 and 60 Industrial Area Sector I-9/2 Islamabad were misplaced in the Estate Management Directorate-II.
- As per statement of the dealing Assistant, the files were handed over to Syeda Shafaq Ali Deputy Director EM-II, CDA.
- The plots were transferred and transfer letters (bearing signature of Syeda Shafaq Ali Deputy Director Estate Management-II) were issued after embossing and the letters were handed over to Mr. Arif Bhatti a Property Dealer.
- The noting /preparation of transfer letters and issuance was made by Mr. Abid Aziz, Senior Assistant who was not the dealing hand, hence he was the main character in this case assumed that he was in full knowledge regarding misplacement of the files.

Audit further noted that the detail of pending inquiries, received from confidential section CDA, that 04 formal inquiries pertaining to Park

Tower (F-10, Plot No.3), Plot No.9-A, Sector G-5, Plot No.19, F-7 Markaz (Institute of Policy Study and Safa Gold Mall (Plot No.5, F-7 Markaz (Health Centre), Islamabad were pending since 2012. Audit further observed that finalization of the formal inquiries was pending in the offices of Member (Planning) and Member (Estate).

It was noted that during Fact Finding inquiry, the following officers/officials were held responsible

Sr. No.	Name & Designation	Authorized officer
1	Syeda Shafaq Ali Deputy Director (repatriated)	Secretary Cabinet Division
2	Mr. Abid Aziz Senior Assistant	Member Estate CDA
3	Mr. Imran Junior Assistant	Director concerned
4	Mr. Amir LDC	do
5	Mr. Rahim Naib Qasid	do

Audit observed that the Director Estate Management-II, CDA, Islamabad failed to finalize the formal disciplinary action against the persons involved as a period of more than four years has since been elapsed. Audit further observed that delaying tactics were being adopted to linger on the matter evident from the inquiry file. The file was submitted to the Members/Chairman CDA multiple times, but was returned back indecisive/without finalization of disciplinary proceedings. Abnormal delay in finalization of formal inquiry, was not only providing undue favour/ latitude to the involved officers/officials of the CDA but, also encouraging the other employees to commit such offences/irregularities in future.

Audit pointed out the irregularity in June 2018. The Authority replied that files got misplaced during the process of change of title of the subject plot. An inquiry on this account was conducted by the Human Resource Directorate, CDA and FIA also took up the matter. Result of the inquiry conducted by Human Resource Directorate was still awaited whereas inquiry conducted by FIA has been finalized.

Meanwhile, an inquiry was ordered to be conducted by DIG Security, Islamabad. As soon as the inquiry in question was finalized, the same shall be shared with Audit authorities accordingly.

The matter was discussed in DAC meeting held on 4^{th} January 2019. DAC directed CDA to share the fact finding report with Audit in one week. DAC also directed to pursue the matter with FIA and DIG Security for finalization of inquiry within three weeks. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 29, 30)

3.4.24 Non-recovery of rental charges - Rs 455.744 million

Section 49A of CDA Ordinance 1960 provides that any sum due to the Authority from, or any sum wrongly paid to, any person under this Ordinance shall be recoverable as arrears of land revenue.

Audit noted from record of Additional Collector (Revenue) that M/s Exceed Pvt. Ltd. (Sardar Hayyat Mahmood Khan Mandokhail) holding 79 Acers of CDA land without any lawful title at Said Pur village w.e.f 24.04.2008. The CDA authorities calculated the rent of this land for Rs 455.744 million.

Audit observed that the final appeal of the defaulter was dismissed by the double bench of Supreme Court of Pakistan CP No.1607/2014 on 14.05.2015.

Audit further observed that instead of seeking decree for attachment of his moveable/immoveable property the case was referred to the Additional Collector (Revenue)/Senior Special Magistrate CDA who issued a notice under Land revenue Act 1967 on 05.10.2015. Recovery was not effected due to non-pursuance and non-maintenance of record in the Collector office. This resulted into non-recovery of Rs 455.744 million.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the Member (Estate) CDA admitted the audit point of view regarding non-recovery and lack of coordination between Additional Collector and concerned Directorates of CDA. DAC showed its concerns over the weak follow-up and non-coordination/liaison of the concerned Directorates with Additional Collector CDA and directed to devise SOP for better coordination between the Directorates and early recovery of CDA dues.

Audit recommends early recovery of outstanding amount.

(DP. 80)

3.4.25 Non-recovery of property tax and allied charges - Rs 623.368 million

Section 49A of CDA Ordinance 1960 provides that 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.

As per notices issued during financial year 2016-17 by the office of Additional Collector (Revenue) under Section 79 of West Pakistan Revenue Act 1967 the residents of Islamabad were informed to submit Property tax of premises falling in residential areas, failing which further action will be taken which includes one month imprisonment or confiscation of property.

Audit noted that an amount of Rs 555.139 million was outstanding from different commercial/factory areas falling in the CDA premises since long.

Audit further noted that the Additional Collector Revenue issued 500 notices to residents of residential area living in different sectors. This involved a huge recovery.

Audit observed that recovery was outstanding due to non-maintenance of proper record in collector office and non-deployment of skilled staff. This resulted in to loss due to non-recovery of property tax and allied charges for Rs 623.368 million.

Audit pointed out non-recovery in June, 2018. The Authority did not reply.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the Member (Estate) CDA admitted the audit point of view regarding non-recovery and lack of coordination between Additional Collector and concerned Directorates of CDA. DAC showed its concerns over the weak follow-up and non-coordination/liaison of the concerned Directorates with Additional Collector CDA and directed to devise SOP for better coordination between the Directorates and early recovery.

Audit recommends early recovery of outstanding amount.

(DP. 81)

3.4.26 Short recovery - Rs 4.317 million

Section 49A of CDA Ordinance 1960 provides that any sum due to the Authority from, or any sum wrongly paid to, any person under this Ordinance shall be recoverable as arrears of land revenue.

Audit noted form Recovery Register maintained in the office of Additional Collector Revenue/Senior Special Magistrate, CDA, Islamabad that an amount of Rs 4.317 million was outstanding against different companies. It was observed that the cases were closed without recovering full amount due. This resulted into less recovery of Rs 4.317 million as detailed below:

(Rs in million)

Sr. No.	Name of owner/address	Recovery due	Recovery effected	Difference
01	Property No.12 Al-Safa Heights-II, F-11/1 belongs to Mr. Abdul Ghafoor & Abdul Shakoor	2.526	1.000	1.526

Sr. No.	Name of owner/address	Recovery due	Recovery effected	Difference
02	Syed Zeeshan Haider, G-8/1, Islamabad	0.800	0.400	0.400
03	Asif Raza Mir Plot No.06, G-6 Markaz, Islamabad	4.375	4.184	0.191
04	Manager PTCL/Plot No.4, 5, 2nd Floor, Zero Point building, Islamabad	6.90	4.70	2.20
			Total	**4.317**

Audit pointed out non-recovery in June, 2018 the department did not reply.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the Member (Estate) CDA admitted the audit point of view regarding non-recovery and lack of coordination between Additional Collector and concerned Directorates of CDA. DAC showed its concerns over the weak follow-up and non-coordination/liaison of the concerned Directorates with Additional Collector CDA and directed to devise SOP for better coordination between the Directorates and early recovery of CDA dues.

Audit recommends early recovery of outstanding amount

(DP. 82)

3.4.27 Non-recovery on account of enhanced Floor Area Ratio - Rs 62.200 million

Section 49A of CDA Ordinance 1960 provides that any sum due to the Authority from, or any sum wrongly paid to, any person under this Ordinance shall be recoverable as arrears of land revenue.

Audit noted from accounts record of Additional Collector (Revenue)/Special Magistrate, CDA, Islamabad that an amount of Rs 62.200 million was outstanding against Secretary Stock Exchange Plot No. 55-B, Jinnah Avenue, Islamabad for recovery on account of enhanced FAR as arrears of Land Revenue Act. Audit observed that a notice was issued on 18.10.2017 by Additional Magistrate, CDA for recovery of BCS charges. A letter was issued by Deputy Director BCS-I which explained that an amount of Rs 50.400 million was drawn on J.S Bank Islamabad Stock Exchange Branch Pay Order No.004312 & Reference No.00318533 dated 22.11.2018. Audit further observed that the said pay order was not enclosed with the letter and date of the pay order was also doubtful. This resulted into non-recovery on account of enhanced FAR as arrears of Land Revenue for Rs 62.200 million.

Audit pointed out non-recovery in June, 2018 the department did not reply.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the Member (Estate) CDA admitted the audit point of view regarding non-recovery and lack of coordination between Additional Collector and concerned Directorates of CDA. DAC showed its concerns over the weak follow-up and non-coordination/liaison of the concerned Directorates with Additional Collector CDA and directed to devise SOP for better coordination between the Directorates and early recovery of CDA dues.

Audit recommends early recovery of outstanding amount.

(DP. 83)

3.4.28 Mismanagement in possession of land - Rs 1,550.00 million

PC-I for development of Park Enclave Housing Project Islamabad was approved by the CDA. DWP for Rs 2,686.386 million vide file No CDA-54 (580) stats/2011 PC-I No.1286/20/ 2013 for development of 781 plots measuring 50' x 90' and 75' x 120' work for Infrastructure Development at Park Enclave was awarded to M/s Ch. A Latif & Sons (Pvt.) Ltd at contract cost Rs 1,452.00 million with date of start 08.08.2014 to be completed in 365 days up to 07.08.2015.

Audit noted that Infrastructure Development Work of Park Enclave was shown substantially completed on 31.12.2016. Formal taking over on completion (T.O.C) was notified and issued along with punch list to the contractor and defect liability period D.L.P also stated to have completed/expired on 31.12.2017.

Audit observed that 62 plots of size one kanal and above could not be developed due to non-possession of site of plots for development. Development work was also delayed and plots on which clear possession was not handed over to the contractor were not developed. Non-development of huge numbers of plots was not only violation of the orders of competent authority but also loss to the general public/allottees whom were deprived with economic/ social benefits. This resulted in to loss of Rs 1,550.00 million.

Audit pointed out the non-development of residential plots and mismanagement possession of Land in November 2018. The Authority replied that Engineering Wing completed the development work in these areas where possession was given by the Land and Rehabilitation Directorate CDA. Remaining development work will be completed as and when possession will be handed over.

The reply was not tenable as possession of 62 residential plots was not handed over to the project authorities till completion of the project, which was loss to authority.

DAC meeting was not convened despite repeated efforts by Audit.

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

(DP. 124)

3.4.29 Payment of electricity bills without actual consumption records - Rs 790.968 million

Rule-1(i) of CDA Procedure Manual Part-II Financial Procedure provides that every Officer authorized to incur expenditure from Public funds is expected to exercise same vigilance in respect of expenditure from public funds as person of ordinary prudence shall exercise in respect of his own money.

Audit noted that Deputy Director, Street Light Division, E&M Maintenance Directorate, CDA Islamabad made payment of Rs 790.968 million to M/s IESCO on account of electricity bills of street lights installed on various locations in capital city during the financial year 2017-18.

Audit observed that the electricity bills were being charged on lump sum unit basis without actual measurement through Energy meters The electricity bills were charged per month on lump sum load basis, not supported with total No. of street lights, working hours, percentage of lights out of order to justify the monthly units being charged. This resulted in un-authentic payment of Electricity bills for Rs 790.968 million.

Audit pointed out the unauthentic payment in July, 2018. The Authority replied that in past meetings, held in the Ministry of Water and Power, wherein it was decided that WAPDA shall install energy meters on all the street light circuits by 30.4.1998 and meanwhile CDA will pay 75% on the basis of agreed connected load. Contrary to this settlement, IESCO demanded 100% payment. The matter was referred to the Secretary Ministry of Water and Power Govt. of Pakistan by the Chairman, CDA who did not agree on the grounds that there were tremendous line losses on street light circuits due to various reasons which need to be accounted for in the bills. Due to accumulation of arrears IESCO sometimes disconnects power supply to CDA/MCl offices and installations including tube wells and street lights. CDA/MCI has never paid the full amount claimed by IESCO for street lights and has always paid less than their claims after proper reconciliation. Besides, unit rate taken by the Audit does not include other charges like power/load/losses and power factor etc.

In reply the authority has admitted that electricity bills were being charged on lump sum unit basis without actual measurement through Energy meters as the WAPDA/IESCO has not installed energy meter despite repeated request. Excess billing/payment without authentic reading was a recurring loss to the CDA which should be avoided/ minimized through reconciliation with IESCO and installation of energy meters

The matter was discussed in DAC meeting held on 4th January 2019. The DAC pended the para and directed CDA to hold a meeting with IESCO at higher level through Ministry of Interior for billing on the basis of actual consumption of electricity. Compliance to the DAC directive was not reported till finalization of this report.

Audit recommends compliance of the DAC directive.

(DP. 38)

METROPOLITAN CORPORATION ISLAMABAD (MCI)

Irregularity and Non-compliance

3.4.30 Non-payment of installments of loan - Rs 663.620 million

According to Article-II of the loan agreement (PK-P-25) for Metropolitan Water Supply Project (Simly) under Japanese Project loan signed between the Government of Pakistan and the Overseas Economic Cooperation Fund (OECF) of Japan on 30.03.1989 regarding repayment and interest, Section-I of the Article provides that the Borrower shall repay the principal of the loan to Fund in accordance with the Amortization Schedule set forth in Schedule-3. Section 2 of the Article provides that the Borrower shall pay interest to the Fund semi-annually at the rate of two and half percent (2.5%) per annum on the principal disbursed and outstanding. The Borrower shall pay to the Fund on 20th March of each year the interest that has accrued up to 19th March of that year from 20th September of the preceding year and on 20th September of each year the interest has accrued up to 19th September, 19 from 20th March of that year.

Audit observed that W&S Development Directorate MCI did not pay six installments of principal amount and interest accrued thereon due as per revised amortization schedule as required under the Article-II of the Loan agreement (PK-P-25) for Metropolitan Water Supply Project (Simly) under Japanese Project Aid signed between the Government of Pakistan and the OECF of Japan on 30.03.1989. Non-payment of installments of loan will result in creation of pending liabilities and piling up of interest. This resulted in non-payment of installments of loan (PK-P-25) for Rs 663.620 million to Economic Affairs Division (EAD) for onward repayment of loan to the Fund (OECF) since September, 2015.

Audit pointed out non-repayment of loan in October, 2018. The authority replied that allocation was made in previous two financial years for repayment of Foreign Loan but the payment was not released due to shortage of funds. However, lump sum allocation of Rs 300.00 million has been made in the current financial year 2018-19 and payment shall be made to EAD accordingly.

The authority in its reply admitted that installments of loan were not paid despite of allocation in the financial years 2015-16 and 2017-18 due to shortage of funds which was financial indiscipline.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein MCI explained that commitment of repayment of loan could not be fulfilled due to non-release of funds. DAC pended the Para till fulfillment of commitment of repayment of the loan.

Audit recommends for early repayment of loan as per amortization schedule in compliance of the Articles of loan agreement to avoid any pending liability and accrual of interest thereon.

(DP. 11)

Internal Control Weaknesses

3.4.31 Non-recovery of Hire Charges of machinery and Pre-Mix Asphalt Concrete – Rs 120.73 million

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

Audit noted that Director Machinery Pool Organization (Operation), Metropolitan Corporation Islamabad rented out machinery of Rs 108.81 million to the sister divisions and issued 1561 No. batches of premix asphalt concrete of Rs 11.020 million and repaired vehicles and machinery valuing Rs 0.900 million of the various Divisions of Metropolitan Corporation/Capital Development Authority Islamabad during the financial year 2017-18 without actual receipt of funds in advance even after completion of the jobs and after close of the financial year 2017-18. This resulted in non-recovery of hire charges for Rs 120.73 million

Audit pointed out non-recovery in July 2018. The Authority replied that all the sister formations of MCI and CDA were informed for the outstanding charges. Reminders were issued to all CDA & MCI formations for reimbursement of hire charges. Reply of the Authority was not tenable as recovery of hire charges, cost of premix asphalt and cost of repair of machinery was to be recovered in advance as per CDA Procedure Manual to avoid accumulation of arrears.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the DAC constituted a committee comprised on DFA ministry of Interior, CDA and MCI officers to devise a solution of hire charges to be recovered from the users Divisions.

Audit recommends an early recovery of the outstanding amount.

(DP. 04)

3.4.32 Handing over of site without Bank Guarantee - Rs 37.908 million

Clause-8 of the Terms and Conditions for auction of right of collection of entry ticket fee at lake view park, Islamabad provides that "The successful bidder shall be bound to furnish the bank guarantee which will cover the total term of contract and one month after expiry of the contract from local scheduled bank equal to 65% of the highest bid offer within seven (07) days from the date of issuance of letter of acceptance and enter in to agreement with the authority within 15 days after issuance of letter of acceptance. The bank guarantee will be released after one month of expiry of license period with the approval of competent authority subject to satisfactory performance and clearance of all due payments by the licensee to the authority".

Clause-28 of the TORs also provides that "In case of breach of any one or more of the above cited conditions and non-observance of above noted obligations the authority will issue notice and will terminate the agreement after 30 days of the notice if the licensee failed to comply with the obligations of the Terms & Conditions of the agreement. The bank guarantee of the licensee will also be forfeited".

Audit noted that the work for Collection of entry ticket fee at Lake view Park, Islamabad was awarded to the contractor M/s Z.K Trading Company for two years for Rs 58.320 million vide letter of acceptance dated 21.01.2016 with the directions under Clause-2 that as per Clause-8 of TOR & agreement clause C-(1) to furnish bank guarantee from any schedule bank of Pakistan situated in Islamabad equal to 65% of the highest bid amounting to Rs 37.908 million.

Audit observed that the Authority handed over possession of the site for collection of entry ticket without receipt of 65% bank guarantee by issuing a letter dated 25.02.2016 citing the approval of Member (Environment), CDA regarding provision of the said bank guarantee within 03 months period (as requested by the Contractor) which was later on withdrawn through letter dated 29.02.2016 being communication of fake approval of the Member (Environment). Audit further observed that the said facility for non-provision of bank guarantee @ 65% was being also provided to the contractor for next financial year. This resulted in non-forfeiture of deposited money of Rs 20.412 million due to non-observance of contractual requirements.

Audit pointed out the issue in July 2018. Authority replied that as per Clause 8 on TORs of auction/agreement the contractor was bound to deposit the bank guarantee of 65% against the balance payment. The contractor however after depositing the advance due amounts which was 35% of the bid amount requested for four (04) months' time for preparation of bank guarantee. His request was forwarded to competent authority through Law Directorate, CDA. Approval of the then Member Environment was however misconceived.

The reply of the Authority was not acceptable because there was no provision in the contract agreement to grant extension for submission of bank guarantee. Undue financial favour was granted to the contractor by conveying approval of Member (Environment) fraudulently which was later on withdrawn and provided a cause of action to the contractor to proceed to court of law.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein DAC constituted inquiry committee to probe the non-obtaining of bank guarantee and granting relaxation for four months without lawful authority.

Audit recommends that matter be investigated and appropriate action be taken against persons at fault.

(DP. 44)

3.4.33 Less realization of revenue - Rs 34.936 million

As per appendix-C to agreement dated 12.03.2007 signed with JV partner M/s World Call Pvt Ltd (WCL), sharing of revenue generated through leasing of Cable Duct is 65% (WCL) 35% (CDA). Further CDA Board approved rate for duct lease are as under:

Length (Km)	**Rate per meter** (Rs)
Upto 10 Km	1,560
10.01 Km to 50 Km	1,440
50.01 to 100 Km	1,320
100.01 Km and above	1,200

Audit noted (in compliance of PAC directives dated 29.05.2018 on para No. 2.4.1 Audit Year 2014-15) that M/s World Call signed agreements with M/s Telenor, M/s World Call, M/s Multinet and M/s Pak Mobile Communication Pvt. Ltd. for use of use of Cable Duct.

Audit observed that World Call (JV partner) charged lesser rate for leasing cable ducts than approved by CDA Board to other service providers mentioned above. This resulted in less receipt of revenue to CDA for Rs 34.936 million.

Audit further observed that there was no mechanism in place which intimate CDA the total number of agreement signed by World Call Pvt. Ltd. with other services providers to assess due share of CDA revenue.

Audit pointed out less receipt of revenue on 05.06.2018. The authority replied that the CDA board permitted M/s World Call to levy maximum 25% discount on Bulk Purchase. M/s Technology at work and CDA signed a consultancy agreement for the JV agreement between CDA and World Call on 5% payment of the Project by CDA per annum to them as fee. Upon completion of contract period of 03 years in 2010 and on non-satisfactory performance of the consultant (since CDA got only 1.93% share out of the 35 % share decided), the consultancy agreement expired and no further extension was granted.

As regards to the recovery of Rs 143.52 million, this office issued three show cause notices to M/s World Call. Letter was also issued to the Senior Special Magistrate/Additional Collector Recovery, CDA for forced recovery. Moreover a Board Summary has also been prepared for cancellation of JV agreement of common duct project between CDA and M/s World Call. Reply was not tenable as the agreement was binding on both parties. Subsequent changes were post tender changes.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the Committee directed DMA to reconcile the due receivables share of MCI with M/s World Call, realize the revenue and get it verify from audit.

Audit recommends compliance of DAC directive.

(DP. 37)

3.4.34 Non-recovery of rent from concessionaire - Rs 18.693 million

According to Clause-15 of agreement dated 10.03.2006 signed with Mr. Luqman Ali Afzal for "Operate and manage restaurant at Pir-Sohawa, Islamabad", the company was required to pay rent @ Rs 3.12

million per year for first 03 years. Total lease period was 15 years starting from 10.03.2006.

Audit observed during audit of case file of Restaurant at Pir Sohawa Islamabad (Monal Restaurant) that rent of Rs 8.902 million for the year 2017 and Rs 9.791 million for the year 2018 was due against the lessee of the restaurant but he did not pay the rent to the Authority. This resulted in non-recovery of rent of Rs 18.693 million.

Audit pointed out non-recovery in June, 2018. The authority replied that the case file was handed over to FIA, Govt. of Pakistan on 24.10.2018 in the light of inquiry No. 89/2018. As and when the subject file returned back, the requisite information will be submitted accordingly.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein MCI explained that the matter is under investigation with FIA. DAC pended the Para till finalization of the investigation.

Audit recommends for early recovery of rent.

(DP. 36)

3.4.35 Non-recovery of lease money - Rs 7.974 million

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

Audit noted that the Authority entered in to lease agreements with different parties for providing recreational facilities to the general public at agreed annual rent to be paid in advance at the start of each financial year with 15% increase in rent after every five years.

Audit observed that the Lessees failed to deposit the due payments within stipulated time period. The Authority had not received the delayed payment charges as the contracts were framed in favour of the contractors wherein no delayed payment charges clause was provided. This resulted in non-recovery of principal amount and delayed payment charges on account of lease money of Rs 7.974 million.

Audit pointed out the non-recovery in July 2018. The Authority replied that there was no clause in contract agreement for recovery of delayed payment charges. However a safety mechanism was available in contract under clause bb, according to which if the lessee could not deposit the dues in time the cancellation notice of 15 days was to be issued, failing which, the lease agreement could be cancelled. There was no default up to 30.06.2018 and most of the lease holders deposited their dues up to 30.06.2019 in advance.

The reply was not accepted because the Authority failed to produce record regarding adjustment of Rs 1.560 million. Furthermore, the amount outstanding from the years 2014-15 to 2016-17 was received during the years 2015-16, 2016-17 & 2017-18 but action regarding cancellation of allotment in accordance with terms and conditions of agreement was not initiated by the Authority. Hence delayed payment charges were required to be recovered.

The matter was discussed in DAC meeting held on 23rd January, 2019 wherein the Committee directed to reconcile the due amount of eleven (11) entertainment facilities, effect recovery as per contract agreement and get it verify from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 45)

CHAPTER 4
CIVIL AVIATION AUTHORITY
(AVIATION DIVISION)

4.1 Introduction

Pakistan Civil Aviation Authority (CAA) is a public sector autonomous body working under the Federal Government of Pakistan through Aviation Division, Cabinet Secretariat. CAA was established on 7th December, 1982 through Pakistan Civil Aviation Authority Ordinance 1982. As per Schedule-II of Rules of Business, 1973 (amended up to January 2019) Aviation Division is responsible for administration of Civil Aviation Ordinance and development of civil aviation in Pakistan.

The purpose of establishing CAA is to provide for the promotion and regulations of Civil Aviation activities and to develop an infrastructure for safe, efficient, adequate, economical and properly coordinated Civil Air Transport Service in Pakistan. CAA not only plays the role of the aviation regulator of the country but at the same time performs the service provider functions of Air Navigation Services and Airport Services. The core functions of CAA are therefore, 'Regulatory', 'Air Navigation Services' and 'Airport Services'. These core functions are fully supported by various corporate functions of the organization.

The general direction and administration of CAA and its affairs vests in CAA Board which exercises all powers, performs all functions and does all acts and things that need to be exercised, performed or done by the Authority. The Chairman CAA Board is the Secretary of the Division to which the affairs of the Authority are allocated. Presently, it is the Secretary Aviation. CAA Executive Committee is the highest decision making body of the Organization. It exercises such administrative, executive, financial and technical powers as delegated to it by the Authority. Director General CAA is the Chairman of CAA Executive Committee. The Federal Government appoints the Director General who is the Executive head of CAA and exercises such powers and performs such functions as may be specified in CAA Ordinance or delegated to him by the CAA Board from time to time. The CAA Board is assisted by CAA HR (Human Resources) Committee and CAA Audit Committee. The Director General is assisted by the Deputy Director General, Directors and Additional Directors. The Director (Finance) controls the budget and enforces the internal financial controls/checks. Internal Audit Department is headed by an Additional Director under the direct supervision of the Director General. The Headquarters of the CAA are situated at Karachi.

4.2 Comments on Budget and Accounts (Variance Analysis)

Financial Statements of Civil Aviation Authority for the financial year 2017-18 (unapproved) disclosed the figures of budget and expenditure as under:

a. Budget and Expenditure

(Rs in million)

Description	Budget	Revised Budget	Actual Expense (Un-approved)	Excess/ (Saving)	Excess/ (Saving) %
Non-Development					
	a	**b**	**C**	**d=(c-b)**	**e=d/b*100**
Establishment	25,536	26,363	34,511	8,148	31
Administrative Expenditure	5,254	4,638	4,053	(585)	(13)
Repair & maintenance	1,496	1,192	964	(228)	(19)
Provision for doubtful receivables	11,281	10,845	11,064	759	7
Depreciation	5,736	5,575	5,224	(350)	(6)
Revaluation Deficit	-		5,276	5,276	100
Financial charges	4	4	3	(1)	(25)
Sub-Total	**49,307**	**48,617**	**61,095**	**13,019**	**27**
Development					
Annual Development Programme	41,470	29,093	21,064	(8,029)	(28)
Total	**90,777**	**77,710**	**82,159**	**4,449**	**6**

The total revised budget allocation for the year 2017-18 in non-development and Annual Development Programme was Rs 77,710 million. An expenditure of Rs 82,159 million was incurred out of the revised budget allocation. This resulted in excess of Rs 4,449 million representing 6% of total budget allocation.

Audit noticed that:

- The non-development expenditure of the Authority was 27% more than the approved revised budget.

- In Annual Development Programme budget, there was a saving of Rs 8,029 million representing 28% of the budget allocation. This suggests that the Authority was not able to fully utilize its allocated budget for development projects.

b. Revenue

(Rs in million)

Description	**Target**	**2017-18**		
		Realized	**Excess/ (Shortfall)**	**Excess/ (Shortfall) %**
Aeronautical	69,571	69,574	3	0.004
Non-Aeronautical	8,720	24,934	16,214	186
Total	**78,291**	**94,508**	16,217	21%

- Approved Audited financial statements from CAA Board for the year 2017-18 were not produced by the Authority till the finalization of this report despite repeated requests of Audit. Therefore, Audit is unable to comment on the accounts and financial statements.
- The aeronautical revenue realized was 0.004% more than the target, this suggests that the Authority was able to

achieve its targets resulting increase in the aeronautical revenue.

- Non-aeronautical revenue was 186% more than the targeted revenue due to improvement towards recovery from concessionaires. The overall revenue realized was Rs 94,508 million, for the financial year 2017-18 representing 21% more than the targeted revenue. Revenue realized during the year is higher than the revenue realized for the previous year 2016-17 which was Rs 72,859 million.

4.3 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
1990-91	09 CAA + 3 Ex-ADA + 1 PAR (10)	12	09	3 Ex ADA+ 1 PAR	75
1991-92	26	26	10	16	38.46
1992-93	33 CAA + 5 Ex-ADA + 1 PAR (14)	38	26	07 + Ex-ADA+01 PAR	68.42
1993-94	49	49	21	28	42.85
1994-95	08	08	06	02	75
1995-96	14	14	07	07	50
1996-97	20	20	16	04	80
1997-98	91	91	82	09	90.10
	2 SAR	2	-	2	-
1998-99	46	46	36	10	78.26
1999-00	63	63	37	26	58.73

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
2000-01	83	83	62	21	74.69
2001-02	14	14	12	02	85.71
2003-04	21	21	16	5	76.42
2004-05	10	10	08	02	80
2005-06	13	13	12	01	92.30
2006-07	09	09	05	04	55.55
2007-08	06	06	03	03	50
2008-09	17	17	10	07	58.82
2009-10	14	14	12	02	85.71
2010-11	56	56	30	26	53.57
	25 PAR	25	22	03	88
	16 PAR	16	14	2	87.5
	33 PAR	33	19	14	57.57
2012-13	38	38	13	25	34.21
2013-14	38	38	16	22	42.10
2016-17	41	26	12	14	46.15
2016-17 Spl Study	2	2	1	1	50

Note: Audit Reports for 1985-86, 1986-87, 1988-89, 2002-03, 2011-12, 2014-15 and 2017-18 have not been discussed by PAC till the finalization of this Audit Report.

4.4 AUDIT PARAS

Irregularity and Non-compliance

4.4.1 Award of work without pre-qualification - Rs 5,903.940 million

According to rule 4.1 (chapter-4) of CAA Procurement Rules, a procuring agency, prior to floating tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey project and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capabilities are invited to submit bids.

Audit noted that Pakistan Civil Aviation Authority, Headquarters Karachi awarded the work, "Passenger Terminal Expansion Project at Allama Iqbal International Airport, Lahore" at agreement cost Rs 5,903.940 million to M/s Izhar Construction (Pvt) Ltd vide acceptance letter dated 24th April, 2017.

Audit observed that the work was awarded without going through pre-qualification process as required under the rules. This resulted in irregular award of work for Rs 5,903.940 million without pre-qualification of contractors.

Audit pointed out the irregularity in September, 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends investigation and fixing of responsibility against persons at fault.

(DP. 133)

4.4.2 Payments without recording measurements - Rs 8,947.538 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.

Audit observed that different formations of Civil Aviation Authority made payments of work done to contractors for Rs 8,947.538 million without recording measurements in the Measurement Books. This resulted in irregular payments to the contractors for Rs 8,947.538 million **(Annexure-I).**

Audit pointed out the matter in October-November 2018. The Authority replied that measurements in MBs pursuant to para-208 and 209 of CPWA Code is not maintainable because all works are based on FIDIC (Federation Internationale Des Ingenieurs-Conseils) Conditions of Contract.

The reply was not accepted because measurements for work done were required to be recorded in the Measurement Books in the light of clarification of Auditor General of Pakistan dated 17th October, 2018 and directions of Public Accounts Committee circulated vide National Assembly Secretariat (PAC Wing) O.M No. F.10(1)/2016-17/2017-PAC dated 15th November, 2017.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends fixing of responsibility against persons responsible besides maintenance of Measurement Books as per rules.

4.4.3 Award of additional works without fresh tenders - Rs 2,411.442 million

Rule 12 (2) of Public Procurement Rules, 2004 states 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. Rule 42 (c) (iv) of ibid rules provides that a procuring agency shall only engage in direct contracting if the repeat orders do not exceed fifteen percent (15%) of the original agreement. According to Rule 50, any violation of these rules constitutes mis-procurement.

Audit observed that in the following projects, the contract amount was enhanced beyond 15% of the already awarded amount and additional works of Rs 2,411.442 million were awarded without calling tenders in violation of Public Procurement Rules, as detailed below:

(Rs in million)

DP. No.	Name of work/project	Original Agreement Amount	Additional works	% above agreement amount
142 & 143	Expansion and Renovation of Terminal Building and Rehabilitation of existing Fokker Apron and Alpha Taxiway at Faisalabad Airport	537.716	557.198	103.62%
163	Airfield Lighting System Package 7A, Islamabad International Airport	946.771	1,058.301	112%
171	Passenger Terminal Building Furniture, Seating, Counter & Signage Package-5, Islamabad International Airport	1,502.202	795.943	53%
		Total	**2,411.442**	

Audit pointed out the irregularity in October-November 2018. The Authority replied that the additional works were awarded as per site requirement and with the approval of the competent authority.

The reply was not accepted because additional works were awarded without calling tenders in violation of PPRA Rules.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends fixing of responsibility against the persons responsible of violation of rules.

4.4.4 Irregular hiring of manpower through contractors - Rs 401.023 million

According to CAA Service Regulations, there is no provision regarding hiring of human resources through third party contractors.

Public Accounts Committee (PAC) in its meeting held on 24th April, 2018 while discussing Audit Report for the year 2016-17 expressed concern over the losses occurred due to payment of service charges to third party contractors for hiring of human resource and directed that this practice be stopped hence forthwith and the recruitment be carried out through a transparent process/laid down rules (National Assembly PAC Wing, Islamabad Office Memorandum No.F.10(1)/1016-17/2017-PAC dated 25th April, 2018).

Audit noted that Civil Aviation Authority hired manpower through contractors for various wings of the Headquarters CAA, Jinnah International Airport Karachi, Allama Iqbal International Airport Lahore and Bacha Khan International Airport, Peshawar.

Audit observed that hiring of manpower through contractors was against the provisions of the CAA Service Regulations. This resulted in irregular expenditure of Rs 401.023 million due to outsourcing of manpower.

Audit pointed out the irregularity in July-August 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends that in pursuance of the PAC directive, the practice be stopped hence forthwith and the recruitment be carried out through a transparent process/laid down rules.

(DP. 48, 99, 157, 161, 162)

4.4.5 Irregular payment to Field Design Support Services consultants - Rs 205.676 million

As per sub-clause 6.2.2-6.2.3 of the Consultancy agreement for Design and Field Design Support Services (FDSS) for the construction of New Islamabad International Airport, remuneration for the personnel shall be determined on the basis of time actually spent by such personnel in the performance of the Field Design Support Services.

Audit observed the following:

1. Man-hours calculated for payment to consultants were without justification of working and calculations of man-hours with reference to activities performed by the consultants.
2. Working shown on the part of the consultants was without reference to the Employer/CAA directions to perform that particular task.
3. Payment of Rs 44,123 million was made to M/s NESPAK on man-month basis instead on man-hour basis against five permanent staff at project site against the provision of the consultant agreement.
4. Invoices were not paid on monthly basis which involved higher dollar rate conversion rates in Pak rupee.

This resulted in irregular payment to consultants for Rs 205.676 million as detailed below:

DP. No	Name of Consultants	Amount Paid (Rs in million)
176	M/s Aeroports De Paris Igenierie, (ADPI)/ NESPAK	143.555
180	M/s CPG Consultants Pte. Limited	62.121
	Total	**205.676**

Audit pointed out the matter in November 2018. The Authority replied that there was no fixed or definite rule/procedure to evaluate the exact time spent on a particular FDSS assignment, but rather it is the actual assessment of inputs/efforts converted into hours being consumed by FDSS design team against the subject assignment. Nespak staff was deployed full time at site and accordingly verified and remunerated on rates given in the agreement.

The reply was not accepted because working shown on the part of the consultants was without reference to the Employer/CAA directions to perform that particular task. Payments for Review of Technical Submittals, Shop Drawings and Response to Design Queries/Issues were without justification of working and calculations of man-hours with reference to working on the part of consultant staff. Payment on monthly basis to M/s Nespak was against the provisions of the contract.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends review of the payments made to the consultants with reference to actual man-hours involved and recovery of the excess amount under intimation to Audit.

4.4.6 Pre-qualification without advertisement - Rs 55.806 million

As per Rule 12 (1) of Public Procurement Rules 2004, 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.

Audit noted that Civil Aviation Authority made advertisements in newspapers for establishment, running and operations of "Concession of Meet & Greet area and CIP Lounges at Islamabad International Airport" on 2nd December, 2016 and 19th January, 2017 in two phases. Nineteen (19) bidders were declared qualified.

Audit observed that the concessions "Establishment, running & operations of branded coffee shop (No-02)" and "Installation, operation & maintenance of four (04) LEDs (wall mounted)" were not included in the advertisement for pre-qualification. But M/s Phonix Foods were qualified for the branded coffee shop concession at the rate of Rs 505,000 per month with 10% cumulative annual enhancement for a period of three years and other concessioner M/s Red Tape was qualified for "Installation, operation & maintenance of four (04) LEDs (wall mounted)" at the rate of Rs 900,000 per month with cumulative annual enhancement for a period of three years. This resulted in irregular pre-qualification of concessioner for the concession without competition involving Rs 55.806 million.

Audit pointed out the irregularity in January, 2018 but Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends investigation for fixation of responsibility of irregular qualification of concessioners.

(DP. 33)

4.4.7 Irregular calling of tender before technical sanctioned estimate - Rs 47.35 million

Para 7.12 (a) of Pak PWD Code states that where work or supply material is to be given out on contract, tenders must be invited after the estimate has been technically sanctioned and the contract document have been approved by an authority not lower than that empowered to accept the tender.

Audit observed that Senior Additional Director Civil (North), Allama Iqbal International Airport, CAA, Lahore called tenders against two works of the cost of Rs 47.35 million before technical sanction to the estimate of the work, as detailed below:

DP. No.	Name of work	Date of Technical sanction	Date of calling Tenders	Amount (Rs in million)
71	S.H: Provisioning & Installation of MRL traction type Elevator in place of existing hydraulic elevators No. 11 & 12 installed at AIIAP Lahore	29.05.2017	20.05.2017	31.400
72	S.H: Construction of waiting lounge at Walton Aerodrome Lahore	26.08.2017	01.08.2017	15.950
			Total	**47.350**

This resulted in irregular calling of tenders amounting to Rs 47.35 million in violation of rules.

Audit pointed out irregularity in August, 2018. The Authority replied that tenders were opened and acceptance letters were issued after technical sanction of estimates.

The reply was not accepted because calling of tenders before technical sanction to the estimates of the works was against the rules.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends investigation for fixation of responsibility against persons at fault.

4.4.8 Extension of agreement instead of calling fresh tenders - Rs 46.704 million

Rule 12 (2) of Public Procurement Rules, 2004 states 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 newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. Further, Rule 42 (c) (iv) of ibid rules provides that a procuring agency shall only engage in direct contracting if the repeat orders do not exceed fifteen percent (15%) of the original agreement.

Audit noted that Airport Manager, Jinnah International Airport, Karachi awarded two contracts for hiring of skilled manpower for Works Division (Civil) and Electrical & Mechanical to M/s Metro Maintenance & Housekeeping Services at JIAP at monthly rate of Rs 1,354,395 and Rs 406,318 respectively for six months. Another contract for outsourcing of horticulture & landscaping services at JIAP was awarded to M/s Islam Khan & Sons at monthly rate of Rs 2,081,250 for one year.

Audit observed that after expiry of the original contract period, the management extended the period of existing agreements for many times (ranging from 5 to 26 months) against the provisions of rules instead of calling open tenders. This resulted in irregular extensions of agreements involving Rs 46.704 million.

Audit pointed out the irregularity in January-February, 2018. The Authority replied that the existing contracts were extended in order to support the operations with the approval of the competent authority.

The reply was not accepted because periods of existing agreements were extended for many times through piecemeal extensions against the provisions of rules instead of calling open tenders.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends action against the persons responsible of irregular extensions in contract period.

(DP. 04)

4.4.9 Irregular award of license - Rs 43.956 million

Rule 32 of Public Procurement Rules, 2004 states that no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met with difficulty. In ascertaining the discriminatory or difficult nature of any condition, reference shall be made to the ordinary practices of that trade, manufacturing, construction business or service to which that particular procurement is related.

Audit noted that the CAA changed standard General Clause 3 of license agreement by replacing the words “having relevant experience” with as “having at least 05 years’ experience”. The General clause-3 of tender document denotes that registered Companies/Sole Proprietor having at least (05) years’ experience for operating the similar business at airports with good reputation, sound financial background, fulfilling the conditions enumerated in succeeding paragraphs who are not defaulter of CAA and other Government Organizations, on any forum are eligible to participate in the tender”.

Audit observed that M/s Kohisar Enterprises were sitting licensee of baggage wrapping services in international departure (opposite check-in counter No.29) at Jinnah International Airport Karachi since last five years from 10th May, 2011 to 29th July, 2016. Audit further observed that the Authority changed the standard General Clause 3 to favour the sitting licensee of the same concession who only had experience of five years and awarded the same concession for further five years from 30th July, 2016 to 29th July, 2021 at the rate of Rs 600,000 per month. This resulted in irregular award of license involving Rs 43.956 million.

Audit pointed out the irregularity in January 2018. The Authority replied that General clause-3 of tender document does not bar concessionaires operating similar business at other CAA airports from participating (including all the previous concessionaires) in the tender. Therefore, the clause is not a violation of PPRA and the transparency parameters set by the Authority.

The reply was not tenable because amendment in general condition was made just to accommodate the sitting licensee. Further, by amendment in general condition, equal opportunity was not given to the interested companies, which was a violation of PPRA and an act to compromise transparency.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for issuance of directions to the Authority to probe the matter and fixing responsibilities upon the persons(s) at fault.

(DP. 26)

4.4.10 Wasteful expenditure on advertisement for outsourcing of airports - Rs 34.657 million

PPRA Rule 1(l) – denotes that "value for money" means best returns for each rupee spent in terms of quality, timeliness, reliability, after sales service, up-grade ability, price, source, and the combination of whole-life cost and quality to meet the procuring agency's requirements.

Audit noted that Director Finance (Disbursement Branch) made payment on account of advertisement/publication charges for invitation of Request for Proposals/Expression of Interest for outsourcing of three airports of Pakistan through local and international print media for Rs 28.681 million. Audit further noted that the Authority executed an agreement to provide professional consultancy service with M/s HRSG consulting for a period of two years with effect from 1st April, 2017 @ Rs 249,000 per month for Rs 5.976 million.

Audit observed that despite nine attempts since February to December, 2017 no results were achieved. Audit further observed that the management has not properly analyzed its actual requirement despite the engagements of Legal, Professional and Financial consultants. Audit considers that due to ill planning, a wasteful expenditure of Rs 34.657 million was incurred.

Audit pointed out the irregularity in November, 2017. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends investigation of the matter for fixing responsibility and action against the persons at fault for such wasteful expenditure and non-achievements of objectives.

(DP. 34)

4.4.11 Unjustified adjustment of licence fee - Rs 22.196 million

Special Condition – 17 (F) of License agreement with M/s Kohisar Enterprises for collection of cargo throughput charges explains that books and magazines are not exempted from the payment of cargo throughput charges, however, the newspapers and periodicals may be exempted under special circumstances, if approved by Director General CAA.

The license agreement was at monthly license fee of Rs 42.00 million for a period of 5 years with effect from 29th August, 2013 to 28th August, 2018 with cumulative annual enhancement at the rate of 10%.

Audit noted that M/s Liberty Books (Pvt.) Ltd, M/s Paradise Distributer and M/s PIAC filed a suit in the Sindh High court for the exemption which was still sub-judice. CAA accepted adjustment of license fee for an amount of Rs 22.196 million, claimed by M/s Kohisar Enterprises in lieu of release of consignments of M/s Liberty Books and M/s Paradise Distribution for the period September 2013 to November 2014.

Audit observed that books and magazines were not exempted from the payment of cargo throughput charges, therefore, acceptance of adjustment on this account was not justified. This resulted in unjustified benefit to the licensee amounting to Rs 22.196 million.

Audit pointed out the matter in July-August, 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for provision of detailed justification of adjusted amount.

(DP. 89)

4.4.12 Unauthorized appointment without availability of post - Rs 18.048 million

As per sanctioned working strength provided by Human Resource Directorate, there is no sanctioned post of SG-11 in Security Directorate.

According to Para D-2 of CAA Recruitment Policy 2015, job description is a key document in the recruitment process to finalize the Annual Recruitment and Selection Plan. The job description defines the responsibilities, job recruitments along with working conditions associated with the job.

Audit noted that Civil Aviation Authority recruited 12 (twelve) Senior Intelligence Superintendent (SG-11) on contact basis for a period of 02 years (Extendable) with salary package of Rs 75,199 per month.

Audit observed that the recruitment was made without any need and necessity because no such demand/proposal was submitted by the Security Directorate to HR Directorate for such appointments. Further, nature of duties (job description) during the contract period were not mentioned in offer letters. Moreover, there was no sanctioned post on the strength of Security Directorate. This resulted in irregular appointments and unjustified expenditure of Rs 18.048 million.

Audit pointed out the irregularity in January 2018. The Authority replied that the staff deployed for vigilance duties at the airport is not trained and experienced enough to carry out the intelligence duties as per the requirement. There was requirement to induct experience officials from market to carry out such duties and train the already working strength in CAA.

The reply was not tenable because criterion as defined in ICAO Annex-17 (International Civil Aviation Organization) was not provided in support of reply as the appointment of vigilance staff was required to be made on the basis of ICAO standards. Moreover, there was no sanctioned post of SG-11 in vigilance trade, therefore, creation and approval of the SG-11 posts in the vigilance trade prior to appointment was mandatory.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends investigation for fixation of responsibility of irregular appointments.

(DP. 15)

4.4.13 Award of work at higher rates - Rs 6.429 million

As per BOQ given in the tender documents for the work "Provision of cement concrete in storm water drain to avoid rapid growth of wild bushes in apron area at JIAP, Karachi", the unit for different items was 100 cft/sft. The bidders were required to quote rates as per BOQ in the tender documents.

Audit noted that Additional Director, Engineering Services (South) CAA, Karachi awarded the said work to M/s Al Hussain Engineers for Rs 6.494 million against his quoted rates of Rs 64,936. The work was started on 17th October, 2015 and completed on 14th March, 2017.

This resulted in award of work at higher rates for Rs 6.429 million.

Audit pointed out the matter in August, 2018. The Authority replied that M/s Al-Hussain Engineers and Contractors clearly quoted rates in their bid in a legible manner as “rate per unit” i.e. per 1 SFT or 1 CFT. The work was awarded in a transparent manner after open competitive bidding among the bidders.

The reply was not accepted because no clarification was sought from the contractor about the incorrect bid because the contractor quoted unit as per sft/per cft in words against the required unit of 100 cft/sft.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends investigation and fixing of responsibility against persons responsible for award of work at higher rates.

(DP. 112)

4.4.14 Irregular extension of contract employees

The Guidelines for contract appointments issued vide Establishment Division O.M.No.8/10/2000-CP.I, dated 23rd December, 2000 laydown inter alia, that for appointments beyond two years to posts in BS-19 and below falling outside the purview of the FPSC, following instructions may be followed:

- extension of contract appointments beyond two years to posts in BS-17-19 shall be subject to the approval of the Establishment Secretary;

- extension of contract appointments beyond two years to posts in BS-16 shall be subject to approval of the Secretary of the Administrative Division concerned and Heads of departments in BS-21;
- extension of contract appointments beyond two years to posts in BS-15 and below shall be subject to approval of a Grade-21 officer designated by Secretary in the case of Ministries/Divisions and Head of Department in the case of Attached Departments and subordinate offices;
- the case for extension shall be moved at least two months in advance of the expiry of original appointment.

Audit noted that Civil Aviation Authority extended the contract period of contract employees in Executive Groups and Supporting Groups several times from their initial contract period of two years.

Audit observed that the Authority extended the contracts without getting approval of the Establishment Secretary before expiry of existing contract. Audit further observed that with the extension of contract employees, the right of regular employees for promotion was affected. This resulted in irregular extension and expenditure on account of pay & allowances during the extended period.

Audit pointed out the irregularity in January 2018. The Authority replied that the referred policy was not applicable to CAA as these policy guidelines are meant for Civil Servants whereas, the employees of CAA are public servants in accordance with Section-13 of CAA Ordinance. The terms & conditions of Service in CAA are governed by CAA Service Regulations-2014.

The reply was not tenable because referred policy was issued on 2nd January, 2016 wherein, no clarification about the extension in contract of existing contract employees was given.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early regularization of contract employees.

(DP. 18, 106)

Performance

4.4.15 Non-development and disposal of shops - Rs 21.136 million

As per directions of Director General CAA dated 18th October, 2016, all shops presently under occupation of different shopkeepers inside International Departure Transit Area (Shopping Arcade) of Jinnah Terminal be got vacated upon expiry of their license agreements i.e. 10th November, 2016. The said shops were to be re-designed in line with the international standards and airport aesthetics in consultation with Architect Branch of CAA before further commercial utility of said area.

Audit noted that Airport Manager, Jinnah International Airport, Karachi awarded license to different shopkeepers inside International Departure Transit Area (Shopping Arcade) of Jinnah Terminal, Karachi. In 2008, the shopkeepers filed law suits against CAA and got stay orders. Subsequently, in 2012, all the shopkeepers withdrew their lawsuits under an out of court settlement according to which, the licensor (CAA) renewed the license agreements of shopkeeper up to 10th November 2016.

Audit observed that all shops under occupation of different shopkeepers inside International Departure Transit Area (Shopping Arcade) of Jinnah Terminal were got vacated upon expiry of their license agreements i.e. 10th November, 2016. Audit further observed that the shops have neither been re-designed/developed nor have been disposed of to earn revenue. This resulted in loss of Rs 21.136 million to CAA due to non-development and disposal of shops.

Audit pointed out the loss in January-February, 2018. The Authority replied that the shopkeepers are in litigation with CAA. The redesigning of shopping arcade will be carried out by CAA as soon as the case is decided by the Honorable Court. No further progress was reported till finalization of the report.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends vigorous pursuance of the court case.

(DP. 5)

4.4.16 Non-transfer of Ex-ADA assets in the Authority's name

Para 8.4.4.1 Handbook of Accounting Guidelines under New Accounting Model (NAM) denotes that when a new asset is acquired or purchased, it is necessary to establish a proper record of the asset and its associated details. This includes physical details as well as financial. For example, it is standard practice to issue a unique asset number, and provide the description, location, category, supplier details, cost, useful life and date of acquisition/construction. These details should be updated every time the asset is updated in any way (e.g. transferred to another department).

Audit noted that Government of Pakistan (GoP) through notification published in the official gazette of Pakistan on 6th May, 2015 directed that all the assets of the defunct Airport Development Agency (ADA) vested in or held by it either on ownership basis or otherwise, shall be deemed to have been transferred to and vested in Pakistan Civil Aviation Authority on ownership basis with absolute and exclusive title and interest therein. Further, Aviation Division (Government of Pakistan), constituted a committee on 29th April, 2015 for affecting transfer of the title in respect of the immovable properties of Ex-ADA to the Authority's name.

Audit observed that despite a lapse of more than three years from the date of constitution of committee, the title in respect of the immovable properties (03 bungalows) of Ex-ADA was not transferred in the Authority's name.

Audit pointed out the non-transfer of assets in November, 2017. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early transfer of assets.

(DP. 35)

Internal Control Weaknesses

4.4.17 Non-imposition of liquidated damages - Rs 2,408.707 million

As per conditions of contract relating to works awarded to different contractors, if the contractor fails to deliver/complete the works, or any part thereof, within the time stated or fails to complete the whole of the work or any section within the relevant time prescribed, the contractor shall pay to the Employer maximum 10% and in some cases 20% of the contract price as liquidated damages.

Audit observed that despite expiry of contract period, payments were made to the contractor without approval of extension of time (EOT). The contract clause for imposition of liquidated damages was not invoked and no amount of liquidated damages was recovered. This resulted in non-imposition/deduction of liquidated damages involving Rs 2,408.707 million **(Annexure-J).**

Audit pointed out the non-imposition of liquidated damages in August-November, 2018. The Authority replied that the works are under progress and liquidated damages will be imposed upon completion of the works as per clauses of the contract.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends imposition and recovery of liquidated damages for delay in completion of works under intimation to Audit.

4.4.18 Non-recovery of outstanding dues from commercial parties - Rs 2,250.907 million

According to License agreement clause 3 (a), the licensee shall pay license fee in advance for the current month i.e. on the date of start of the business or possession of the premises is handed over to the licensee. Thereafter, the monthly license fee shall be paid in advance upto 10th of each month to which it relates. If, licensee fails to pay monthly license fee on due date, late payment surcharge thereon @ 5% shall be imposed. According to Clause 3(b) of agreements (standard form) for various licenses/concessions, if the license fee or any part thereof shall be in arrears for one month or more after the same has become due, whether demanded or not, the Airport Manager/Licensor may terminate the license agreement and the licensor or his authorized representatives may upon such termination enter into or upon the premises and take over the same without any right or remedy to the licensee or any obligation to the licensor.

Para D.12.3 of Hiring of Residential Accommodation, Civil Aviation Authority Order provides that an officer on deputation to CAA is entitled to retain the CAA accommodation on payment of rent @ 45% of the total monthly emoluments as maintenance charges in advance to CAA.

Audit noted that the Civil Aviation Authority awarded various spaces on license and lease to various licensees and lessees at all major airports in Pakistan.

Audit observed that the concerned Airport Managers could not recover CAA dues on account of rent, license fee, non-utilization charges, Government Airport Tax and aeronautical revenue, etc. from the parties during the financial year 2016-17 and 2017-18. Audit further observed that no action as required under clauses of the agreements like notices of recovery, imposition and recovery of surcharge, termination of license agreement, etc. was taken. This resulted in non-recovery of Rs 2,250.907 million **(Annexure-K).**

Audit pointed out the non-recovery during the Audit Year 2017-18 and 2018-19. The Authority replied that an amount of Rs 29.445 million was recovered from commercial parties and efforts are being made to recover the remaining amount.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for early recovery.

4.4.19 Unjustified increase in scope of work at higher rates - Rs 388.279 million

As per contract agreement for the work "New Islamabad International Airport Project (Package-04) Special Systems Baggage Handling System for Passenger Terminal Building" awarded in January 2015 for agreement amount of Rs 4,503.958 million, Supply, installation, testing of EDS (Explosive Detection System) Smith Detection Level-1 machines were provided for Rs 88.497 million. The decision of purchase of these machines were made after due consideration of the fact that 3 x-ray units HS 10080XCT as under upgrading of Baggage Handling System to new standard-3 layout was more expensive and no after sale service in Pakistan was available. Moreover, the EU Standard-3 was applicable only in European Union and most of the countries out of European Union (i.e. Australia, Japan, South Africa, etc.) were not considering those standards because of higher direct cost to buy machines certified and higher indirect cost to manage the operation and maintenance.

Audit noted that a variation order was approved on 30th April, 2016 by the then PD NIIAP for overall financial impact of Rs 646.536 million in which BOQ items of Supply, installation, testing of 2 N, 2EDS Smith Detection Level-1 machines were replaced with 3 x-ray units HS 10080XCT as under upgrading of Baggage Handling System to new standard-3 layout (Cost of new system Rs 764.532 million- cost of deleted items Rs 117.996 million). An extra payment of Rs 388.279 million was made so far on this account.

Audit observed that scope of contract agreement which was finalized before award of work was changed at higher (non-competitive) rates. This resulted in extra expenditure of Rs 388.279 million.

Audit pointed out the matter in November 2018. The Authority replied that the additional work was awarded to the contractor to fulfill the security requirements of Islamabad International Airport as advised by Director Security, HQ CAA.

The reply was not accepted because the correspondence between the contractor and Project Director before issuance of acceptance letter concluded with the consensus that EU Standard-3 is applicable only in European Union, due to specific regulations that determined fully automated management of baggage screening. Prices quoted by the contractor against variation order were without proper rate analysis, supporting documents and price quotations. Mott MacDonald (Project Management Consultants) vide their letter dated 28th April, 2016 remarked that the agreed prices of variation order were 15% higher as compared to other projects.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the amount involved under intimation to Audit.

(DP. 173)

4.4.20 Overpayment due to inadmissible items - Rs 277.313 million

As per Section 8440 (Instrument Landing System)- Scope of Services of the contract agreement for the work “Package-7B: NAVAIDS and ATC Equipment” awarded to M/s Jaffer Brothers, M/s GECI Espanola, SA and M/s Murshid Brothers-JV at agreement cost Rs 1,051.250 million, the contractor was responsible for providing and installation of equipment including civil works at BOQ rates as per specifications. The works were required to be completed as per ICAO standards and as per requirement of the employer.

Audit observed that the following variation orders were approved and paid to the contractor, which were not payable because the contractor was responsible for completion of work as per ICAO standards at BOQ/agreement rates:

V.O No	Description	Amount (Rs in million)
01	Additional Work of Platform at Doppler Very High Frequency Omni Range	17.878
02	Additional Work to Upgrade ILS System for Runway 28L to CAT-III Operations	37.523
03	Re-simulation Survey for Location of GP-10R	3.918
04	Leveling and Re-grading of GP-10R Area	191.585
05	Convert Existing Single-Phase Supply into 3-Phase at Each of its NAVAIDS	26.409
Total		**277.313**

This resulted in overpayment to the contractor of Rs 277.313 million.

Audit pointed out the matter in November 2018. The Authority replied that variation orders were approved as per site requirement. The Variation Orders related to navigational aid facilities, which was not part of original scope of work, were issued to the contractor as additional work.

The reply was not accepted because this was a design-built contract and the contractor was responsible for providing and installation of equipment at BOQ rates as per specifications of work. It was not mentioned in the contract that single phase or three phase supply shall be made but variation order was approved and paid for conversion of single-phase supply into three-phase. Moreover, cost of civil works where required was included in the rates but variation orders were approved and paid to the contractor incorrectly.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the amount involved under intimation to Audit.

(DP. 168)

4.4.21 Non-deployment of key personnel as mentioned in bid evaluation/contract agreement - Rs 251.460 million (US $ 2.286 million)

According to Clause 4.3 (approval of personnel), the key personnel and sub-consultants listed by title as well as by name in Appendix C-1 to C-6 are deemed to be approved by the client. In respect of other key personnel which the consultants propose to use in carrying out of the services, the consultants shall submit to the client for review and approval of a copy their biographical data. If the client does not object in writing (stating the reasons for the objection) within 14 calendar days from the date of receipt of such biographical data, such key personnel shall be deemed to have been approved by the client. Detail of key personnel was provided accordingly in the agreement along with their pay structure.

According to Clause 4.5 (a), no changes shall be made in the key personnel, if for any reason beyond the reasonable control of the consultants, it becomes necessary to replace any of the key personnel, the consultant shall provide as a replacement a person of equivalent or better qualification.

Audit noted that CAA awarded Consultancy Service for Conceptual Design, PC-I Preparation, Formulation of EPC Work/RFP for EPC Contract, Evaluation of Bids, Selection of Bidder & Construction Supervision of Passenger Terminal Building Expansion Project at Allama Iqbal International Airport, Lahore to M/s Tecnica Y Proyectos SA (TYPSA), and Asian Consulting Engineering Pvt (Ltd) - JV at agreement cost of Rs 664.219 million.

Audit observed that the Authority hired the supervisory consultant on technical scoring basis of highly qualified staff to be deployed, but it was noted that the technical persons who were mentioned in bid evaluation/agreement were not found deployed even for a single day after the award of contract. New key persons were deployed against those mentioned in the bid. This resulted in unjustified payment to the consultant due to variation in key persons for US $ 2.286 million.

Audit pointed out unjustified payment in September, 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends investigation of the matter for fixation of responsibility.

(DP. 132)

4.4.22 Payment without obtaining evidence of country of origin - Rs 171.404 million

According to nomenclature of the BOQ item No. 11.1T (Additional Work under VO-2) and item No. 11.2T-(Passenger Baggage Screening System) for Hold Baggage X-Ray Machine and Hand Baggage X-Ray Scanner, the contractor was required to supply and install the machines of make: Smith Detection, Model: Hi Scan manufactured and the Germany and assembled in Malaysia including accessories. Seven (07) Hold Baggage Machines and four (04) Hand Baggage X-Ray Machines were to be provided at the rate of Rs 14,167,249 and Rs 19,829,291 each respectively.

Audit noted that CAA awarded the work "Expansion and Renovation of Bacha Khan International Airport, Peshawar" to M/s Naqvi Engineers Pvt. Ltd at agreement cost of Rs 1,896 million. The contractor has been paid Rs 2,169.764 million up to 14th IPC paid in August, 2018 including cost of 6.5 Hold Baggage Machines of Rs 92.087 million and 04 Hand Baggage X-Ray Machines of Rs 79.317 million.

Audit observed that Site Acceptance Test (SAT) was conducted on 23rd June, 2018 and 25th June, 2018 by the Design Engineer (M/s NESPAK). Audit further observed that the Design Engineer, at the time of SAT, neither mentioned manufacturing and assembling country of the machines nor any documents showing country of origin, shipping port or bill of lading were made part of the record. Payment of Rs 92.087 million and 79.317 million was released without authentication of country of origin. This resulted in unauthentic payment of Rs 171.404 million.

Audit pointed out the irregularity in October, 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for issuance of direction to the Authority for investigation of the matter and fixation of responsibility.

(DP. 146)

4.4.23 Non-obtaining of performance security - Rs 170 million

As per Clause 9.5.1 of contract agreement for provision of Common Use Passenger Processing System (CUPPS) at CAA airports on turnkey basis and services ancillary thereto for a period of five (05) years at monthly service charges payable by CAA @ Rs 41.977 million for Phase-I, the service provider shall submit a performance guarantee for a fixed total amount of Rs 170 million equivalent to two months billing cycle as per RFP issued by a scheduled bank operating in Pakistan having AA rating in favor of CAA prior to Cutover date i.e. 30th June, 2017.

Audit noted that contract agreement for the above work was executed on 20th March, 2017 with M/s Akber Associates Private Limited.

Audit observed that since the execution of agreement and expiry of cutover dates CAA did not obtain performance guarantee prior to cutover date as required under the provision of agreement. The contractor was declared defaulter and his bid security of Rs 10.100 million was forfeited on 15th August 2017.

This resulted in selection of ineligible company and failure of management to obtain performance guarantee for Rs 170 million.

Audit pointed out the matter in January 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

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

(DP. 24)

4.4.24 Non-recovery of electricity charges - Rs 162.128 million

As per special provisions in all works of New International Airport Islamabad Project there was a provision of site offices and laboratories for execution of works. The contractor shall also provide all consumable pertaining to SP-1&2 and pay for all other incidental and running costs, provide and pay for all utilities which include power (un-interrupted), gas, water supply, telephone and other means of communication (within and off the site). These facilities will be provided of three months after signing the contract. The cost of providing and maintenance of above facilities during the execution of contract shall not be paid separately to the contractor and all costs shall be deemed to have been included by the contractor in rates/amounts of other items of Bill of Quantities (BOQ).

Audit noted that payment of Rs 301.874 million was made by the project management to IESCO on account of electricity. This amount included electricity consumption by CAA offices amounting to Rs 104.095 million and remaining amount of Rs 197.779 million was recoverable from the contractors.

Audit observed that against recoverable of Rs 197.779 million an amount of Rs 35.651 million was recovered leaving a balance of Rs 162.128 million as recoverable from the contractors.

Audit pointed out the matter in November 2018. The Authority admitted the recovery.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the amount involved under intimation to Audit.

(DP. 170)

4.4.25 Non-utilization of replaced runway lights - Rs 100 million

CAA Board in its meeting held on 12th January, 2016 vide agenda item No.9 (Technology Up-gradation of System installed at Islamabad International Airport), approved with the total estimated cost of Rs 560 million for CAT-III up-gradation with LED Lights subject to the procedures. The lights already installed at IIAP worth Rs 100.00 million will be utilized on Faisalabad Runway up-gradation project (PC-I under preparation) reducing its cost by Rs 100.00 million.

Audit observed that although the runway lights were replaced and against new lights a payment of Rs 727.836 million was made to the contractor. However, the replaced runway lights have not been utilized at Faisalabad Runway up-gradation project as per decision of CAA Board referred above.

Audit pointed out the matter in November 2018. The Authority replied that all dismantled runway conventional lights had been handed over to Logistic Cell, IIAP. However, matter has been submitted to Director Planning & Development, HQ CAA for utilization of these lights.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends utilization of replaced lights under intimation to Audit.

(DP. 165)

4.4.26 Loss due to non-execution of agreement - Rs 76.880 million

Para D1.2 of Policy and Procedure for grant of business concessions at airport states that the underlying basic principles set out in Public Procurement Rules 2004 need to be followed namely: (i) Fair and Transparent manner be adopted (ii) Procurement of services (commercial concessions) should bring value/revenue for CAA and (iii) Process involved be efficient and economical.

Audit noted that CAA awarded space measuring 400 sq.ft to M/s Universal Freight System in 2007 at monthly license fee of Rs 100,000. Originally the agreement was executed for the period from 3rd January, 2008 to 2nd January, 2011. The agreement was extended for further period of three years up to 2nd January, 2014.

Audit further noted that after lapse of a period of about seven years from the original agreement, the management of Jinnah International Airport, Karachi disclosed that actual area under the possession of M/s Universal Freight System was 2,112 sq.ft instead of 400 sq.ft., and requested HQCAA to issue revised approval with reference to total area. The request was accepted in May 2014 with the following decision:

"Addendum to the license agreement be signed for the period from 3rd January, 2008 to 2nd January, 2014 by rectifying the size for the area as 2,112 sq.ft instead of 400 sq.ft without levying any additional license fee and agreement be extended for three years w.e.f. 3rd January, 2014".

Audit observed that despite the revised approval, no agreement was executed with the licensee. The Authority did not charge the additional area which resulted in loss of Rs 76.880 million.

Audit pointed the loss in January, 2018. The Authority replied that the space allotted to M/s Universal Freight System was vacated by M/s Aero Asia and the airline was paying Rs 12,000 per month at the time of vacation. As compared to the said license fee, CAA allotted the space to M/s UFS @ Rs 100,000 per month. Moreover, when the issue with respect to change in dimension of space was raised, the concessionaire was paying Rs 248,400 per month as license fee and comparisons was made which revealed that the same was already 100% over and above CAA space rental charges.

The reply was not tenable because no evidences regarding license agreement was provided in support of reply. The license fee of Rs 248,400 per month was for the space measuring 400 sq.ft, whereas, the licensee was occupying an area of 2,112 sq.ft at the same license fee.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends that the license fee may be fixed on proportionate basis of the license fee for the area of 400 sq.ft and recover the difference of license fee from the licensee accordingly.

(DP. 29)

4.4.27 Unauthentic expenditure on testing material - Rs 60.788 million

As per technical specification 28.2.2(Section 411413) Volume-III, for the work "Special Systems Baggage Handling System for Passenger Terminal Building (Package-04)" minimum 4,300 test bags shall be used for testing the system.

As per contract agreement the rate of these imported bags and all necessary material for the item was USD 607,883 (Equivalent Rs 60.788 million).

Audit observed that although payment against above item was made to the contractor, but the material worth Rs 60.788 million was not taken on CAA stock. Moreover, there was no evidence on record that the contractor imported these bags as they claimed USD 607,883.30 as CIF value against this item. This resulted in non-accountal and disposal of imported testing material worth Rs 60.788 million.

Audit pointed out the matter in November 2018. The Authority replied that contractor has been directed to hand over all the equipment and material imported and locally purchased to the employer on urgent basis.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends accountal/disposal of imported material or recovery from the contractor under intimation to Audit.

(DP. 179)

4.4.28 Payment of sales tax without proof of deposit by the contractor - Rs 53.539 million

As per the Punjab Finance Act 2015, notified vide gazette PAP/Legis-2(86)/215/1252 dated 26th June, 2015, some new services have been brought in to tax ambit and Second Schedule to the Punjab Sales Tax on Services Act 2012 has been amended whereby corporate law consultants, whether individual or otherwise, are subject to levy of sales tax @ 16% w.e.f. 01.07.2015 (S. No. 52 of the Schedule).

As per approved Variation Order No. 06 in the work "Airfield Lighting System Package 7A" awarded to M/s Siemens (Pak) Engineering Co. Ltd the contractor rates of additional work of Rs 901.016 million were inclusive of Sales Tax on services amounting to Rs 53.539 million.

Audit observed that a payment of Rs 727.836 million was made to the contractor against Variation Order-06 but sales tax deposit invoices showing the deposit of sales tax with Punjab Revenue Authority was not obtained from the contractor. This resulted in unauthentic payment Rs 53.539 million.

Audit pointed out the matter in November 2018. The Authority replied that case was referred to Project Management Consultants (PMC) to take necessary action as per the conditions of contract.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends obtaining sales tax deposit invoice from the contractor under intimation to Audit.

(DP. 164)

4.4.29 Substitution of items at higher rates - Rs 49.156 million

According to original estimate of the work "Expansion and Renovation of Bacha Khan International Airport, Peshawar" Item No. 01B-96T (Latest generation luggage baggage X-ray machine) and item No. 01B-97T (Latest generation hand baggage X-ray machine) were technically sanctioned and incorporated in the NIT having Specification 8001, 8002 and 8381 and make "Hi Scan/as approved by Airport Security Force (ASF)". As per bid, the contractor quoted rate of Rs 11.554 million and Rs 7.540 million (per job) for two and three jobs respectively.

Audit noted that the Authority awarded the work "Expansion and Renovation of Bacha Khan International Airport, Peshawar" to M/s Naqvi Engineers Pvt. Ltd at agreement cost of Rs 1,896 million. After award of the work, a Variation Order No. 2 for additional work was approved for Hold Baggage Machines and Hand Baggage X-Ray Machines for a quantity of 7 and 4 jobs respectively. Rates of these items were analyzed as Rs 14.167 million and Rs 19.829 million per job respectively.

Audit observed that as per nomenclature of the BOQ item (original & revised), make and specification of the scanning machines was the same. The make "Hi Scan" and Specification No. 8001, 8002 & 8381 were the same in both jobs. Only, the difference was in the number of jobs and price. The scanning machines were to be approved by the ASF. Audit also observed that the rates were analyzed on market but no evidence / quotation regarding cost of the machines included in the rate analysis was on record. This resulted in loss of Rs 49.156 million as calculated below:

(Rs in million)

S. No.	Description of item of work	Original quoted rate	Revised rate through VO	Difference	Quantity	Loss
1.	Hold Baggage X-Ray Machine	11.554	14.167	2.613	07	18.291
2.	Hand Baggage X-Ray Scanner	7.540	19.829	12.289	04	49.156
					Total	**67.447**

Audit pointed out the irregularity in October, 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends investigation in the matter and action against the person(s) responsible.

(DP. 148)

4.4.30 Non-renewal of license agreement - Rs 46.700 million

Para D-3.3 of policy and procedure for grant of business license at CAA Airports, the initial period of license shall be 05 years depending on nature of the business and initial substantial investment. Normally, a license shall not be extended after the expiry of initial 05 years and it shall be placed for disposal through open tender at least ninety (90) days prior to the expiry of the license agreement. Para D-13.1 of policy and procedure for grant of business license at CAA Airports states that Airport Managers have power under Ordinance No.LIV of 1965 read with notification No.SRO 595 (1) 84 26th June, 1984 to remove a licensee from the licensed premises, if his license is terminated/expired or if he is found in default of payment of license fee or contravening the conditions of the license.

Audit noted that the Authority executed the license agreement to establish and run/operate duty free shops at Allama Iqbal International

Airport Lahore for the period of one year w.e.f 25.02.2017 to 24.02.2018 at license fee of US$ 264,872 per annum along with space charges per month as per CAA business policy.

Audit observed that five months have been lapsed since expiry of license agreement of party but the licensee continued to occupy the spaces. This resulted in unauthorized occupation of spaces due to non-renewal of license agreement involving Rs 46.700 million.

Audit pointed out the unauthorized occupation of spaces in August, 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early vacation of the space and recovery.

(DP. 158)

4.4.31 Less deployment of manpower - Rs 28.276 million

According to clause 2 of agreement (scope of work & services), the contractor shall provide janitorial services as per scope of work, monthly consumption, area of activities and manpower alongwith its deployment given in annexure A, B, C & D respectively which shall be deemed as integral part of this agreement. Clause 5.2 of contract agreement (employees of the contractor) provides that the contractor shall ensure presence/attendance of representative/ employee during duty hours at designated places.

Clause 7.2 (inspection) provides that inspection shall be carried out by Airport Manager JIAP Karachi or his authorized representative(s). If, as a result of checking, any cleaning and janitorial service is found poor / substandard or which is not in accordance with the terms and conditions of this agreement, CAA shall have the right to ask the contractor to replace the manpower or address the service deficiency within a specified time without extra cost to CAA.

Audit noted that the Airport Manager, JIAP, Karachi awarded the contract for providing 200 janitors in three shifts to M/s Outriders (Pvt) Ltd at cost of Rs 50.047 million for one year from 1st November, 2015 to 30th October, 2016.

Audit observed that 113 janitors were deployed by the contractor instead of 200 but payment was made to the contractor at full rates. No action against the defaulting contractor towards recovery on account of less deployment of janitors was initiated. This resulted in overpayment of Rs 28.287 million.

Audit pointed out the overpayment in January-February, 2018. The Authority replied that the deployment of the manpower by the contractor has been made as per clause 5.2 of agreement. Deficiencies if any have been addressed at once and penalties have been imposed / deducted from the bills of the contractor.

The reply was not accepted because penalties were not imposed and recovered as per absentee statements of the janitors.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery as per attendance of the janitors.

(DP. 9)

4.4.32 Overpayment due to allowing extra lead and lift - Rs 14.564 million

According to Technical Specification SH-103 Excavation, the unit price for excavation shall be deemed to include getting out excavated material by any means necessary and subsequent disposal of excavated material to any lift and lead. Appendix-D to Bid provides that the whole cost of complying with the provisions of the contract shall be included in the items provided in the priced BOQ, and where no items are provided, the cost shall be deemed to be distributed among the rates and prices entered for the related items of the works.

Audit noted that the project “Expansion & Renovation of Quetta International Airport, Quetta” was awarded to “M/s Ittefaq Construction Co-United Construction Co (JV)” at agreed cost of Rs 1,718.545 million. The contractor was paid 8th IPC for Rs 1,002.610 million in May 2018.

Audit observed that the Project Director measured and allowed separate payment for additional lead and lift contrary to provision of agreement and specification. This resulted in overpayment of Rs 14.564 million.

Audit pointed out the overpayment in July 2018. The Authority replied that as per Clause 5.2 (part-1) General Conditions (priority of contract documents), priced bill of quantities supersedes the specification. Moreover, items at No. 10 of the sub-head 1.1 of BOQ clearly defined the lift and lead in excavation for lift of up to 5 feet and lead for up to one chain (100 feet). Whereas, items at S.No 1,3,4 and 5 of BOQ are for the dismantled items like burnt brick masonry, lime or cement concrete, dismantling RCC, and dismantling concrete, tiled floor etc. Since excavation for more than 5 feet lift and one chain lead has been carried out at some areas for which additional items were to be added as item No. 1, 2 and 3 of sub-head 7.1.

The reply was not tenable because the specification of earth work clearly mentioned all “lead & lift” hence, payment of extra lift & lead after signing of agreement was violation of appendix-D. Further, contractor quoted their rates after visiting the site of work and issue was also not pointed out in pre-bid meeting.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of overpayment.

(DP. 63)

4.4.33 Non-recovery of advance tax - Rs 10.508 million

Section 236A (Advance tax at the time of sale by auction) of the Income Tax Ordinance 2001, provides that 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.

Audit noted that the Authority granted license/permission for running various concessions at JIAP Karachi and Quetta Airport.

Audit observed that licensees were collecting fee/charges from passengers, airlines and others but advance tax was not recovered from the licensees. This resulted in non-recovery/collection of advance tax amounting to Rs 10.508 million as detailed below:

DP No.	Description of Concession	Amount (Rs in million)
27	Automated car parking system (JIAP)	1.557
55	Various Concessions (Quetta Airport)	2.758
61	Various Concessions (Quetta Airport)	1.746
91	White Radio Cab Services (JIAP)	4.447
	Total	**10.508**

Audit pointed out the non-recovery in July 2018. The Authority replied that concessionaires are being asked to submit requisite amount of income tax or produce Exemption Certificate. The Authority admitted non-recovery of advance tax.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early recovery of advance tax.

4.4.34 Overpayment due to incorrect rate - Rs 10.215 million

According to clause 70.1 of the particular conditions of contract (Part-II), base rates for the specified items shall be those prevailing 28 days prior to the bid opening. Current rates shall be taken on the last day of IPC.

Audit noted that the Authority awarded the work, “Passenger Terminal Expansion Project at Allama Iqbal International Airport, Lahore (Car Parking)” at agreement cost of Rs 5,903.940 million to M/s Izhar Construction (Pvt) Ltd.

Audit observed that the bid opening date of the work was 10th February 2017. The rate of High Speed Diesel (HSD) prevailing 28 days prior to this date was Rs 77.22 per litre as per statistical bulletin but in the Appendix-C to the bid, rate of HSD was depicted as Rs 75.22 per litre. On the other hand, the current rates for the HSD were applied higher than those prevailing at the time of submission of IPC. Application of incorrect rates resulted in overpayment of Rs 10.215 million.

Audit pointed out the overpayment in September, 2018. The Authority did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the overpaid amount.

(DP. 135)

4.4.35 Non-recovery of overpaid amount - Rs 5.773 million

As per contract agreement for the work "Hydrant Refueling System Package-06 at Islamabad International Airport" awarded to M/s Al-Tariq Construction Pvt Ltd, the items of flushing, testing and commissioning of Hydrant Refueling System was to be carried out by the contractor for Rs 59.316 million.

Audit observed that the above job was got completed by CAA from M/s PSO and a payment of Rs 65.089 million was made on this account. Recovery of extra expenditure of Rs 5.773 million was, however, not made from the responsible contractor as per undertaking given by the contractor. This resulted in non-recovery of Rs 5.773 million.

Audit pointed out the non-recovery in November 2018. The Authority replied that matter has been referred to Project Management Consultant to take necessary action as per the conditions of contract.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the amount involved under intimation to Audit.

(DP. 167)

4.4.36 Non-obtaining of insurance and indemnity bond - Rs 4.971 million

As per standard clause of concession agreement the licensee within fifteen (15) days of the signing of the agreement shall obtain and maintain insurance coverage of sufficient value as may be determined by the licensor / Airport Manager in the joint name of the licensor and licensee from a reputable insurance company or underwriters as approved by the licensor against all incidental/accidents, costs, expense, charges, damages, actions, claims and demands as aforesaid.

Audit noted that licenses for various concessions at the JIAP, Karachi were awarded to different commercial concessionaires and a consultancy contract for supervision of “Expansion & Renovation of Quetta International Airport” was awarded to M/s The Building Consultants.

Audit observed that the Airport Manager, JIAP, Karachi did not obtain insurance policies as required under the contract provisions from commercial concessionaires and Project Director, “Expansion & Renovation of Quetta International Airport” could not get professional liability/indemnity bond from the consultants. This resulted in non-insurance of the installations, equipment, personnel and work worth Rs 4.971 million, as detailed below:

DP No.	Description	Name of Concession / Consultants	Amount (Rs in million)
03	Automated car parking	M/s Kohisar Enterprise	3.260
07	Waiting Lounge	M/s UBL	0.629
68	Expansion & Renovation of Quetta International Airport (Indemnity Bond)	M/s The Building Consultants	1.082
	Total		**4.971**

Audit pointed out the irregularity in January-February, 2018. The Authority replied that policy decision in respect of all locations will be submitted by the CAA HQ.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends obtaining of mandatory insurances and indemnity bond or recovery of insurance premium from the licensees for the uninsured period.

4.4.37 Non-forfeiture of security deposit - Rs 1.393 million

According to Clause-16 of Terms & Conditions of licenses, a mobilization period of upto 45 days for establishment of the outlets, if required so, shall only be processed for approval of competent authority i.e. HQCAA, Karachi. The mobilization period will start from the date of handing/taking over formalities of the allocated space. However, during granted mobilization period no business shall be allowed to be conducted by the licensee. According to clause-10 of the agreement, if the tenderer defaults in the performance of his obligations, the security deposit shall be forfeited forthwith.

Audit noted that the Authority awarded 04 licenses for commercial concessions at domestic departure lounge of Quetta International Airport on 11th May, 2018.

Audit observed that the licensees did not take over the possession of the sites in prescribed period of 45 days and could not start the business even after lapse of 03 months. Consequent upon non-observance of term and conditions of bid, their security deposit was liable to be forfeited but no action was taken by the management. This resulted in non-forfeiture of security deposit of Rs 1.393 million.

Audit pointed out non-forfeiture of security deposit in July 2018. The Authority replied that forfeiture of Security Deposit is in the competency of headquarters CAA. Reply was not tenable as forfeiture of earnest money on default by the licensees was due.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early forfeiture of security deposit of the defaulting concessioners.

(DP. 54)

4.4.38 Excess over sanctioned strength

As per sanctioned strength there are 464 posts in various pay groups in Civil Aviation Authority.

Audit observed that 959 officers/officials were working and drawing salary against the 464 sanctioned posts which were in excess of 495. Audit further observed that three Deputy Director General were working against one sanctioned post.

This resulted in excessive deployment than sanctioned strength and undue burden on account of pay and allowances of officers /officials.

Audit pointed out the issue in January 2018. The Authority replied that CAA Board approved CAA Service Regulations 2014 in its 152nd Meeting held on 29th & 30th September, 2014 and repealed CAA Service Regulations 2000. Accordingly, the services of CAA employees were transformed into new groups i.e. SGs and EGs. Since, while transforming the CAA Service Structure, the previous pay groups were split into sub groups i.e. PG-07 were divided as EG-01 and EG-02, therefore, establishment of PG-07 of respective cadre was distributed into EG-01 and EG-02.

The reply was not accepted because the Authority did not justify excess deployment as pointed out.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for revision in working/sanctioned strength as per actual requirement.

(DP. 21)

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 (Housing and Works Division). As per Rules of Business, 1973, Housing and Works Division is responsible for development of sites, construction, furnishing and maintenance of Federal Government buildings, except those under the Defence Division and Ministry of Foreign Affairs. Exemption is also allowed to Ministry of Foreign Affairs for the maintenance of Foreign Office Buildings and the allied buildings.

Pak PWD 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 146-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 2017-18 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	4,244.600	4,181.075	(63.525)	(1.50%)
51-Federal Lodges	102.289	99.719	(2.570)	(2.51%)
Sub-Total	**4,346.889**	**4,280.794**	**(66.095)**	**(1.52%)**
146-Capital Outlay on Civil Works	13,137.131	12,293.921	(843.210)	(6.42%)
Grand Total	**17,484.020**	**16,574.715**	**(909.305)**	**(5.20%)**

The total budget allocation for the year 2017-18 in non-development and development grants was Rs 17,484.020 million against which an expenditure of Rs 16,574.715 million was incurred. There was a saving of Rs 909.305 million representing 5.20% of total budget allocation. The main reason for saving was less utilization of development grant.

Audit observed that supplementary Grant of Rs 8,733.957 million was received before cut-off date. Further, supplementary Grant of Rs 576.607 million and surrender of Rs 2,733.502 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				
(1)	(2)	(3)	(4)	(5)		(6)	(7) (2+3+4-5-6)
				Before	After		
49-Civil Works	3,555.884	240.426	448.290	-	-	-	4,244.600
51-Federal Lodge	92.019	0.001	21.904	-	11.634	0.001	102.289
Sub-Total	**3,647.903**	**240.427**	**470.194**	**-**	**11.634**	**0.001**	**4,346.889**
146-Capital Outlay	10,652.064	8,493.530	106.413	-	2,721.868	3,393.008	13,137.131
Grand Total	**14,299.967**	**8,733.957**	**576.607**	**-**	**2,733.502**	**3,393.009**	**17,484.020**

- Original allocation under Grant No. 49-Civil Works for the financial year 2017-18 was Rs 3,555.884 million. The department received a supplementary grant of Rs 688.716 million which was 19.37% of the original grant. The final grant was Rs 4,244.600 million against which an expenditure of Rs 4,181.075 million was incurred. There was a saving of Rs 63.525 million which was 1.50% of the final grant.

- In Grant No. 51-Federal Lodges, original allocation for the financial year 2017-18 was Rs 92.019 million. The department received a supplementary grant of Rs 21.905 million which was 23.80% of the original grant. The department surrendered an amount of Rs 11.634 million after the target date and withheld an amount of Rs 0.001 million during the financial year. The final grant came to Rs 102.289 million against which an expenditure was Rs 99.719 million was incurred. There was a saving of Rs 2.570 million representing 2.51% of the final grant.

- Under Grant No. 146-Capital outlay on civil works, original allocation was Rs 10,652.064 million during financial year 2017-18. Supplementary grants of Rs 8,599.943 million were received. An amount of Rs 2,721.868 million was surrendered after the target date. The department withheld an amount of Rs 3,393.008 million during the financial year 2017-18. The final grant/appropriation was Rs 13,137.131 million against which an expenditure of Rs 12,293.921 million was incurred which constituted the 93.58% of the final grant. There was a saving of Rs 843.210 million which was 6.42% 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	625.000	201.659	423.341	67.73%

As per original estimates for 2017-18, miscellaneous receipts were estimated for Rs 625.000 million against which Rs 201.659 million was collected by Director Budget and Accounts (DBA), Pak. PWD, representing 67.73% 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 2017-18 is tabulated below:

(Rs in million)

Original Grant	Final Grant	Expenditure	Excess/ (Saving)	%
144.705	151.360	140.685	(10.675)	(7.05%)

Final Grant was Rs 151.360 million, against which an expenditure of Rs 140.685 million was incurred resulting in saving of Rs 10.675 million which was 7.05% of Final Grant.

Receipts

(Rs in million)

Head & Description	Estimated Receipt	Actual Receipt	Excess/ (Shortfall)	%
C 02701 – Works Building Rent	559.700	614.942	55.242	9.87%

The buildings rent recovery of Rs 559.700 million was estimated against which an amount of Rs 614.942 million was collected by the Estate Offices, which was 9.87% beyond 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
1987-88	09	09	01	08	11.11
	1 SAR	1 SAR	-	1 SAR	0
1988-89	1 PAR	1 PAR	01	-	100
1989-90	37	37	13	24	35.13
	1PAR	1PAR	-	1PAR	0
1990-91	17	17	15	2	88.24
	1 PAR	1 PAR	-	1 PAR	0
1991-92	63	63	18	45	28.57
	1 PAR	1 PAR	-	1 PAR	0
1992-93	50	50	45	05	88.23
	1 PAR	1 PAR	-	1 PAR	0
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
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
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	64	27	38	42.18
2013-14	77	77	16	61	20.77
2015-16	39	39	04	35	10.25
2016-17	146	146	03	143	02

Note: Audit Reports for 2010-11 (02 PAR), 2011-12, 2012-13, 2014-15 and 2017-18 have not been discussed by PAC till the finalization of this Audit Report. Audit Reports for the year 2013-14, 2015-16 and 2016-17 have been partially discussed.

5.4 AUDIT PARAS

Irregularity and Non-compliance

5.4.1 Non-obtaining of insurances and bonds - Rs 2,479.348 million

According to particular condition of contract clause 21.1 to 25.5 (For contracts more than Rs 25 million) and clause 14.1 (for contracts upto Rs 25 million), the contractor shall be obliged to place all insurance relating to the contract. If the contractor fails to produce evidence of insurance cover, then the Employer may effect and keep in force such insurance, premiums paid by the Employer for this purpose shall be deducted from the Contract Price.

Clause 10.1 of conditions of contract states that the contractor shall provide performance security to the employer in the prescribed form of an amount equal to 10% of the contract price stated in the Letter of Acceptance in the shape of bank guarantee and 20% in shape of insurance bond/security.

Audit noted that various Divisions of Pak PWD did not obtain insurance cover in twelve (12) works of Rs 2,212.734 million and performance security in twenty four works for Rs 266.614 million **(Annexure-L).**

Audit observed that in the absence of insurance/performance arrangements put the workmanship and equipment at risk and increased the vulnerability of Pak PWD to incur a huge liability in case of an incident. The financial charges on insurances and guarantees were built-in under the contract cost but the department did not recover these costs from the contractors. This resulted in non-obtaining of insurance policies/ performance securities of Rs 2,479.348 million and non-recovery of premium - Rs 24.793 million

Audit pointed out the irregularities during July to October 2018. The department replied that the concerned contractors were being pursued for furnishing insurance guarantees/performance securities.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019, wherein, the DAC took serious view of non-obtaining of work insurance/performance security in time as per contract clause. The DAC directed to fix responsibility for non-obtaining of insurances besides recovery of built-in premium to maintain such insurance from contractors for uninsured period where either insurance was not obtained or obtained after expiry of contract period. Compliance of DAC directives was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

5.4.2 Award of works without calling tenders - Rs 465.450 million

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

Audit noted that the Executive Engineer, Central Civil Division No. II, Pak. PWD, Peshawar awarded twenty-two (22) works costing Rs 465.450 million in District Shangla during the year 2017-18.

Audit observed that these works were awarded without calling open tenders. This resulted in irregular award of works of Rs 465.450 million.

Audit pointed out the irregularity during September 2018. The department replied that works were awarded to pre-qualified bidders approved by the competent authority during 2015-16 which was further extended for the years 2016-18.

The reply was not accepted because prequalification was involved only in case of procurement of expensive and technically complex nature works to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. These works were routine nature works and were required to be awarded through open tenders.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019. The DAC did not accept the point of view of the Department and observed that award of work through one time pre-qualification was against the Public Procurement Rules. The DAC directed the DG Pak PWD to conduct a fact finding inquiry and submit report to the Ministry/Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 35, 32)

5.4.3 Non-recovery of mobilization advance - Rs 166.505 million

According to Clause 60.11, mobilization advance shall be recovered in equal installments; first installment at the expiry of third month after the date of payment of first part of advance and the last installment two months before the date of completion of the works.

According to Clause 60.12(a), an interest-free mobilization advance upto 15% of the contract price shall be paid to the contractor upon submission of a mobilization advance guarantee/bond for the full amount of the advance from a scheduled bank in Pakistan or an insurance company acceptable to the Employer.

Audit noted that the Executive Engineer, CCD-IV Pak. PWD Islamabad & CCD-II, Lahore paid mobilization advance to contactors against bank/insurance guarantee.

Audit observed that neither mobilization advances were recovered as per contract clause nor bank guarantee was got revalidated on expiry though advance was outstanding. This resulted in non-revalidation of mobilization advance guarantee and non-recovery of mobilization advance of Rs 166.506 million as detailed below:

PDP No.	Division	Name of work	Outstanding mobilization Advance (Rs in million)
10	CCD-IV, PPWD, Islamabad	Construction of Islamabad High Court Building at G-5 Islamabad	103.747
124	CCD-II, PPWD, Lahore	i. Construction of Metalled Road from Kanganpur to Ganda Singh along Depalpur Canal Phase- I & II ii. Widening / Improvement of Metalled Road from Kot Radha Kishan Road (Pajian Bypass) to Gohar Jageer Via Khuddian and Usmanwala Phase-I & II	62.759
Total			**166.506**

Audit pointed out the irregularity in August 2018. The department replied that extension of validity of mobilization advance guarantee was under process.

The matter was discussed in DAC meeting held on 10th -11th January, 2019. The DAC directed to get revalidated the guarantees immediately and get verified from Audit. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

5.4.4 Award of work without revision of PC-I - Rs 22.620 million

As per para 7.12 (d)(5) of Central Public Works Department Code competent authority may not accept any contract which involves liabilities in excess of the amount of the expenditure sanction.

As per “Guidelines for Project Management” issued by Planning Commission, Government of Pakistan in August 2008 para 11 (Implementation Stage) Sl. No.15, at the time of award of contract if it is found that the cost of project would exceed the approval limit by 15%, the project be got revised and approved by the competent forum before implementation.

Audit noted that the Executive Engineer, CCD Pak. PWD, Muzaffargarh awarded the work “Construction of Inland Revenue Office at Muzaffargarh” to a contractor for Rs 22.620 million on 19th June, 2018 with completion period of 12 months.

Audit observed that department awarded the work for Rs 22.620 million against the PC-I approved cost of Rs 18.00 million which was 27% above the PC-I cost. This resulted in an irregular award of work without revision of PC-I amounting to Rs 22.620 million.

Audit pointed out the irregularity in September 2018. The department replied that combined PC-I for construction of 33 Inland Revenue Offices at different cities was prepared by Project Civil Division No.II, Pak. PWD, Islamabad and approved by CDWP in its meeting held on 20th October, 2014 and Administrative Approval was issued accordingly on 12th February, 2015. Whereas only two Inland Revenue Offices located at Layyah and Muzaffargarh are under execution in this Division. The detailed estimates of these two works were prepared on Schedule of Rates 2012 and rate of premium was allowed by the competent authority on the prevailing rates which were most competitive and economical. However on completion of these Inland Revenue Offices the Revised PC-I will be prepared collectively and approval would be obtained from the competent forum.

The reply was not accepted because the accepted contract amount exceeded the sanctioned/approved amount against the project by more than 15%. The award of work without revision of PC-I was irregular.

The matter was discussed in DAC meeting held on 10th-11th January, 2019. The DAC directed to get the approval of revised PC-I. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 54)

5.4.5 Irregular appointments in violation of provincial/regional quota

Chief Admn Officer Pak. PWD Islamabad with the approval of Ministry of Housing & Works published an advertisement in the daily newspaper Express Islamabad dated 21st September, 2016 for appointment of 387 posts of various cadres depicting number of posts of each cadre, allocation of provincial/regional quota, and minimum qualification by engaging Pakistan Testing Service (PTS) responsible for receiving applications within 15 days from the date of advertisement.

Audit noted during scrutiny of record of Director General Office, Pak. PWD, Islamabad where applications were received and processed, the test was conducted by the PTS and provided result on 09th June, 2017 to the Administration of Pak PWD. The Administration after conducting interviews issued provisional/conditional Call Letters on 6th November, 2017 to the selected candidates to join the duties.

Audit observed the following irregularities in the appointment of Sub-Engineer (Civil), Sub-Engineer (E & M) and Steno-typist:

i. Final merit list showing marks obtained and provincial/ regional quota alongwith recommendations of the Departmental Selection Committee was not provided and appointment letters were issued to the selected candidates without observing provincial/regional quota.

ii. Candidates selected on open merit were not mentioned in the list of selected candidates.

iii. In the advertisement, quota for Federal Area was not mentioned but candidates were appointed against this quota in violation of the provisions of the open advertisement providing benefit to certain candidates of specific areas by receiving their new CNIC & Domicile on urgent basis even after closing date of submission of the application.

iv. Overall quota was not observed in its true spirit particularly in appointing Sub-Engineer Civil & E&M wherein changes were made in an engineered manner.

v. Thirty-five (35) Sub-Engineers (Civil) were appointed against quota of twenty-three (23) for Khyber Pakhtunkhwa in violation of provincial/regional quota.

vi. Nine (09) Sub-Engineers (E&M) were appointed against Federal Area. Incidentally all of them have permanent address of Bannu (Khyber Pakhtunkhwa).

Audit pointed out the irregularity in October 2018. The department replied that appointments have been made according to criteria issued by the Cabinet Division dated 16th January, 2015. The case was under investigation by NAB.

The matter was discussed in DAC meeting held on 10th-11th January, 2019. The DAC directed to get the facts and complete record verified from Audit. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 80)

5.4.6 Non-plantation of trees in lieu of removed trees

As per provision of approved PC-I of the project "Dualization and improvement of Mandra-Chakwal and Sohawa-Chakwal Road", ten (10) new trees were to be planted against each cut tree.

Audit noted that a provision was made in the revised PC-I/ BOQ for removal of trees for both sections of road project. Audit further noted that an amount of Rs 44.632 million was paid to the Forest Department, Punjab for cutting and removal of 17,708 trees located in the project alignment/area.

Audit observed that plantation of 177,080 new trees (17,708x10) was not made against the provision of PC-I.

Audit pointed out the matter in September-October 2018. The department did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends to follow the provision of approved PC-I and ensure plantation of new trees in vicinity of both roads.

(DP. 169)

5.4.7 Unauthorized construction of buildings

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.

Regulations 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.

Audit noted that the Executive Engineer, PCD-IV, Pak PWD, Islamabad, awarded the project “Construction of Model Prison at H-16, Islamabad” to various contractors with completion period of 546 days.

Audit observed that Sub-Heads of the project i.e. Admin Block, Boundary wall, male barracks and infrastructure work were started without prior approval of Building Plan from Capital Development Authority (CDA) Islamabad as required under Islamabad Residential Sectors Zoning (Building Control) Regulations, 2005.

Audit further observed that approval of building plan from CDA was covered in the scope of services of the consultants but the consultant did not complete this job which may cause loss to government due to construction on wrong alignment as indicated in CDA's letter dated 7th June, 2018.

This resulted in irregular construction of buildings and which may also cause extra financial burden due to imposition of fine by CDA amounting to Rs 43.456 million.

Audit pointed out the irregularity in October 2018. The department replied that approval of building plan is pending with CDA due to approval of summary regarding change in Master Plan of Islamabad.

The matter was discussed in DAC meeting held on 10th-11th January, 2019. The DAC directed the department to pursue the matter vigorously. No progress was intimated to Audit till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 75)

Performance

5.4.8 Non-mutation of public land - Rs 1,145.68 million

According to revised detailed estimate for the project "Construction of Musa Khail-Taunsa Road (35 KM)" stretch to be constructed and linked with Zhob, conveyed vide Office Memorandum dated 18th May, 2017 mutation of land (free of cost) in the name of

Federal Government must be obtained before start of work, from the quarter concerned.

Audit noted that Executive Engineer, Central Civil Division, Pak PWD, Muzaffargarh incurred expenditure of Rs 1,145.68 million upto June 2018 for construction of above project.

Audit observed that mutation of land in favour of Federal Government was not obtained as required in revised detailed estimate. Government investment (Rs 1,145.68 million upto June 2018) was put to a risk due to non-compliance of the instructions.

Audit pointed out the matter in September 2018. The department replied that the consolidation of land of the Road Area was not yet finalized by the concerned Revenue Departments. However, the case for mutation of land in the favour of Federal Government was being pursued.

The matter was discussed in DAC meeting held on 10th-11th January, 2019. The Committee directed to pursue the case personally and intimate final outcome to the Ministry/Audit. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP.57)

5.4.9 Non-utilization of development funds - Rs 369.755 million

According to Finance Division O.M No. F No.3 (3) Exp-III-2018 dated 08th February, 2018, last date of issuance of surrender orders for financial year 2017-18 was fixed as 15th April, 2018 instead of 15th May, 2018.

Rule 95 of GFR (Volume-I) provides that all anticipated savings should be surrendered to Government immediately as they are foreseen without waiting till the end of the year, unless they are required to meet excess under some other units which are definitely foreseen at the time. No saving should be held in reserve for possible future excesses.

Audit observed that Executive Engineers of 04 Divisions of Pak. PWD did not utilize development funds amounting to Rs 369.755 million and lapsed on close of financial year.

DP No.	Division	Amount (Rs in million)
170	CCD-V, Islamabad	243.564
178	CEM Division, Quetta	9.514
183	S&W Division, Islamabad	90.721
189 & 192	CCD-II, Islamabad	25.956
	Total	**369.755**

Audit observed that funds were not surrendered before cut-off date for better utilization on other development activities. Non-utilization of allotted budget was financial mismanagement on the part of the Pak. PWD.

Audit pointed out the matter in September-October 2018. The department did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for investigation to fix responsibility for non-utilization of funds and action against persons at fault.

Internal Control Weaknesses

5.4.10 Non-adjustment of prices - Rs 1,061.293 million

As per standard clause 70.1 of the contract agreement, 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.

As per Appendix-C to bid 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 28 days prior to the last day of the billing period.

Audit noted that the Executive Engineers of three Pak PWD Divisions awarded works to contractors on PEC bidding documents having provision for adjustment of prices of specified materials.

Audit observed price of specified material were not adjusted as per decreasing trend in market and price adjustment for labour was paid by taking average rate of skilled and unskilled labour instead of unskilled labour only as per contract clause.

This resulted in overpayment due to non-adjustment of prices of materials amounting to Rs 1,061.293 million as under:

DP No.	Division	Amount (Rs in million)
51	CCD, Muzaffargarh	20.172
168	CCD-V, Islamabad	1,036.862
182	CCD-III, Peshawar	4.259
	Total	**1,061.293**

Audit pointed out overpayment in September-October 2018. The department replied that due recovery would be effected in next bill of the contractor.

The matter was discussed in DAC meeting held on 10th-11th January, 2019. The DAC directed to reconcile the recoverable amount with Audit. The Committee also directed to initiate action against the consultants for non-adjustment of prices escalation/de-escalation in each IPC. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

5.4.11 Payment without approval of contract agreements - Rs 446.317 million

Para 7.12 (c) of Pak PWD Code provides that the agreement with the contractors selected must be in writing and should be precisely and definitely expressed; it should state the quantity and quality of the work to be done, the specifications to be complied with, the time within which the work is to be completed, the conditions to be observed, the security to be lodged, and the terms upon which the payments will be made and penalties exacted, with any provisions necessary for safeguarding the property entrusted to the contractor.

Audit observed that Executive Engineers of three Divisions of Pak PWD made payment of Rs 446.317 million to different contractors against twenty-one (21) works without approval of agreements by the competent authority.

This resulted in irregular payments of Rs 446.317 million as detailed below:

(Rs in million)

DP No.	Division	No. of agreements	Amount
42	CCD, Abbottabad	17	367.646
136	CCD, Muzaffargarh	01	32.088
172	C/EMD-II, Islamabad	03	46.583
Total		**21**	**446.317**

Audit pointed out the irregularity in September/October 2018. The department did not reply.

The matter was discussed in DAC meeting held on 10th-11th January, 2019. The DAC directed to get the agreements approved and verified from Audit. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

5.4.12 Payments of excess quantities/deviations without approval - Rs 393.795 million

Standard conditions of Acceptance Letters/contract agreements for the works provide that no extra/substituted items would be allowed to be executed at site without prior approval of the competent authority and also no excess in agreement quantities should be permitted.

Audit noted that in twelve (12) cases, Executive Engineers of Pak PWD made payments of Rs 393.795 million against excess quantities of items of works than provided in contract agreement and technical sanctioned estimates.

Audit observed that excess quantities and extra and substituted items were paid without approval of the competent authority in violation of conditions of contract. This resulted in unauthorized payments of Rs 393.975 million **(Annexure-M).**

Audit pointed out the irregularities in July-November 2018. The department replied in some cases that the decrease/increase in the quantity of items occurred due to site requirement and extra/substituted items cropped up during the execution of projects.

The reply was not tenable because quantities/items paid beyond contract provision were unauthorized.

The matter was partially discussed in DAC meeting held on 09-10.01.2019 wherein the Committee directed the Department to get the excess quantities and extra/substituted items approved and be got verified from Audit. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

5.4.13 Unjustified delay in inquiry proceedings - Rs 4,215.391 million

According to Sl. No. 126(3) of Esta Code regarding speedy disposal of disciplinary and suspension cases, disciplinary proceedings against Government servants placed under suspension should be finalized within two months of the date of suspension. If in any case it is not possible to finalize (within the time limit of two months) departmental proceedings against a Government servant under suspension, the matter should be reported to the Establishment Secretary giving the following details:

(i) Particulars of the case;
(ii) Reasons for delay; and
(iii) The period within which the case is expected to be finalized. The Secretary Establishment after scrutinizing the report will offer such advice to the Ministry/Division/ Department as he may consider necessary regarding the speedy disposal of the case.

Audit noted that nine (09) disciplinary proceedings/inquiries involving financial irregularities, losses, theft etc were under process against four officers of Pak PWD since 2014 involving Rs 4,215.391 million **(Annexure-N).**

Audit observed that these inquiries were not finalized within the timelines and as required under the rules. This resulted into non-finalization of disciplinary cases involving financial irregularities for Rs 4,215.391 million.

Audit pointed out the matter in October 2018. The department replied that inquiries were under process at different levels in the department and Ministry.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein the DAC directed the department to complete inquiries within 2 months and submit compliance report to Audit.

Compliance of DAC directive was not made till the finalization of the Report.

Audit recommends compliance of DAC directive.

(DP. 84, 82)

5.4.14 Non-crediting of unclaimed security deposits to government revenue - Rs 140.888 million

Para 399 (iii) of Pak PWD Code states that balances unclaimed for more than the three complete account years in the public works deposits account should be credited to Government as lapsed deposits.

During security of accounts record of five (05) formations of Pak PWD, Audit noted that a sum of Rs 140.888 million of security deposit of contractors was lying unclaimed for more than three years as shown in the form CPWA-79 of Monthly Account of June 2018 as detailed below:

S. No.	DP No.	Division	Amount (Rs in million)
1	141	CCD Hyderabad	53.509
2	36	CCD-II Peshawar	37.692
3	156	CCD Sialkot	26.622
4	87	CCD-I Peshawar	14.871
5	132	CCD-IX Karachi	8.194
Total			**140.888**

Audit observed that the said amounts of security deposits were not credited to Government revenue account as lapsed deposits.

Audit further observed that Security Deposit Registers were not properly maintained as balances were not properly worked out at the end of each month/year. This resulted into non-credit of unclaimed security deposits of the contractors to revenue amounting to Rs 140.888 million.

Audit pointed out the irregularity in September to October 2017. The department replied that mostly the contractor’s accounts were yet to be finalized. However, unclaimed security deposit against the closed account of more than three years were being scrutinized and the same would be remitted to the Directorate of Budget & Accounts, Pak PWD, Islamabad for credit into proper head of account and the Audit would be informed accordingly.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019 wherein the DAC directed the department to credit all unclaimed deposits to government revenue except those which are sub-judice and get verified from Audit within one month. Compliance of DAC directive was not made till the finalization of the Report.

Audit recommends compliance of DAC directive.

5.4.15 Award of additional/varied work without fresh tenders - Rs 132.426 million

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

Para 6.07 of CPWD Code (Revised-1982) provides that revised approval of the competent authority of the "admin approval" is necessary to material deviation from original proposal, even though the cost of the same may be covered by savings by other items.

Audit noted that Executive Engineer, Central Civil Division Pak. PWD, Sialkot awarded five road works which were approved by the CDWP in its meeting held on 17^{th} June, 2016.

Audit observed that the Chief Engineer Pak. PWD (North) approved extra/substituted items valuing Rs 132.426 million and materially varied (more than 15%) the original scope of work. Revised admin approval was required due to material deviation but approval of competent forum was not obtained. This resulted in irregular award and deviation in works valuing Rs 132.426 million **(Annexure-O).**

Audit pointed out the irregularity in October-November 2018. The department replied that all the substituted item statements had been approved by the competent authority. Further, with the inclusion of substituted item, the unit cost approved in the Revised PC-I was not exceeded in any of the work.

The reply was not accepted because contractor was awarded additional/deviated scope of work without tenders and also without approval of the competent forum i.e. CDWP for these material deviations.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for investigation into the matter for fixing responsibility and taking appropriate action against the persons at fault.

(DP. 151)

5.4.16 Non-deduction of sales tax - Rs 35.043 million

According to Islamabad Capital Territory (Tax on Services), Ordinance, 2001, Ordinance No. XLII of 2001 (S. No. 12 of Schedule), 16% rate of tax will be levied on services provided by the Technical, Scientific and Engineering Consultants.

Audit noted that Executive Engineer of 02 Divisions of Pak PWD, Islamabad made payments Rs 219.019 million to various consultants/ contractors on account of consultancy and janitorial services.

Audit observed that ICT Sales tax on payments for services rendered was not deducted while making payments to contractors/consultants during the year 2017-18. This resulted in overpayment of Rs 35.043 million, as detailed below:

DP No.	Division	Amount (Rs in million)
114	PCD-II, Islamabad	210.592
116	Store & Workshop, Islamabad	8.427
	Total payment	**219.019**
16% ICT Sales tax		35.043

Audit pointed out non-deduction of ICT sales tax in October 2018. The department replied that Federal Government projects are exempt from sales tax.

The reply was not accepted because service contracts were not exempt from ICT sales tax.

The matter was discussed in DAC meeting held on 10th-11th January, 2019. The DAC directed the department to seek clarification from FBR. Compliance of DAC directives was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

5.4.17 Non-reduction in rate as per work done at site - Rs 15.093 million

As per Rate Analysis of item hot-mix bituminous concrete (Item No. 78, Code-127) of Pak PWD Schedule of Rates 2012, 5.39% bitumen was to be used in 100 tons mix material and item was to be paid at the rate of Rs 7,544.05 per ton plus 15% approved premium.

Audit noted that the Executive Engineer, Central Civil Division Pak PWD, Sialkot got executed an item “Providing and laying hot-mix bituminous concrete runway pavement laid with mechanical paver and mixed in central mixing plant in required thickness and density, rolled hot with different types of rollers complete as per specifications and Job-mix formula and design in double layer upto 2-1/2" (64 mm) thickness” under certain road works by using 4.3% bitumen as evident from the respective job mix formula.

Audit observed that 1.09% bitumen (5.39% - 4.3%) was used less but item was paid at full rate of Rs 8,675.66 per ton (7,544.05 + 15%) instead of reduced rate of Rs 7,530.68 per ton (8,675.66-1,144.98). Non-adjustment of the cost of less used bitumen to the extent of Rs 1,144.98 per ton, resulted in overpayment of Rs 15.093 million.

Audit pointed out overpayment in October-November 2018. The department did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of the overpaid amount

(DP. 150)

5.4.18 Non-recovery of overpayments established through site inspections - Rs 13.802 million

As per Director General Pak PWD orders conveyed through letter dated 27th May, 2014, Chief Engineer Central Zone Lahore was asked to take immediate action for effecting recovery of Rs 13.802 million from contractors in eighteen works as a result of site inspections and initiate disciplinary action against the delinquents.

Audit observed that neither the recovery of Rs 13.802 million was made nor disciplinary action against the delinquents was taken as per record.

This resulted into non-recovery of Rs 13.802 million.

Audit pointed out the non-recovery in October 2018. The department replied that the concerned Executive Engineer was asked to submit response.

The matter was discussed in DAC meeting held on 10th-11th January, 2019. The DAC directed the department to take action and submit compliance report to Audit within 2 months. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 83)

5.4.19 Unjustified payment to the consultants - Rs 7.790 million

As per Appendix-C of the consultancy agreement, the consultant was required to depute following staff for the design and construction supervision activities of the project:

Sr. No.	Designation	Qualification	Quantity	Experience
1	Resident Engineer	BSc Civil or BE Civil	1	20 Years
2	Assistant Resident Engineer	BSc Civil or BE Civil	4	10 Years
3	Material Engineer	Graduate in Material testing	2	10 Years
4	Lab Technician	Qualified for Lab Job	3	10 Years
5	Surveyor	Diploma in Survey	4	10 Years
6	Auto Cad Operator	Training in AutoCAD	2	07 Years
7	Any other personnel as required by the client as per requirement of site activity			

Audit noted that Executive Engineer, Central Civil Division Pak. PWD, Muzaffargarh awarded the consultancy of work construction of Musa Khail-Taunsa Road (35 KM) stretch to be constructed and linked with Zhob to M/s Jers Engineering Consultants (JEC) vide acceptance letter dated 1st November, 2016 for Rs 22.834 million. The consultant was paid Rs 7.790 million through 3rd running bill.

Audit observed that:

i. Revised PC-I of the project was already approved by CDWP in May 2016, therefore, engagement of the consultants for design phase was not required.

ii. Package-I was already awarded in February 2013, therefore design and construction supervision of Package-I of Rs 1,763.064 million included in the revised detailed estimate was not included.

iii. Chief Engineer West Zone Quetta approved revised detailed estimate of the project in May 2017 on the basis of working on the revised PC-I for Rs 2,315.67 million.

iv. There was no evidence on record that the consultant deployed engineering staff at project site as required under Appendix-C. Soil classification was done by PPWD from Geological Survey of Pakistan. No involvement of consultant was there, in quality checks/lab checks during construction against major component of road work. Moreover, no tests were carried out by the consultant and no laboratory was established. Inclusion of cost of material, Engineer, Lab Technicians in the contract amount was therefore, not justified/admissible.

In view of above, the payment of Rs 7.790 million made to the consultant is held unjustified and inadmissible.

Audit pointed out the matter in September 2018. The department replied that all the designing work of Package-I, II & III was carried out by the consultant. Therefore, his services for designing phase were included in consultancy agreement. The consultant was rendering services as per provision of the consultancy agreement.

The reply was not accepted because the consultant did not provide staff as per consultancy agreement. The cost of staff was built-in. Revised PC-I of the project was prepared and approved before award of consultancy contract. Therefore, there was no involvement of consultants in design phase. Revised detailed estimate was also based on revised PC-I outline. No check requests are being certified by the consultants, and no lab tests have been carried out at site. Payment of consultancy fee is therefore not admissible/justified.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019. The DAC directed to provide justification of payments made to the consultant to Audit for verification. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 56)

5.4.20 Separate payment of formwork - Rs 4.727 million

According to Pak PWD Schedule of Rates 2012, SH-114, all the rates of RCC items are inclusive of cost of formwork. Further, specification No. 7 (iv) of SH-114 clarifies that formwork shall be of wrought timber, steel, ply wood, proprietary building boards which give the required finish to the surface of the concrete. Wooden formwork shall be free from loose knots and shall be well-seasoned.

Clause-5 of preamble to BOQ provides that the whole cost of complying with the provisions of the contract shall be included in the items provided in the priced Bill of Quantities, and where no items are provided, the cost shall be deemed to be distributed among the rates and prices entered for the related items of the works.

Audit noted that the Executive Engineer, CCD-VIII, Islamabad, allowed extra payment for using MS plate and pipes in formwork contrary to provisions of specification and agreement. This resulted in an overpayment of Rs 4.464 million.

Audit further observed that payment for “disposal of surplus excavated stuff” vide item No. 9/60 of Bill was made whereas disposal of excavated stuff was covered in the rate of excavation. This resulted in unjustified payment of Rs 263,060.

Audit pointed out the overpayment in September 2018. The department replied that the work was executed as per structural design and mild steel pipes and plates as formwork were used as span was exceeding 20 feet and height was exceeding 15 feet. Further, disposal of earth was paid as per the agreement.

The reply was not tenable because as per specification, cost of steel formwork was included in the rates. Further, concrete having height exceeding 15 feet was not measured in MB. Thus, separate payment for steel formwork was not justified.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019. The DAC directed the department to get the structural design and detailed measurements verified from Audit. Compliance of DAC directives was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 22)

5.4.21 Allowing unjustified cartage of earth - Rs 4.701 million

According to approved TS Estimate of the work, the item "excavation or cutting in soft rock" was payable at the rate of Rs 639.69 %cft including cost of filling of excavated stuff based on Pak PWD Schedule of Rates, 2012 (item No. 1 & 9 of SH-127).

Audit noted that the Executive Engineer, PCD-II, Pak PWD, Islamabad, got excavated and filled quantity of 191,846.82 cft of earth at the rate of Rs 639.69 %cft. Further, an item of work "cartage of earth" for the same quantity of 191,846.82 cft was also paid at the rate of Rs 2,102.64 %cft against provision of 40,753 cft in TS estimate.

Audit observed that excavated quantity was filled in embankment in first instance as the rate of excavation was paid combined for excavation and filling. Thus, separate payment for disposal of excavated stuff was not payable. This resulted in overpayment of Rs 4.478 million.

Audit further observed that quantity of 5076.40 cft "supply, stacking spreading of murum" at the rate of Rs 3,087.35 %cft was measured in sub-base to cover voids in stones at the rate of 10% of total quantity of base material. Thus quantity of stone equal to quantity of murum was deductible but no such deduction was made. This resulted in overpayment for Rs 0.223 million.

This resulted in overpayment of Rs 4.701 million to the contractor due to inadmissible item.

Audit pointed out the overpayments in October 2018. The department replied that due to shift of alignment, quantity of excavation increased and excavated material was disposed of in the specified area and accordingly cartage was paid. Moreover, murum was used to cover the voids.

The reply was not accepted because excavated quantity was to be filled in embankment as per TS estimate and separate payment for disposal of excavated material was not justified. Further, voids were to be adjusted from quantity of base course.

The matter was discussed in DAC meeting held on 10th-11th January, 2019. The DAC directed the department to reconcile the facts and justify Audit otherwise effect recovery. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 112)

5.4.22 Payment for surplus excavated stuff without approval - Rs 1.847 million

Clause-5 of preamble to BOQ for the work "Construction of Central Police Office (National Highway and Motorway Police) in Mauve Area G-11/1, Islamabad" provides that the whole cost of complying with the provisions of the contract shall be included in the items provided in the priced Bill of Quantities, and where no items are provided, the cost shall be deemed to be distributed among the rates and prices entered for the related items of the works.

According to Pak PWD Schedule of Rates, 2012 SH-103-excavation, rates are inclusive of cost of disposal of surplus excavated stuff.

Audit noted that the Executive Engineer, CCD-VIII, Pak PWD, Islamabad got executed, measured and paid extra item of work “disposal of surplus excavated stuff” for quantity of 171,873 cft at the rate of Rs 1,075 %cft without provision in contract.

Audit observed that contractor quoted his rates after proper survey/site visit and must had covered this aspect in his rate/premium. Thus separate payment for disposal of excavated stuff without provision in the contract as well as without approval of the competent authority was unauthorized. This resulted in an unauthorized payment of Rs 1.847 million.

Audit pointed out the irregularity in August 2018. The department replied that extra substitute item statement is under process of approval.

The reply was not tenable as the cost of disposal of excavated stuff was included in rate of excavation.

The matter was discussed in DAC meeting held on 10th-11th January, 2019. The DAC directed to conduct a fact finding inquiry and submit report to the Ministry/Audit. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 24)

5.4.23 Unjustified payment of leveling and dressing of ground - Rs 1.807 million

According to BOQ for the work “Construction of Model Prison Islamabad” item No. 01-Site Clearance, no separate payment shall be made against clearance of site. The cost thereof shall be deemed to have included in other item rates.

Technical Specification of earth work prepared by the consultant was same for all sub-heads of work and site clearance was not payable as separate item in 03 Sub-Heads of the work.

The Executive Engineer, PCD-IV, Pak PWD, Islamabad, measured and paid an item "leveling and dressing the ground by cutting or filling earth upto 6 inch."

Audit observed that cost of preparation of surface before fill for embankment was included in the rate of compaction of embankment as per specification of the work. Further, separate payment for leveling and dressing of surface before earth filling was not payable as per agreement of 03 works. This resulted in an unjustified payment of Rs 1.807 million.

Audit pointed out the unjustified payments in October 2018. The department replied that payment was made as per contract/BOQ.

The reply was not accepted because item in question was not payable separately as per BOQ and specifications.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019. The DAC directed the department to effect recovery and get it verified from Audit. Compliance of DAC directives was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 69)

5.4.24 Non-recovery of cost of dismantled material - Rs 1.628 million

According to TS Estimate/NIT for the works "Electrical & Mechanical works of hospital building (Medical Wards and Surgical Wards) at JPMC Karachi" the dismantled material obtained during execution of work was recoverable from the contractor.

Audit noted that the Executive Engineer, Central Electrical & Mechanical Division-I, Pak PWD, Karachi awarded and executed the above works.

Audit observed that cost of dismantled material obtained from execution of work was not recovered from the contractors as required. This resulted in non-recovery of cost of dismantled material for Rs 1.628 million.

Audit pointed out the non-recovery in July 2018. The department replied that old material has been taken on stock.

The reply was not accepted because recovery was to be made from the contractors as required in T.S. Estimate/NIT.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019 wherein DAC directed that recovery be made as per contract agreement and got verified from Audit. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 03)

5.4.25 Non-execution of agreement on stamp papers of appropriate value - Rs 1.465 million

As per Sindh Stamp Duty Act 1899 amended upto the year 2018 stamp duty @ thirty-five paisa for every hundred rupees or part thereof, of the amount of the contract will be applicable on the contract executed for works.

Audit noted that Executive Engineer, Central Civil Division, Pak. PWD Hyderabad awarded fifty-eight (58) schemes/works under Federal Special Development Programme involving Rs 418.594 million and incurred expenditure to the extent of Rs 413.145 million during the year 2017-18.

Audit observed that the department did not execute agreements on stamp paper as per Sindh Stamp Duty Act 1899 amended in 2017-18. This resulted into a loss to public exchequer amounting to Rs 1.465 million.

Audit pointed out loss in October 2018. The department replied that stamp duty amount was recovered. Record in support of reply was, however not produced in support of reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for recovery of loss involved besides taking disciplinary action against the persons at fault.

(DP. 147)

5.4.26 Execution of inadmissible item - Rs 1.242 million

Clause 11 of Contract agreement for the work "Up-gradation of Chamba House Lahore, balance/additional work (SH: boundary wall, tuff tiles, repair of servant quarters)" provides that contractor shall confirm exactly, fully and faithfully to the designs, drawings, and instructions in writing relating to the work.

Audit noted that the Executive Engineer Central Civil Division-I Pak PWD, Lahore awarded the above work to a contractor on 22nd December, 2017 for agreement amount of Rs 7.308 million. The value of work done up to 2nd running bill was Rs 5.609 million.

Audit observed that department executed and paid the item i.e. providing and fixing of car parking shed complete in all respect etc. for the quantity of 2700 sft at the rate of Rs 460 (part rate) per sft amounting to Rs 1.242 million, in 2nd running bill. Audit further observed that said item was executed beyond the provision of PC-I, T.S. estimate as well as agreement.

This resulted in an irregular payment due to execution of inadmissible item of Rs 1.242 million.

Audit pointed out the irregularity in October 2018. The department replied that formal approval of this item was awaited from the competent authority.

The reply was not accepted because payment was made beyond approved scope of work without approval of competent authority.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019. The DAC pended the para till approval of extra items and its verification by Audit along with rate analysis. Compliance of DAC directive was not made till the finalization of this Report.

Audit recommends compliance of DAC directive.

(DP. 66)

ESTATE OFFICE

Irregularity and Non-Compliance

5.4.27 Unauthorized allotment/attachment of houses/flats in violation of order of Supreme Court of Pakistan

The Honorable Supreme Court orders on 19th October, 2011 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 of Accommodation Allocation Rules 2002, will not be often exercised.

As per Rule 5(1) of Accommodation Allocation Rules 2002, a Federal Government Servant in B-18 is entitled for accommodation of class-F/Cat-III. Further, as per annexure-E under rule 8(1), a Federal Government Servant in B-17&18 is entitled for accommodation having covered area of 1,100 sq ft.

Rule 7(1) of the AAR 2002 provides that the allotment of Government owned accommodation shall be made to the most senior Federal Government Servant on General Waiting List (GWL) of a particular class or category of accommodation.

Audit observed that the Estates Offices of Islamabad, Lahore, Karachi and Quetta allotted 52 houses to various Government servants by violating the Supreme Court Orders and without enlistment in General Waiting List.

Audit further observed that an amount of Rs 29.245 million was recoverable against the irregular allottees as detailed below:

DP No.	Description of irregularity	Location	No. of houses	Amount (Rs in million)
19	Allotment beyond entitlement	Quetta	11	-
02	Allotment beyond entitlement	Islamabad	01	-
18	Allotment without enlistment in GWL	Quetta	09	-

DP No.	Description of irregularity	Location	No. of houses	Amount (Rs in million)
06	Allotment in violation of Supreme Court Orders	Islamabad	03	-
05	Allotment without following GWL	Islamabad	05	-
09, 24 & 26	Unauthorized possession of houses	Islamabad, Karachi & Peshawar	12	20.836
11	Allotment of houses to employees of non-entitled departments	Lahore	05	4.173
10	Unauthorized possession of houses	Lahore	05	3.512
15	Unauthorized possession of house	Lahore	01	0.724
		Total	**52**	**29.245**

Audit pointed out the matter in August-November 2018. The department did not reply.

Paras relating to Estate Office Islamabad were discussed in DAC meeting held on 11th January, 2019. DAC directed the department to take up the matter with Pak PWD seeking clarification/justification of categorization of the house in question. DAC further directed the department to share a copy of the summary moved to the Prime Minister and decision with current policy on designated houses and get the facts verified from Audit.

Audit recommends cancellation of irregular allotments and action against the persons at fault besides recovery of dues.

Performance

5.4.28 Non-updating the General Waiting List of government employees

Rule 6 of AAR-2002 provides that seniority of a Federal Government Servant in the relevant General Waiting List (GWL) shall be determined from the date of his entitlement to the class of accommodation. The copies of GWL shall be provided to all eligible Ministries or Divisions or departments for information.

Audit noted that the Joint Estate Officer Peshawar provided the General Waiting List for Government employees for allotment of government accommodation for 2017.

Audit observed that the applications of government employees received in Estate Office during 2015-16, 2016-17 and 2017-18 were incorporated in GWL but registration cards were not issued to concerned employees. The GWL provided to Audit was not signed and not attested by the officer in charge. This state of affairs indicated that changing in the GWL can easily be made for accommodating the favorite persons. As per above quoted rule, GWL provided to Audit was old one which needs to be updated quarterly and also it should be provided to relevant Departments / Ministries for their respective records.

Audit pointed out the matter in August 2018. The department did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends updation of General Waiting List and application of proper internal controls.

(DP. 27)

Internal Control Weaknesses

5.4.29 Non-recovery of rental ceiling and non-ejectment of unauthorized occupants - Rs 97.130 million

Rule 25 (2) & (3) of AAR-2002 provides that the ejectment of trespassers from the Government or hired accommodation shall be carried out by the concerned Estate Office, immediately without serving any notice on the 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. Rule 25(4) provides that in case, an accommodation is occupied or retained without legitimate allotment or is trespassed, the Estate Office shall charge rent equivalent to one rental ceiling of the category of his entitlement or the category of the house under occupation, whichever is more.

Audit noted that as per Ministry of Housing & Works D.O. No. PS/SECY (H&W)/2/2007 dated 26th October, 2007, Commandant, Balochistan Constabulary allotted government quarters in FG Colony, Sariab Road illegally to its officials, as the matter regarding transfer of 169 quarters on payment of Rs 202 million was under process and the colony was not handed over formally to the Provincial Government as yet. The act of Balochistan Constabulary was illegal and against the law which was required to be discouraged. In order to stop this illegal practice, the peaceful handing over of the quarters to Estate Office Quetta was the basic requirement. It was further noted that 169 quarters were still occupied by Balochistan Constabulary, Government of Balochistan since 2007.

Audit observed that the Federal Government had sustained a huge loss in shape of non-recovery of rental ceiling amounting to Rs 97.130 million from illegal occupants of Balochistan Constabulary.

Audit pointed out the non-recovery and non-ejectment in November 2018. The department did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends action to eject the unauthorized occupant and recovery of the amount involved.

(DP. 16, 17)

5.4.30 Non-cancellation of lease agreement - Rs 32.092 million

Lease agreements executed between Joint Estate Officer and different parties for lease of CNG/Petrol pumps at different locations of Karachi describe that "Should the rent hereby reserved or any part thereof remains unpaid any time for a period of thirty days after it has accrued due (where formally demanded or not) or if any convent on the lessee's part herein contained not be performed or observed of, if the lessee becomes bankrupt of compound with his creditors, the lease of the said plot shall be liable to be cancelled and the structure and security money shall be forfeited to the Lessor but without prejudice to any right of action on the part of the Lessor in respect of any breach of lessee's convent herein contained.

Para I of the letter No.F3920/2005-EIII Islamabad, dated 14th March, 2009 issued by Section Officer (E-III) Government of Pakistan Ministry of Housing and Works provides that in case of lease agreement executed on or after September-2007 for a period of 20 years, 25% enhancement rent (compound) after every 5 years will be charged.

Audit noted that Joint Estate Officer Karachi entered in lease agreement with different parties for lease of CNG/Petrol pumps at certain lease rates during the years 1991 to 2007.

Audit observed that the lessees did not deposit lease money as required. Lease agreements were also not cancelled as per provisions of lease agreements. This resulted in non-recovery of lease money of Rs 32.092 million and non-cancellation of lease agreements as detailed below:

DP. No.	Lease	Date of Lease	Recoverable Amount (Rs in million)
20	Petrol Pump site measuring 353.72 sq. yard situated at Jail Site Road, Martin Quarters, Karachi	30th September, 2007	6.514
21	establishment of petrol pump at plot No. 649 measuring 1000 sq.yds at Jehangir Road Karachi	25th April, 1991	18.097

DP. No.	Lease	Date of Lease	Recoverable Amount (Rs in million)
23	erecting CNG station / petrol Pump thereon measuring 1000 square yards adjacent to Gujar Nala at Main Ibne-e-Sina Road, Federal Capital Area, Karachi	11th October, 2007	07.481
Total			**32.092**

Audit pointed out the matter in November 2018. The department did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for early recovery and vacation of site besides action against the responsible persons.

5.4.31 Non-recovery of rent from the employees - Rs 16.570 million

Rule 26 of GFR (Vol-I) provides that it is the duty of the departmental controlling officers to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the public account.

Audit noted that some Federal Government departments/ Ministries were shifted/transferred under the control of Provincial Government after 18th amendment in the Constitution of Pakistan. Any policy/decision towards retention/vacation and effecting recovery of rent of government owned accommodation allotted to federal government employees who were shifted under the jurisdiction of provincial government was not available to audit. It was further noted that 69 houses of different categories of colonies of Federal Government were allotted to the employees of these departments.

Audit observed that they are working now under the control of Provincial Government but recovery of rent from the allottees of these houses required to be made/accounted for in the accounts of the Federal Government. If the rent recovery was being made by the Provincial Government, the same had to be transferred/accounted for in the Federal Government's account. Consolidated record of rent recovery of these houses/allottees was not made available to audit. This resulted in to non-recovery/non-receipt of rent Rs 16.570 million.

Audit pointed out the non-recovery in October 2018. The department replied that the matter had already been taken up with higher Authorities for clarification/advice.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for taking necessary measures besides taking up the matter at appropriate level for decision and receipt of rent recovery from the allottees.

(DP.12)

5.4.32 Non-recovery of rent of shops - Rs 9.698 million

Policy guidelines issued by Ministry of Housing and Works vide letter No. F.No.4(24)/97-E-III (Pt), dated 27th March, 2017 for rental auction of the shops owned by the Ministry of Housing & Works at Lahore, Peshawar, Karachi and Quetta provides that:

- There shall be a Shop Rental Auction Committee approved and notified by the competent authority.
- The existing rent may be enhanced at the rate of 25% after every three years and should be a regular feature.
- The available shops will be allotted/rented out in auction through advertisement and open tendering in line with the PPRA rules.
- The present occupants may be given chance to accept the enhanced rates by signing revised lease agreements with payment of one year advance rent.

- In case the present lessee / occupant fails to accept the offer, ejectment proceedings may be initiated against him under Federal Government Land and Building recovery of Pakistan Ordinance 1965 to get the shop sites vacated to rent out through auction under guidelines of PPRA rules.

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.

Audit noted that Additional Estate Officer Karachi allotted 217 shops adjacent to government colonies and buildings situated at different locations at Karachi.

Audit observed that the departmental officers failed to get the shops vacated from defaulters, execute fresh agreements with present allottees and rent out the shops through open auction under guidelines of PPRA Rules. This resulted in to loss of government revenue of Rs 9.698 million.

Audit pointed out the loss to public exchequer in November 2018. The department did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for early recovery of rent, ejectment proceeding and rent out shops through open auction at revised rates.

(DP. 22)

5.4.33 Non-recovery of rent on account of retaining dual accommodation during posting abroad - US$ 39,750 (equivalent Rs 4.770 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 the competent authority for their adjustment must be sought.

Allotment Policy 2009 provides that House Rent Allowance payable to government employee 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 during scrutiny of record of Estate Office Islamabad that allottee of quarter No. 1, Cat-II, Street No. 43, Sector F-7/1, Islamabad, possessed dual accommodation while posting abroad in USA during the period 13th February, 2013 to 30th September, 2013, which was in violation of rule 17 of AAR-2002.

Audit observed that the allottee did not deposit house rent allowance received during posting abroad into government treasury. This resulted in non-recovery of rent on account of retaining dual accommodation during posting abroad amounting to US$ 39,750 equivalent to PKR 4.770 million (US$ 1 = Rs 120).

Audit pointed out the non-recovery of rent in September 2018. The department did not reply.

The matter was discussed in DAC meeting held on 11th January, 2019. DAC directed the department to pursue recovery.

Audit recommends recovery from the person concerned.

(DP. 04)

5.4.34 Irregular Allotments of Houses through change/exchange and non-recovery of ceiling rent - Rs 2.781 million

Rule 12 of AAR-2002 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 and 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 and Works from time to time.

Rule 24 of AAR-2002 provides that the 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. The Ministry of Housing and Works declared non-entitled departments i.e. CBR, Customs Central Excise and Sales Tax for residential accommodation from Estate Office pool vide Notification No.F.1022/2007/EIII dated 04th October, 2007.

Audit noted that the Additional Estate Officer Lahore allotted two Houses at Wafaqi Colony Lahore to two employees. It was further noted that later on Estate Office Lahore allotted C-Type house through change/exchange to both officials beyond the entitlement because only BPS-18 officers were entitled/eligible for this category of house.

Audit observed that allotments to said officials were made in above category after declaration/notification as non-entitled department was not justified. Being a non-entitled department ceiling rent was required to be charged but the same was not done. This resulted in an irregular allotment through change/exchange and non-recovery of ceiling rent amounting to Rs 2.781 million.

Audit pointed out the matter in October 2018. The department replied that all record was available for verification. Regarding the recovery of rent, letters had been sent to the occupants. As and when recovery received the same would be submitted to Audit. No record was produced to audit for verification till finalization of report.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for early vacation of houses and recovery of ceiling rent.

(DP. 13)

5.4.35 Non-recovery of 5% House Rent in accordance with Terms and Conditions of Allotment Letter- Rs 2.638 million

According to Terms and Conditions of allotment letter, the allottee of government accommodation of category higher than their entitlement shall be responsible for the payment of House Rent Charges at the rate of 5% of maximum pay of BPS-18.

Audit noted that the Additional Estate Officer Lahore allotted 10 quarters/houses to the Federal Government Servants of higher category than their entitlement.

Audit observed that all the allottees of said houses were not paying the house rent charges on maximum of pay of BPS-18 as per terms and conditions of allotment letters. This resulted in non-recovery of house rent charges of Rs 2,638,472.

Audit pointed out the non-recovery in October 2018. The department replied that letters were issued to the concerned departments and occupants of the quarters for recovery. As and when recovery received the same would be intimated to Audit.

The department admitted the recovery as pointed out by the audit. No progress towards effecting recovery of house rent was intimated till finalization of this report.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for early recovery of outstanding amount.

(DP. 28)

5.4.36 Illegal sale of lease plot by the lessee - Rs 0.900 million per annum

Term and Condition No. 08 of lease agreement denotes that the lessee shall not sublet, sell mortgage or transfer the said plot in any manner or part of the plot or structure erected/ installed on the said plot of the land or a part thereof without prior written permission of the Lessor.

Audit noted that Additional Estate Officer Karachi renewed a lease agreement on 10th November, 2015 with Friends Co-Operative Company, Karachi in respect of plot No. 2 FC Area Karachi measuring 658.80 sq yards for a period of 15 years w.e.f 15th November, 2013 to 14th November, 2028 in three equal parts of five years each.

Audit observed that the original allottee Mr. Zain ul Abidin had sold out the premises to Mr. Asad Ali without any prior approval of the Estate Office, Karachi as verified by the Estate Officer by conducting spot inquiry on 11th May, 2017 and found that instead of a petrol pump, there was a bus station with the name of Malik Transport by the illegal trespasser that was Mr. Asghar Ali s/o Phool-ud-din. Further the action was not taken as per the agreement by either cancelling the contract or getting the area vacated by trespassers.

Audit pointed out the matter in November 2018. The department did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for appropriate measures towards the matter besides the action against the responsible persons.

(DP. 25)

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 in to 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 2017-18 is as under:

(Rs in million)

Nature	**Allocation**	**Actual Expenditure**	**Variation Excess/ (Saving)**	**Variation in %**
Non-Development	665.797	494.117	(171.680)	(25.787)
Development	25,212.549	4,647.704	(20,564.845)	(81.566)
Total	**25,878.346**	**5,141.821**	**(20736.525)**	**(80.131)**

A sum of Rs 665.797 million was allocated for operational expenses for the financial year 2017-18 whereas actual expenditure of Rs 494.117 million was incurred involving saving of Rs 171.680 million which constitutes 25.787 % of the budget allocation.

A sum of Rs 25,212.549 million was allocated for development activities for the financial year 2017-18 against which an expenditure of Rs 4,647.704 million was incurred involving savings of Rs 20,564.845 million which constitutes 81.566% 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 %**
Capital Receipt	25,714.000	2,369.636	(23,344.364)	(90.785)
Misc. Receipts	737.800	827.880	90.080	12.209
Total	26,451.800	3,197.516	(23,254.284)	(87.912)

Target of estimated receipts was fixed at Rs 26,451.800 million for the financial year 2017-18. Actual receipts of Rs 3,197.516 million were realized, which were only 12.08% of the estimated receipts. There was a deficit of Rs 23,254.284 million in actual receipts, which was 87.912% 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, 2016-17 and 2017-18.

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	10	03	07	30
2015-16	05	05	01	04	20

Note: Audit Report for 2008-09 (SAR) 2010-11 (SAR), 2011-12, 2012-13, 2014-15, 2016-17 and 2017-18 have not been discussed by PAC till the finalization of this report.

6.4 AUDIT PARAS

Irregularity and Non-Compliance

6.4.1 Irregular deposit of funds in Askari Bank - Rs 11,115.647 million and Loss due to opening of Current Account instead of Special Deposit Account - Rs 261.773 million

Para-3 of Office Memorandum of Finance Division, Government of Pakistan No. F. 4(1)/2002-BR. II dated 2nd July, 2003 states that public sector enterprises and local/autonomous bodies can deposit their working balance required for their operations with any public or private bank subject to the following requirement:

(a) The bank with A rating.
(b) Should be transparent (based on bids from at least three independent banks).
(c) The risk associated with keeping deposits should be diversified, therefore, in cases where total working balance of an enterprise exceeds Rs 10 million not more than 50% of such balances shall be kept with one bank.
(d) Working balance limit should be determined with the approval of administrative ministry in consultation with Finance Division.

Audit noted that Director General, Federal Government Employees Housing Foundation opened bank accounts in various banks as Collection Accounts or day to day transaction. Most of the Current Accounts in Askari Commercial Bank of Brochure and Enlistment, membership drive, FGEHF Bharakahu Schemes Green Enclave-I, FGEHF Phase-VII, F-14 and Green Enclave-II (Phase-IV) Bharakahu.

Audit observed that the risk associated with keeping deposits was to be diversified, in the light of the Finance Division instructions and in cases where, total working balance of an enterprise exceeds Rs 10 million, not more than 50% of such balances should to be kept with one bank.

Audit further observed that the Foundation, out of its total balances of Rs 11,189.417 million as on 30th June, 2017, deposited funds of Rs 11,115.647 million in Askari Bank which is 99.34% of its deposits. This resulted into irregular deposit of 99.34% funds in one bank of Rs 11,115.647 million.

Audit in a view that instead of opening of Special Deposit Accounts which are Current Accounts in nature but grant profit on daily product/monthly product basis, Current Accounts (Non-profit bearing) were opened showing a balance of Rs 5,235.464 million as on June 2017. Non-opening of Special Deposit Accounts for the collection of membership fees/cost of plots/fees resulted in loss to Foundation/Allottees of Rs 261.773 million (Rs 5,235.464 million x 5% approximate Markup).

Audit pointed out the irregularity in November-December 2017. The Foundation did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends fixing responsibility against the persons at fault.

(DP. 04, 01/2016-17)

6.4.2 Excess payment to consultant - Rs 1.348 million

Letter of acceptance No. 55 (Tender- Tech)/2015-HF dated 08th August, 2016 issued to M/s. Zafar & Co for execution of work for Development and Rehabilitation works for Sector G-13, Islamabad.

Audit noted that the Director General, Federal Government Employees Housing Foundation Islamabad appointed a consultant M/s. Osmani & Co (Pvt) Ltd for the Consultancy Services For Development and Rehabilitation of Sector G-13, Islamabad, Infrastructure Development for G-13 Markaz & Maintenance and Repair (Petty Expenses) of Sector G-13, Islamabad at an agreement cost of Rs 40.352 million. The services were started on 27th September, 2016.

Audit observed that an amount of Rs 13.508 million was paid to the consultant on account of supervision of work through IPC No. 9 & 10 but deduction of cost of work done by the contractor prior to the appointment of consultant was not made from consultant IPC. This resulted into excess payment of Rs 1.348 million to the consultant.

Audit pointed out the overpayment in October 2018. The department replied that supervision charges will be recovered in the next IPC of the consultant.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of amount involved from the consultant and implementation of order/policies/guidelines besides fixing responsibility against the persons at fault.

(DP. 06)

6.4.3 Irregular allotment of quota to different organizations and departments

According to order No.Co.42/19/89 dated 18th October, 1989 by Government of Pakistan, Corporate Law Authority and certificate of incorporation under section 32 of the Company Ordinance 1984 (XLVII) of 1984 Company Registration No. J-00475 Registered under the name: Federal Govt. Employees Housing Foundation.

Mission of Federal Government Employees Housing Foundation is to roll out Housing Schemes on ownership basis for Federal Government Employees at affordable prices. The mandate of Federal Government Employees Housing Foundation is to provide shelter to the Federal Employees on “No Profit & No Loss Basis”.

Audit noted that Director General FGEHF allowed the registration and membership to the Journalist, Media Worker and allowed 2% quota to both of the categories, both categories do not fall under the Federal Government Employees.

Audit observed that Housing Foundation has no mandate to include such types of members as indicated in Article of Association which does not come under the definition of Federal Government Servants so the membership allowed to such members is out of the purview of the Foundation and the action in this respect by the Executive Board is null & void and pure misuse of authority.

Furthermore, allotment of quota basis under Federal Government Employees is also unjustified as all the members of Housing Foundation contain equal rights who come under the definition of Federal Government Employees. The distribution among the Federal Government Employees puts an impact on the rights of other members.

Audit pointed out the irregularity in October 2018. The department replied that the allotment of plots were restricted to the government servants only as prescribed in Memorandum of Article of Association but later on the quotas were extended to other classes of society under the observation of higher/superior/court judgment.

The reply was not accepted because there was no provision for allotment of quota to other classes of society in Article of Association of Federal Government Employees Housing Foundation as registered under Corporate Law Authority.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends to justify the irregularity besides fixing responsibility against the persons at fault.

(DP. 08)

Internal Control Weaknesses

6.4.4 Payment of Pay & Allowances without approval - Rs 102.965 million

According to Government of Pakistan Finance Division (Regulation Wing) OM No.F.1(1)Imp/94 dated 26th June, 1999 the Government of Pakistan appointed a Pay & Pension Committee review the existing pay scales, allowances, perquisites, the concepts of advance increments/Movers/Selection Grades and system of pension and pension-related benefits in respect of Government Servants including the officers in Management Grades for reviewing the salaries, allowances and perquisites of Supervisory and Executive staff of Public Sector Corporation, Autonomous/Semi-Autonomous Organization, it was decided that such revisions may be carried out by the respective Boards of Directors/Governors of these organization. Such revisions should invariably be tagged with the financial position of the respective Organization.

Clearance from the Finance Division would, however, be necessary to ensure a rational basis and a degree of uniformity in such revisions. In this regard, a Standing Committee was constituted in the Finance Division to scrutinize the recommendations of the respective Boards of Directors/Governors of statutory Public-Sector Corporations, Autonomous Bodies / Semi-autonomous Bodies etc. No corporation will announce the revision of salary/allowances structure without prior approval of the competent authority.

Audit noted that Director General Federal Government Employees Housing Foundation, Islamabad adopted pay & allowances structure of the Federal Government. Audit further noted that, in addition to the Pay & Allowances structure of the Federal Government, Housing Foundation duty allowance at the rate of 75% of running pay and Utility allowance at the rate of 25% of the running pay were allowed by the Executive Committee of the FGEHF. Rental ceiling was allowed with pay instead of

45% House Allowance as is admissible to the Federal Government employees.

Audit observed that the allowances have been allowed without getting approval of the Finance Division, Government of Pakistan and at the running pay instead of basic pay. This resulted in irregular payment of Rs 102.965 million.

Audit pointed out the irregularity in November-December 2017. The Foundation did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends regularization of the allowances form the Finance Division, Government of Pakistan, through controlling ministry under intimation to Audit and the responsibility should be fixed against the persons at fault.

(DP. 05, 2016-17)

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. As per Schedule-II of Rules of Business, 1973 (amended up to January 2019), Housing and Works Division is responsible for matters relating to NCL.

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 Budget and Accounts (Variance Analysis)

7.2.1 The working results (Profit & Loss Account) of the Company for the year 2015-16, 2016-17 and 2017-18 as compared to the previous years are tabulated below:

Description	2015-16	2016-17	% Increase/ (Decrease)	2017-18	% Increase/ (Decrease)
Contract income	418.56	923.8	120.71	768.359	-16.83
Cost of work done (Direct cost)	337.94	849.68	151.43	712.791	-16.11
Gross Profit	80.62	74.12	(8.06)	55.568	(25.03)
General & Administrative/ indirect cost	65.78	61.21	(6.95)	57.052	(6.79)

Description	2015-16	2016-17	% Increase/ (Decrease)	2017-18	% Increase/ (Decrease)
Operating Profit	14.84	12.91	(13.01)	1.484	(88.51)
Financial charges	0.25	0.49	96.00	0.239	(51.22)
Other income	19.12	21.54	12.66	24.305	12.84
Profit before taxation	33.72	33.95	0.68	22.581	(33.49)
Provision for taxation	29.03	26.15	(9.92)	16.12	(38.36)
Profit after taxation	4.69	7.8	66.31	6.461	(17.17)
Accumulated profit	65.72	73.53	11.88	79.99	8.79

(Source: Draft Annual Accounts of NCL for the year ended June 30, 2018).

Notes: Increase/decrease (in %age) has been determined by comparison of 2017-18 with 2016-17 and 2015-16.

7.2.2 The contract income decreased by 16.83% from Rs 923.8 million in 2016-17 to Rs 768.359 million in 2017-18. The cost of work done decreased by 16.11% from Rs 849.68 million in 2016-17 to Rs 712.791 million in 2017-18.

7.2.3 Although there was a decrease in contract income and cost of work done by 16.83% and 16.11% respectively but Gross profit was decreased by 25.03 % which needs to be justified. Although general administrative expense decreased by 6.79 % from Rs 61.21 million in 2016-17 to Rs 57.052 million in 2017-18 but the operating profit was decreased by 88.51% from Rs 12.91 million in 2016-17 to Rs 1.484 million in 2017-18 which also needs justification.

7.2.4 Audited financial statements were not finalized by the management till the finalization of this report.

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	0
2008-09	04	03	01	75
2009-10	05	05	0	100
2010-11	01	01	0	100
2013-14	06	-	06	-

Note: Audit Reports for the year 2011-12, 2012-13, 2014-15, 2015-16, 2016-17 and 2017-18 are yet to be discussed by PAC.

7.4 AUDIT PARAS

Performance

7.4.1 Non-recovery of penalty amount due to non-completion of work - Rs 33.422 million

According to Para 55 clause (x) of the Memorandum and Articles of Association of National Construction Limited, "to institute, conduct, defend, compound or abandon any action, suits, legal proceedings by or against the company, or its officers or otherwise concerning the affairs of the company, and also to compound and allow time for payment or satisfaction of any debt due to and any claims or demands by or against the company, and to refer the same to arbitration and to observe and perform any awards made there on and to act on behalf of the company in all matters relating to bankruptcies and insolvencies".

Audit noted that NCL executed agreements with Chief Engineer GHQ, Rawalpindi for construction of Miscellaneous Residential Accommodation for troops at Pannu Aqil, District Sukkur for cost of Rs 130.003 million. The work was started in July 1986 and was to be completed up to 8th December, 1987.

Audit observed that NCL did not achieve the target of completion of both the projects in extended period. Therefore, client cancelled the contract and claim of NCL for Rs 33.422 million on account of execution of work at site was not passed for payment by the client. This resulted in to non-recovery/loss of Rs 33.422 million to the company due to mismanagement.

Audit pointed out the loss in November 2018. The management replied that the client department pressed the NCL for completion of project within 10 days and intimated that the contract would be terminated in case of failure. Further, the client department terminated the contract and awarded remaining work to another contractor. NCL knocked the door of court of law on 16th January, 1991, the honorable Civil Judge closed evidence right of defendant on 13th September, 2003. NCL filed case at Lahore High Court (Rawalpindi Bench). High Court gave the remand of the case to Civil Judge. The Civil Judge decided the case on 30th May, 2017 against NCL on technical grounds. Department admitted that the court of Senior Civil Judge decided the case against NCL. Now the department filed another appeal against the court decision in Additional District and Session Judge which was still pending.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends fixing of responsibility against the persons responsible for loss.

(DP. 01)

7.4.2 Abnormal increase in bad debts provision - Rs 8.667 million

As per clause-91 of the Memorandum and Articles of Association of the National Construction Limited, "Once at least in every year the accounts of the company shall be examined, and the correctness of the Profit and Loss Account and Balance Sheet be ascertained".

Audit noted that Managing Director, NCL submitted audited accounts and financial statements of the company (unapproved), where provision for bad debts was increasing every year. The Chartered Accountants during preparation of financial statements increased the provision due to unverified/unrecovered old claims which could not be contested.

Audit observed that company/Project Management did not make efforts to recover the amount and resolve the issues/disputes diligently. Bad debt provision increased for Rs 8.667 million during the years 2016-17 and 2017-18. It was a big question mark on the performance of the management that provision for bad debts crossed the alarming limit of Rs 312.905 million since its inception.

Audit was of the view that the future of the company was not secured due to poor financial performance.

Audit pointed out the issue in November 2018. The management replied that as per ISA-37 receivables which couldn't be recovered for more than 3 years and withheld was charged to head "Provision for bad debts".

The reply was not to the point as the company claims were mishandled by the management and due to which provision for bad debts reached at the alarming stage of Rs 312.905 million.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends fixing of responsibility against the persons at fault.

(DP. 04)

Internal Control Weaknesses

7.4.3 Non-adjustment/recovery of advances - Rs 121.567 million

According to Ledger under code 520 regarding advances to sub-contractors provided by NCL on the audited accounts for the year 2017-18 are still shown outstanding.

As per detail of the court cases presented to Audit by National Construction Limited, the brief and present status of court cases where NCL filed a petition against a sub-contractor M/s Construction Invadors Pvt. Ltd. on 29-10-2001 for the recovery of outstanding amount of Rs 11.838 million.

Audit noted that Project Management of NCL made advance payments to Sub-contractors of various projects during the execution of works at different sites.

Audit observed during scrutiny of the accounts record/General Ledger of NCL for the financial year 2017-18 that a sum of Rs 109.729 million was lying outstanding against Sub-contractors on different projects. It is worth mentioning that no recovery during the period under audit i.e. 2017-18 was shown credited in the General Ledger/Trial Balance of the company. Non-adjustment of long outstanding advances indicates the poor financial management.

Audit further observed that Managing Director NCL filed a case against as sub-contractor M/s Construction Invaders Pvt. Ltd. on 29th October, 2001 for the recovery of outstanding amount of Rs 11.838 million. The perpetual warrants of respondent were issued on 16th July, 2001 against the absconder (Mr. Riaz Mughal). Meanwhile, the respondent filed an application before Honourable Civil Judge for obtaining stay order but the further action against the defaulter had not been initiated and the case was silent up till November 2018.

Audit pointed out the non-adjustment/recovery of advances in November 2018. The management replied that these advances were secured and covered under liabilities payable by NCL.

The reply was not tenable as major part of outstanding advances i.e. Rs 80.400 million was under litigation in the court of law awaiting adjustment. Audit viewpoint admitted in another case by the NCL. Thus, the management did not pursue the case actively to recover the outstanding amount. Further, the management did not produce any evidence regarding hearing of the case on 26th December, 2018.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early adjustment/recovery of advance and fixing of responsibility for non-pursuance of the cases against persons at fault.

(DP. 03, 05)

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. Secretary Housing and Works Division is the Principal Accounting Officer of PHAF. 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 2016-17:

(Rs in million)

Nature	Original Budget	Expenditure	Excess/ (Saving)	Excess/ (Saving) in%
Non-Development (Operational)	263.752	210.633	(53.119)	(20.140)
Development	6,463.359	1,594.733	(4,868.626)	(75.26)
Grand Total	**6,727.111**	**1,805.366**	**(4,921.754)**	**(73.157)**

Revenue

(Rs in million)

Estimated Receipt	Actual	Surplus/ (Deficit)	% of actual to the estimate
6,761.153	2,132.579	(4,628.57)	(68.46)

8.2.2 Against approved development budget of Rs 6,463.359 million, Pakistan Housing Authority Foundation incurred expenditure of Rs 1,594.733 million which constituted 24.67% of the budget. The funds were short utilized by Rs 4,868.626 million which showed that development targets were not achieved.

8.2.3 Revenue target was fixed at Rs 6,761.153 million for the financial year 2016-17. Actual receipts of Rs 2,132.579 million (31.54%) could be realized. The deficit in receipt was Rs 4,628.57 million (68.46%).

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, 2016-17 and 2017-18 (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	0
2007-08	01	01	-	01	0
2009-10	04	04	-	04	0
2010-11	02	02	01	01	50
2013-14	08	07	01	07	12.5

Note: Audit report for the year 2011-12, 2012-13, 2014-15, 2015-16, 2016-17 (SAR) and 2017-18 are yet to be discussed by PAC.

8.4 AUDIT PARAS

Irregularity and Non-Compliance

8.4.1 Award of work to 2nd lowest bidder - Rs 2,095.959 million and loss to public exchequer- Rs 3.454 million

Rule 38 of Public Procurement Rules, 2004 provides that 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.

In accordance with para 16.2 of instruction to bidders, Alternate Proposal(s), if any of the lowest responsive bidder only may be considered by the Employer as the basis for the award of Contract to such bidder.

Audit noted that Managing Director Pakistan Housing Authority Foundation Islamabad called tenders for the various works of construction and awarded to various contractors for Rs 2,266.627 million.

(A) Audit further noted that Call Deposit Receipts (CDRs) of M/s ICON (Pvt.) Limited received as bid security for Rs 19.500 million issued by HBL Ltd through cheque was found fake while submitting it for credit to the Authority's account.

Audit observed that the matter was discussed in a meeting by 09 members committee held on 2nd September, 2016 under the Chairmanship of Chief Engineer PHAF and the contractor was disqualified. Reference of the case was sent to the PEC for blacklisting the contractor and cancellation of the bidding process of the above-referred package. However later on the work was awarded to the 2nd lowest bidder i.e. M/s. Gondal Construction, Company on the quoted rates of the 1st lowest bidder through negotiation for Rs 1,196.781 million without calling open tenders to receive competitive rates. This resulted in an irregular award of works violating PPRA-2004 rules to 2nd lowest bidder without tendering by providing an undue favor to the contractor.

Audit pointed out irregular award of work to 2nd lowest bidder in May-July 2018. The Authority replied that CDR of M/S ICON Builders (Pvt). Ltd, for Rs 19.5 Million was found fake while submitting it for credit to the authorities account. The work was awarded to M/S Gondal Construction Company on the lowest bid price quoted by M/S ICON Builders (Pvt). Ltd, i.e. Rs 1,198.773 million to avoid audit objection in the best interest of the project. Moreover, PHAF saved the time/cost overrun, hence there is no loss to the Government.

The reply of the authority was not tenable as the bid evaluation was processed by the evaluation committee and the work was awarded to the 1st lowest contractor at its quoted rates and afterwards on presentation of fake called deposit, fresh tenders were required to be called again but instead the award of work was given to the 2nd lowest bidder through negotiation at the rates of 1st lowest bidder in an irregular manner. (DP. 19)

(B) Audit observed that M/s Gondal Construction Company was the first lowest bidder with Rs 895.724 million as submitted through form of bid (FB-1) which was in accordance with the contractor's quoted rates. But in the main summary the figures were reported incorrectly as Rs 899.724 million. The bid form was also made as Rs 899.724 million through overwriting/tampering without any signature of the contractor and any indication by the tender opening committee while opening the tenders of the work and lowest bidder was declared as 2nd lowest.

Audit further observed that the consultant had not taken in to account the sub-head quoted rates of the contractor and did not correct the rates accordingly. The bid of M/s Maaksons (Pvt.) Ltd was accepted for Rs 899.178 million and awarded the work irregularly which resulted in a loss of Rs 3.454 million to the public exchequer.

Audit pointed out irregular award of work to 2nd lowest bidder in May- July 2018. The Authority replied that the work was awarded to the 1st lowest bidder i.e. M/S Maakson (Pvt). Ltd, with bid amount of Rs 899.178 million after bid evaluation by the consultant M/S Meinhardt, (Pvt) Ltd, by considering all contractual aspects/requirements.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC directed MD PHAF to probe in to the matter, fix responsibility against persons at fault and submit report to Ministry and Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 17)

8.4.2 Non-obtaining of insurances of works and equipment - Rs 1,372.465 million

According to clause - 21.1 – 25 of agreement, the contractor shall provide insurance policies for the persons, works, and equipment etc. of the contract the sum of the contract price plus 15 % and shall also require to get third party insurance (including employer's property) against liabilities for death of or injuries to any person or loss or damages to the property arising out of the performance of the contract. The Contractor shall provide evidence to the Employer prior to the start of work at site that the insurances required under the contract have been affected and shall, within 84 days of the commencement date, provide the insurance policies to the Employer. If the contractor fails to effect and keep in force any of the insurances required under the contract, or fails to provide the policies to the employer within the specified period under clause 25.3, the employer may effect and keep in force any such insurances and pay premium as may be necessary for that purpose and from time to time deduct the amount so paid from any monies due or to become due to the contractor.

Audit noted that management of Pakistan Housing Authority Foundation, Islamabad awarded five (5) development works of Housing Schemes at G-10/2, I-16, and Kurri Road Zone-IV Islamabad to various contractors for Rs 1,193.448 million.

Audit observed that the contractors failed to provide the insurances policies for a sum of Rs 1,372.465 million (contracts cost + 15%) required under the contract. The contractors saved premium payable to insurer for insurance policies and exposed the whole works, persons, equipment, and properties of the employer etc. at risk. This resulted in non-provision of insurance covers of works, persons, equipment and properties of the government worth Rs 1,372.465 million and non-recovery at the rate of 1% of the contracts cost for uninsured period from the contractors.

Audit pointed out non-obtaining of insurance in May- July 2018. The Authority replied that all the contractors of I-16/3 Projects, G-10/2 and Kurri Project have been directed to provide Insurance of Works and Contractor's Equipment as per contract clause 21.1 to 25.4 of the condition of the contract Part-I along with amendments in Part-II and same will be placed before the Audit for verification. The Authority provided insurances for the projects without its confirmation from the concerned insurance companies, which was not acceptable and recovery of premium for the uninsured period was required to be effected.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019 wherein DAC directed to fix responsibility for non-obtaining of insurances besides recovery of built-in premium to maintain such insurance from contractor for uninsured period. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 01)

8.4.3 Irregular award of work to non-prequalified bidder - Rs 1,225.908 million

PHA-F floated advertisement for Notice for Prequalification of Contractors for Construction of Multi-storey D & E Type Apartments at Sector I-12 Islamabad on 27th November 2015. Package-I

Audit noted that Managing Director Pakistan Housing Authority-Foundation awarded a work Construction of Multi-storey D & E Type Apartments at Sector I-12 Islamabad to M/s MAAKSONS (Pvt.) Limited vide acceptance letter dated 15th April, 2016 for Rs 1,225.908 million.

Audit further noted that the name of M/s MAAKSON was not included in the list of technically prequalified firms during technical qualification process by the consultant as evident from the letter No. PHA-F/Dir(Engg)/ISL/2015/34 dated January 2015 issued by Director Engineering PHA foundation to Director Operation Meinhardt, Pakistan (Consultant) specifying the names of 18 prequalified bidders.

Audit observed that the contractor had not purchased bidding documents on the specified date as evident from the letter of engineering wing dated 13th January, 2016 and the work was awarded to M/s MAAKSON without open competitive bidding, prequalification and purchase of bidding documents as evident from the above-mentioned facts.

Audit pointed out irregular award of work to non-prequalified bidder in May-July 2018. The Authority replied that PHA-F issued the prequalification documents vide its letter, dated 23rd December, 2015 to the M/s Maaksons (Pvt) Ltd. Prequalification documents of Nineteen (19) Bidders were forwarded by Director (Engineering) for the scrutiny and technical evaluation but due to clerical mistake the name of M/s MAAKSONS was not part of the list. The financial bids were opened in the presence of all qualified contractors/representative and also the bid opening committee of PHA-Foundation and it completed all code-related formalities. The reply was not acceptable as record regarding issuance of bidding documents along with deposit of bid price at the rate of Rs 5,000 was neither available nor certified copy of deposit receipt was provided for verification. The matter was discussed at length during exit meeting and it was decided that the Authority will initiate an inquiry to probe in to the matter and the inquiry report will be shared with the Audit.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019 wherein DAC directed the department to conduct inquiry for fixing responsibility, get the record and pay order of the bidder verified from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 22)

8.4.4 Irregular award of works due to non-opening financial bid – Rs 178.4 million

As per PPRA rules 33, "the reasons/grounds for the rejection/disqualification is required to be intimated to the firms".

Audit noted that 12 firms purchased bidding documents of "Construction of Block No 24 G-10/2 out of which 6 firms submitted their bids and consultant recommended 4 construction firms for prequalification including M/s. NCL for further opening of their financial bids as these firms had scored 31% marks.

Audit observed that PHA-F did not open financial bid of M/s NCL on the grounds that M/s NCL sub-let the whole work to a sub-contractor of "Development of Federal Govt. Employees Housing Scheme at sector G-11/2 & G-14/3. PHA-F opened remaining financial bids and the work construction of additional block No 24 G-10/2 Islamabad was awarded to M/s. Kaybee Construction on 17^{th} December, 2015 at an agreed cost of Rs 178.4 million. Non-opening of financial bid of M/s. NCL without any cogent reasons hampered the process of fair competition and deprived the authority from fair competition. This resulted in an irregular award of contract for Rs 178.4 million.

Audit pointed out irregular award of work in May-July 2018. The Authority replied that under Technical Evaluation Bid Report submitted by the Consultant M/s ACE (Pvt) Ltd, the consultant deleted the name of Contractor M/s NCL from the list of recommended applicants, keeping in view his poor performance on other Government projects like Federal Government Employees Housing Scheme at Sector G-11/2 & G-11/3 Islamabad. Moreover, M/s NCL was also involved in the violation of PEC Rules & Regulations and contract clauses by sub-letting the whole of work to some other Contractor which resulted in delay in completion of project and loss to allottees and Government. Further, M/s NCL was at one of the package at I-16 project of PHA-F, where the Contractor M/s NCL was lagging behind in progress as compared to schedule and other Contractors.

The reply was not acceptable as the contractor was prequalified for the works and did not bar the contractor due to poor performance. The same was done to provide undue benefit to other participants. Furthermore, the work in Sector I-16 was awarded to the same contractor during the same period.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC directed the department to share the inquiry report with Audit and get the relevant record verified from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 12)

8.4.5 Irregular award of work - Rs 259.582 million

Rule -6 of Islamabad Residential Sectors Zoning (Building Control) Regulation, 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 regulation, 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 or fine as prescribed.

As per directions of 20th PHA-F Board of Directors meeting held on 06.10.2015, planning was required to be completed for balloting of apartments and allotment made for down payments before start of the project. Block No 24 G-10/2 Islamabad and Block No 25 were not included in the approval of Board of Directors.

Audit noted that PHA-F management awarded works "Construction of multi-storey Apartments at G-10/2 Islamabad to M/s. Kaybee construction vide acceptance letter dated 17th December, 2015 and was to be completed in eight (08) months up to September 2016 at an agreed cost of Rs 178.000 million and M/s Malik Construction vide acceptance letter No 561 dated 26th April, 2016 at an agreed cost of Rs 339.927 million and commencement notice was also issued on 13th June, 2017 with date of start as on 13th June, 2017 and work to be completed in 30 months.

Audit observed that the work was awarded without allotment of apartment and collecting down payments in violation of PHA-F 20th Board of Directors meeting held on 6th October, 2016 were not approved in said Board meeting and no allotment record of Apartments made available to Audit. Tender was called without finalization of land issues with CDA as required land was not available with PHA-F on which block No 25 & 26 were planned to be constructed. Building plan was also not approved from CDA, due to which CDA stopped the work at site. Audit further observed that PHA-F/Design consultant also did not provide drawing and design to contractor until December 2017, due to which contractor lodged claim for Rs 81.582 million until December 2017. This resulted in to irregular construction / execution of additional construction of building for Rs 259.582 million.

Audit pointed out loss in May-July 2018. The Authority replied that block was approved in 20th BOD Meeting. Afterwards revised feasibility having two numbers of Blocks 25 & 26 was approved by then MD/CEO PHA-F on February 25, 2016. Membership Drive for the said project was launched by the Allottees Services Cell of PHA-F in the newspapers on February 28, 2015. Subsequently, balloting for the said apartments was held on June 2, 2016 at PHA-F Head Office Islamabad. Engineering Wing started a parallel process for Designing and preparation of Tender Documents for project. Tender was floated in national dailies on 18th March, 2016 and after fulfilling all the rules and legal formalities, agreement was signed on June 13, 2016. Afterwards, allotment process was cancelled by the Prime Minister due to certain reasons. PHA-F had pursued the case with the Planning wing of CDA for the approval of revised layout Plan of said blocks but the response from the CDA was still awaited.

The reply was not tenable as tenders for the works were called for without availability of land, preparation & finalization of design / drawing even after lapse of one year after issuance of acceptance/commencement order to the contractor and non-approval by the Capital Development Authority.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC directed that a fact finding inquiry be conducted to fix responsibility. DAC further directed that all pre-requisites should be fulfilled before award of wok in future. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 13, 02)

8.4.6 Irregular appointments

Establishment Division vide its letter No. 14/1/2008-SP dated 11th January 2017 issued NOC for recruitment of vacant posts in attached department of the Ministry of Housing & Works including 53 vacant posts of different cadres in PHA foundation having validity of 06 months from the date of issuance. It was also mentioned in the NOC that according to para 1-(xiii) of recruitment policy guidelines dated 22nd October 2014 that recruitment is required to be finalized within 31 days from the date of advertisement.

Audit noted that Managing Director Pakistan Housing Authority Foundation, Published an Advertisement dated 09th December 2017 for the recruitment of staff from BPS-02 to BPS-05 through Walk in Interview, the staff was required to be appointed against their provincial quota.

(A) Audit further noted that the Ministry of Housing & Works hired the services of JTS 'a testing service' for recruitment of officers & officials and floated an advertisement on 09th December, 2017 for recruitment including 03 Directors BPS-19, 01 AD (QS) BPS 17, 01 AD (Arch) BPS 17, 01 Accounts Officer BPS 17, 02 Assistant Private Secretary BPS-16, 18 Steno-typist BPS 14, 02 Draftsman BPS-11 and 10 LDC BPS-09. The whole process was conducted by the Ministry of Housing & Works.

Audit observed that with reference to Advertisement published on 2nd April, 2017 a Departmental Selection Committee was constituted in June 2017 headed by Director (Admn), Secretary of the Committee, Deputy Director (Finance-II) and Deputy Director (Admn-I) as Members under the PHAF Employees Service Regulations 2017 to conduct interviews on 14th June 2017 to 17th June 2017 at Peshawar and at other stations i.e. at Quetta and Gilgit in October, 2017 respectively. The committee conducted interviews at respective stations, selected candidates for the posts from BPS 02 to 05 but call letters were not issued during the said period, as NOC issued by the Establishment Division was expired due to non- completion of hiring process timely. After expiry of five months period, fresh NOC was obtained from the Establishment Division for filling of 65 vacant posts of different cadres from BPS-02 to BPS-19 on regular basis by the Ministry of Housing & Works. The advertisement of 38 posts of BPS-09 to BPS-19 were floated by the Ministry of Housing &

Works through Job Testing Service (JTS) and 26 post of BPS-02 to BPS-05 were advertised by PHA-F for recruitment through Walk in Interview by a recruitment committee headed by Director (Admn) BPS-18 Officer appointed as Secretary BoD (in presence of 3 of BPS-19 officers). The committee members were assigned a total 50 numbers i.e. 20 numbers for Director Admn/Chairman Committee, 15 numbers each for two members to be given to the candidates after evaluation/interview.

Maximum 15 to 17 numbers were granted to the successful candidates out of 20 marks by the Chairman of the committee to declare them successful.

Mr. Fazal ur Rehman S/o Abdul Ghafoor selected as Naib Qasid from Balochistan secured 24 marks during interview which were shown in the consolidated sheet duly signed by the committee members and was not successful but was declared successful through tampering/over writing by giving 40 marks

Audit further observed that the recommendations of JTS Ministry of Housing & Works were received on 21st March, 2018 but the same was not completed due to ban by the Election Commission of Pakistan w.e.f 1st April, 2018.

Furthermore the due process was delayed on in advertisement of the posts, screening of the tests and conducting of interviews after the issuance of former NOC from Establishment Division in January 2017 and furthermore no intimation was conveyed to the Establishment Division for completion of earlier process for testing, screening and interviews conducted by the PHA-F in response of Advertisement published in April, 2017 wherein only appointment letters were required to be issued to the selected candidates for BPS-02 to BPS-05. Non-implementation of earlier process of recruitment through testing, screening and interviewing against the Walk in Interview was irregular and against the rules.

Audit also noticed that posts of 05 Drivers and 16 Naib Qasids were required to be recruited for the regional offices at Peshawar, Quetta and Gilgit respectively whereas the offices at Quetta and Peshawar were not fully functional and no office existed in Gilgit until the date of audit.

Audit pointed out irregularities in recruitment process in May- July 2018. The Authority replied that on 17th April, 2017, process of recruitment was not completed due to expiry of Establishment Division's NOC. So continuing the process of recruitment in PHAF against the advertisement would have resulted in violation of Establishment Division's NOC. Hence the process was reinitiated as per Establishment Division's instructions. Mr. Fazul Rehman S/o Abdul Ghafoor had not been appointed by PHAF as he was declared unsuccessful by the Selection Committee of PHAF. Till the provision of recruitment record to Audit there was no overwriting/ tampering in the Selection Committee marking.

The reply was not tenable as the process of selection was delayed only to recruit the candidates from desired area through walk in interview. After expiry of the earlier NOC, the Establishment Division was not informed about the completion of selection process wherein only call letters were required to be issued.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC directed the department to get the facts verified from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(B) Audit observed that for the posts of Naib Qasid of Khyber Pakhtunkhwa Quota and Gilgit/FATA Quota (10 posts), eight (08) candidates were selected from the Bannu by ignoring whole population of Gilgit-Baltistan and FATA Areas and whole of the province of Khyber Pakhtunkhwa. Two merit seats of Drivers were also assigned to the candidates having the domicile of Bannu and against Islamabad quota, the selected candidates were also permanent residents of Bannu.

Audit pointed out irregularities in recruitments in May-July 2018. The Authority replied that the said candidates were appointed after fulfilling all the code of conduct and legal formalities. Moreover all the regional quotas were followed in letter and spirit. The candidates were appointed on the basis of their merit order from their respective quota and offer observing relevant regional quotas. Five (5) candidates were appointed against the Regional Quota Khyber Pakhtunkhwa and five (5) against Regional quota GB/FATA. There was no further bifurcation of Khyber Pakhtunkhwa seats on Districts levels and GB/FATA seats at Agency level in rules. The selection committee interviewed all the candidates of Khyber Pakhtunkhwa and GB/FATA who had applied and evaluated them as per their performance in interview. Moreover, committee recommended the candidates from respective regional quotas as per merit order. PHAF has already been observing the quota of Gilgit Baltistan and presently four (04) employees belonging to Gilgit Baltistan region were appointed in different cadres.

The reply was not acceptable as major chunk of appointments were only from a specific area reflecting the non-transparent selection of the candidates by PHA-F by ignoring and depriving the whole population of Khyber Pakhtunkhwa, GB and FATA.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019 wherein DAC decided to place the issue before PAC for deliberation and decision. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(C) Audit observed that the recruitment committee showed discrepancies and irregular appointments were made without justification.

Audit pointed out discrepancies during recruitments in May-July 2018. The Authority replied that the discrepancy identified by the Audit Team was correct; however both the candidates were fulfilling the requisite age limit in another case i.e. as per CNIC and SSC Certificate.

The required age limit for the post of Naib Qasid (BS-02) was 18 to 25 years and 5 years general relaxation. As per Government Rules, 3 years further relaxation was also admissible to the candidates having the domicile of Balochistan. Moreover, as per General Financial Rules of Federal Government, every person newly appointed to a service or a post under Government should at the time of the appointment declare the date of his birth by the Christian era with as far as possible confirmatory documentary evidence such as matriculation certificate, municipal birth certificate. Both the candidates were fulfilling the criteria of age limit and their credentials / certificates were already forwarded to the concerned agencies/boards/HEC for further verification. As for as the concerned of matriculation/Shahdatul Almia of Khalid Muhammad is concerned, it is very common that students of Maddarasa often complete their respective religious education prior to matriculation. They usually get admission for other levels after completion of their desired religious degree.

The reply was not tenable as there were discrepancies in the dates of SSCs and NADRA ID Cards which should be investigated as how the candidate were selected and declared successful.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019 wherein DAC directed the department to get the record verified from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 23, 25, 26)

Performance

8.4.7 Non-receipt of outstanding charges – Rs 642.623 million

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

Audit noted that PHAF launched a scheme for construction of grey structure houses at Kurri Road, Islamabad for officers of BPS-20, 21 and 22. Payment schedule was given to all allottees with offer letter for payment of installments and last payment for each category was required to be deposited up to 25th October, 2017 on quarterly installments basis w.e.f 25th April 2012.

Audit observed that an amount of Rs 642.623 million was still outstanding from the allottees of the houses.

Audit pointed out non-receipt of outstanding charges in May-July 2018. The Authority replied that notices for payment of outstanding dues were being issued continuously from the year, 2015 to the allottees. The outstanding amount to be recovered from allottees reduced from Rs 642.623 million to Rs 639.514 million.

The Authority admitted that there was a shortfall of revenue. In case the allottees failed to deposit 03 consecutive installments, the action for cancellation of allotment will be initiated. Audit contended that with availability of site, execution of work was the responsibility of the Management.

Moreover, conditions of the offer letter cannot be associated with slow progress of work and cancellation of plots under the conditions of the offer letter.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein PHAF explained that there were only 19 cases of default and cancellation notices were served. DAC directed the department to get the record verified from Audit and pursue recovery besides taking confidence building measures.

Audit recommends compliance of DAC directive.

(DP. 21)

Internal Control Weaknesses

8.4.8 Execution of below specification work - Rs 475.107 million

i. According to Clause 36.1 (b) General Conditions of Contract Part-I that such test as the engineer may require at the place of manufacture, fabrication or preparation or on the site or at such other place or places as may be specified in the contract.

ii. According to Clause 32.2 (b) General Conditions of Contract Part-I, the engineer shall be entitled, during manufacturing, fabrication or preparation to inspect and test the material to be specified under the contract, if the materials are being manufactured, fabricated or prepared in workshops or places other than those of the contractor, the contractor shall obtain permission for the engineer to carry out such inspection and testing in those workshops or places. Such inspection or testing shall release the contractor from any obligation under the contract.

iii. According to Clause 39.1 General Condition of Contract Part-I that removal of improper works, material, (a) The engineer shall have authority to issue instruction to remove any material from site, which is not in accordance with contract in the opinion of the engineer.

Audit noted that PHA-F management awarded works "Construction of 168 numbers of B-type Apartments in 06 multistoried blocks in I-16/3 Package No 04 and 05" to M/s. Abdul Majeed & Co. vide acceptance letters No 1105 dated 31st May, 2016 and No 1106 dated 31st May, 2016 at an agreed cost of Rs 666,243,130 and Rs 666,232,330 (Package 04 & 05 respectively).

Audit observed that monitoring team of PHA-F visited I-16 project on 25th July, 2017 to check and monitor the quality control of executed work of Package No 04 & 05. During visit, team found some labour were busy in dismantling of first floor columns at both Packages (04&05). The matter was brought to the notice of the Resident Engineer and in response it was informed that 400 constructed columns and raft foundation were not in accordance with the approved structural drawings/bar binding schedule and found below specification of work due to utilization of undersize steel. The PHA-F staff and consultant were not aware of the facts and neither pointed out while performing their duties with due care and proper monitoring which proved that below specification work was executed at site without required test/inspection under above-referred agreement clauses by the Engineer/Supervisor consultant and PHA-F concerned staff.

Audit further observed that a fact finding inquiry by the Ministry of Housing & Works was also conducted, according to which the utilized undersize steel bars were dismantled and replaced with correct size steel bars by technique i.e. retrofitting and additional jacketing around the columns as designed by the consultant. The Engineer / Supervisory consultant had not certified the structural stability on rectification /retrofitting /jacketing. This resulted in to execution of below specification work valuing Rs 475,106,869.

Action required:-

1) Action is required to be taken for such serious ignorance against "The Engineer" and supervisory consultant on account of utilization of undersize steel bars under their supervision without inspection, required tests and non-availability of consultant as well as required staff at site of work besides actualizing recovery due to non-availability of consultant staff at site.
2) Action is required to be taken against contractor on account of work.

Audit pointed out the execution of below specification work in May-July 2018. The authority replied that the fact finding inquiry conducted at Ministerial level by Mr. Qanateer Ahmed, Deputy

Engineering Advisor, M/o Housing and Works was highlighted vide finding of his report stated that:

1 The aforesaid report transpires the fact that the subject work is being carried out vigilantly as any overlooks which seem to be unintentional have been timely noticed and got rectified to maximum extent at the expense of the contractor.

2 Further Show Cause notices were issued to both the consultant and contractor for quality and workmanship vide letter No.PHA-F/Dir(Engg-II)/ISL/2017/19 dated 20th November, 2017 & PHA-F/Dir(Engg-II)/ISL/2017/20 dated 20th November, 2017.

3 Consultant vide his reply dated 23rd November, 2017 has intimated that default on part of the contractor took place in the months of April/May 2017, which came to the notice of Sampak Head Office, Lahore. Investigation Team was urgently formed and sent to project site. The team identified the problem, thus looking to the contract provision. The contractor was directed as per clause 20.2, 39.1 & 49.3 to rectify the defects at his cost. Needful has been done with no extra cost to the client and further after investigation by Sampak Head Office services of six senior staff members of the project site who were found negligent in this issue were terminated.

4 Contractor vide his reply dated 27th November, 2017 that the contractor has already faithfully complied with the relevant provisions of the contract by taking remedial measures regarding rectification of work at his own expense.

5 Warnings were also issued to the site staff vide letter's dated 20th November, 2017.

6 Further on completion of retrofitting of all the blocks M/s Sampak vide letter dated 14th December, 2017 submitted the certificate for structural safety through dismantling /retrofitting of columns duly signed and stamped by Senior

Design Engineer/ Structural Engineer of M/s Sampak and Countersigned by the chairman Sampak, however it was decided that the same may be vetted from a third party preferably UET Lahore at the expense of the consultant and accordingly M/s Sampak was directed vide MD/CEO letter No.PHA-F/CEO/ISL/2017/566 dated 21st December, 2017.

The reply was not tenable as the defective work executed during a period of 02 to 03 months was not properly notified by any officers/officials of PHAF. The utilization of undersize steel under rock foundation, under more than 400 columns and pouring cement concrete up to 1st floor was also not pointed out. Fact finding inquiry conducted by the Ministry of Housing & Works was also defective because no responsibility was fixed against the concerned officers/officials. A safety certificate issued by SAMPAK was not acceptable as numbers of blocks for Packages 04 & 05 were not mentioned in the certificate.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC directed the department to share the action taken with Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 29)

8.4.9 Non-recovery of charges from defaulter contractors - Rs 279.524 million

According to acceptance letter/agreement of "Construction of Category-II houses contact PHA-F-1//02 officer Residencia at Kurri Road Islamabad" the work was required to be completed in 14 months up to August 2017, at an agreed cost of Rs 804.115 million (178 Nos. @ Rs 4,517,500).

According to clause 63.3 If the Employer terminates the Contractor's employment under this Clause, he shall not be liable to pay to the Contractor any further amount (including damages) in respect of the Contract until the expiration of the Defects Liability Period and thereafter until the costs of execution, completion and remedying of any defects, damages for delay in completion (if any) and all other expenses incurred by the Employer

(A) Audit noted that work construction of Cat-II Houses at Kurri road was awarded to M/s. Techno International at an agreed cost of Rs 804.115 million. The contractor failed to execute /complete the works in accordance with contract obligation/stipulation, and only 7% works progress was achieved within given time period due to which contract was terminated and remaining work put to retender in three (03) packages.

Audit observed that original assignee contractor M/s. Techno International failed to complete the work and remaining work was awarded to another contractor M/s. Rehman Construction Company at an agreed cost of Rs 999.710 million. This resulted in a huge loss of Rs 237.977 million to public exchequer.

Audit pointed out loss in May-July 2018. The Authority replied that after serving several notices by the consultant regarding its slow progress finally on the recommendations of The Engineer of the project the work was terminated by the Client. The Mobilization Advance Guarantee was enchased by PHA-F and the difference of construction cost may be adjusted in Performance Guarantee.

The Authority admitted recovery as pointed by Audit for which forfeiture/encashment of performance guarantee was under process of encashment.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019 wherein DAC directed the department to get the record verified from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(B) Audit noted that works "construction of D-Type Apartments G-10/2, Islamabad" was awarded to M/s. Techno International vide acceptance letter dated 8th August, 2008 at an agreed cost of Rs 635.631 million to be completed in 24 months up to August 2010. The last extension was granted up to 30th June, 2014 and contract cost was revised to Rs 881.510 million but contractor failed to complete the work even up to May 2017, and achieved 85% progress in nine (09) years, due to which contract was terminated and remaining work was awarded to M/s. KEC Engineering & Contractor (Pvt.) Ltd at an agreed cost of Rs 57.742 million.

Audit observed that the work was required to be completed by original contractor M/s. Techno International at revised cost of Rs 881.510 million. As per IPC # 52 an amount of Rs 865.917 million was paid to M/s. Techno International and remaining work was awarded at Rs 57.742 million. In this way Rs 41.547 million was incurred excess over revised approved cost of Rs 881.917 million. Hence Rs 41.547 million needs to be recovered from original contractor M/s. Techno International.

Audit pointed out non-recovery of risk and cost in May-July 2018. The Authority replied that Performance Security amounting to Rs 63.63 Million and also Retention Money Security amounting to Rs 15.891 million was sent for encasement vide this office letter dated June 5, 2017 well before the expiry of their validity date. A reminder in this regard was also issued vide this office letter dated 21st June, 2017**.** Another reminder to Adamjee Insurance was issued vide this office letter dated 16th August, 2017**.** Again, a letter No. PHA-F/Dir-Finance/2017/806 dated 19th December, 2017 was issued to Adamjee Insurance for encashment of guarantees, failing thereby; matter shall be referred to regulatory authority. In response, Legal Department Adamjee Insurance Company conveyed vide letter No. NIL dated 27th December, 2017 that matter is pending in the Honorable Court. PHA-F is vigorously pursuing the matter for early encashment of guarantees. After the encashment of guarantees the above-mentioned loss shall be recovered/ adjusted from the encashed guarantees. The Authority admitted recovery as pointed out by the Audit.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019 wherein DAC pended the para till final action as per contract clause on completion of work. Final action was not conveyed to Audit till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 09, 10)

8.4.10 Non-encashment of performance security and mobilization advance guarantee - Rs 268.746 million

According to clause 10.2 of condition of contract Part-I, the performance security shall be valid until the contractor has executed and completed the works and remedied defects therein in accordance with the contract.

Clause 31.12 (c) & (e) of Conditions of Contract Part-II provides that recovery of the Advance payment made as a refundable advance against the contract price shall be through deduction in Installment from the 2^{nd} Interim Payment Certificate at the rate being 25% above the percentage of Advance payment made. However, the Employer shall have the right under any eventuality to recovery the whole or the balance amount of Advance Payment as the case may be, by encashing the Bank Guarantee at the discretion of the Employer. The Employer shall be empowered to encash the guarantee in whole or in part (s) if the Contractor defaults in the repayments for any reasons.

(A) Audit noted that PHA management awarded work "Infrastructure work at Kurri road Islamabad" to M/s. MA Aleem Khan & Co (MAAKSON) on 31^{st} January, 2012 with total contract cost of Rs 579.875 million. The work was required to be completed within 18 months, with date of commencement as 22^{nd} March, 2012 and date of completion as 21^{st} September 2013. Audit further noted that Contractor failed to complete the work within stipulated time period and last extension was determined by the Engineer as up to 30th November 2013, but contractor only executed the work valuing Rs 377.982 million against revised contract cost of Rs 648.982 million. The contractor terminated the contract by issuing requisite notices on 11th February, 2017 which was not challenged by the Authority within due date and contractor demobilized from site of work.

Audit observed that PHAF management failed to encash the mobilization advance guarantee for Rs 33.336 million and performance guarantee of Rs 57.977 million, before its validity up to 2nd August, 2017. This resulted in to non-compliance with financial discipline due to non-encashment of mobilization advance /performance guarantees for Rs 91.313 million.

Audit pointed out non-encashment of performance security in May-July 2018. The Authority replied that PHA-F has requested for encashment of Mobilization advance guarantee and performance security to M/s United Insurance Company of Pakistan Ltd Rawalpindi vide letter dated 1st August, 2017 and the same letter was emailed to United Insurance Company on 2nd August 2017. In response, the United Insurance Company informed vide Letter dated 7th August 2017 along with contractor's letter for views and comments of PHA-F. PHA-F again issued two reminders to United Insurance Company Rawalpindi for encashment of Advance guarantee dated 9th February, 2018 and 15th March, 2018 respectively for encashment of guarantee of Rs 33.336 million and performance guarantee of Rs 57.977 million. Later on, due to non-encashment of above-mentioned guarantees/bonds by United Insurance Company, the PHA-F has filed a case in Civil Court Islamabad for final decision regarding encashment of both the above-mentioned guarantees. Authority informed that the matter is sub-judice.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC directed the department to pursue the court case actively. Fate of the case was intimated to Audit till the finalization of this report.

Audit recommends compliance of DAC directive.

(B) Audit noted that work development of PHAF officers Residencia at Kurri road "Construction of Cat-II Houses contract PHA-F-11/2" was awarded to M/s. Techno International vide acceptance letter No PHA-F/POR/Cat-II/2016/1065 at agreed cost of Rs 804.115 million. The work was to be completed in 14 months up to August 2017, but contractor failed to execute the work as per schedule, and in 10 months only 7% of the progress was achieved against planned progress of 75%. The Engineer served five (05) notices under contract provision to expedite the progress but contractor failed to achieve the progress and finally Contract was terminated vide letter dated 27th April, 2017.

Audit observed that Managing Director PHA-F failed to encash the performance security from the insurer company of Rs 80.411 million before termination of contract in April 2017.

Audit pointed out non-encashment of performance security in May-July 2018. The Authority replied that the encashment of Performance Guarantee was in process. The Authority admitted recovery as pointed by Audit for which forfeiture/encashment of performance guarantee is under process of encashment.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC pended the para till final action as per recovery suit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(C) Audit noted that work "Construction of D type Apartments in G-10/2 Islamabad" was awarded to M/s Techno International vide acceptance letter dated 8th August, 2008 at an agreed cost of Rs 635.631 million. The work was to be completed within 24 months, but the contractor failed to complete the work even up to May 2017, and contract was terminated on 19th May, 2017. Under the contract provision, the remaining work was to be awarded to another contractor for completion.

Audit observed that on termination of contract, PHAF management could not encash the performance security of Rs 63.563 million and retention money security of Rs 15.891 million which was required to be encashed before its validity period. This resulted in non-encashment of performance / retention money security of Rs 79.543 million.

Audit pointed out non-encashment of performance security in May-July 2018. The Authority replied that Performance Security amounting to Rs 63.63 million and also Retention Money Security amounting to Rs 15.891 million was sent for encasement vide its letter dated 5th June, 2017 well before the expiry of their validity date. In response, Legal Department of Adamjee Insurance Company conveyed vide letter No. NIL dated 27th December, 2017 that matter is pending in the Honorable Court. PHAF is vigorously pursuing the matter for early encashment of guarantees. The Authority admitted recovery as pointed by Audit.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC pended the para being subjudice with the direction to department to pursue the case actively. Compliance of DAC directives was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(D) Audit noted that PHAF management awarded contract "Infrastructure works at Kurri road Islamabad" to M/s. MA Aleem Khan & Co (MAAKSON) on 31st January, 2012 with total contract cost of Rs 579.876 million. The work was required to be completed in 18 months, with date of commencement as 22nd February, 2012 and date of completion as 21st September 2013. As per clause 31.12 of the contract agreement, mobilization advance of Rs 86.965 million was paid to the contractor in February 2012 against insurance guarantee instead of bank guarantee.

Audit observed that up to IPC # 21 an amount of Rs 17.569 million was still recoverable from contractor, but contractor terminated the contract and demobilized from site of work. This resulted in to non-recovery of mobilization advance of Rs 17.669 million and also non-encashment of the mobilization advance guarantee.

Audit pointed out non-recovery of outstanding mobilization advance in May-July 2018. The Authority replied that case regarding encashment of mobilization advance guarantee of M/s Makksons (Pvt) Ltd had already been taken up with insurance company. Furthermore the matter is sub-judice.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC pended the para being subjudice with the direction to department to pursue the case actively. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 07, 8, 14, 15)

8.4.11 Unjustified payment of price adjustment - Rs 148.789 million

According to contract agreement "Construction of D type Apartments G-10/2" award of work to M/s. Techno International escalation clause 70.3 Appendix - A to tender S. No. (14) Adjustment under clause 70.3 was deleted through Addendum No. 01 & 02.

Audit noted that Managing Director Pakistan Housing Authority Foundation Islamabad awarded the works "Construction of D type Apartments in G-10/2" to M/s Techno International at an agreed cost of Rs 635.631 million vide acceptance letter dated 8th August, 2008, to be completed within 24 months up to August 2010, but contractor could not complete the work in stipulated time period and extension was granted up to 30th June, 2014, and the contract was terminated during May, 2017 due to contractor's failure in completion of contract during the extended time period.

Audit observed that management allowed escalation through post bid amendment and paid up to IPC # 02 for Rs 148.789 million despite failure of the contractor to complete the work even in extended time period up to June 2014 and the contract was terminated during May 2017 finally.

Audit pointed out unjustified payment of escalation in May-July 2018. The authority replied that an addendum No.2 was issued vide this office letter dated June 30, 2008 vide which clause 70 about formula and schedule for the calculation of Price Adjustment was replaced. This addendum was issued prior to Bid Opening in accordance with the clause IT-9 of "Instruction to Tenderers" (Volume-IA). The Addendum was issued to communicate additions, alterations, amendments and clarifications in Tender Documents of the Contract No. PHA-08/03. According to clause IT-7 of Tender Documents (Volume-IA) this addendum becomes part of the Tender Documents and must be incorporated in the documents. Hence, Audit Point of view that PHAF management allowed escalation through post-bid amendment does not commensurate with facts. Moreover, the contractor was granted time extension by the competent authority up to April 2016 for completion of the project and accordingly he was paid escalation as per the terms & conditions of agreement and PEC guidelines.

The reply was not accepted because it was intimated during discussion that following record i.e. Copy of minutes of the pre-bid meeting, letter issued to participant/bidder regarding addition of escalation clause and attached documents as referred under addendum II may be provided for necessary verification but these documents were not provided by the Authority.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC directed the department to get the record/addendum verified from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 28)

8.4.12 Non-forfeiture of performance bond/bid security of contractors and provision of fake bank guarantee - Rs 130.957 million

As per the conditions of Performance Bond issued by the EFU General Insurance Ltd for the work "Construction of Multi-storey Apartments at Sector I-12, Islamabad" (Package-09), "The Employer shall be the judge for deciding whether the principal (contractor) has duly performed his obligations under the contract or has defaulted in fulfilling said obligations and the guarantor shall pay without prior objection any sum or sums up to the amount stated above upon first written demand form the employer forthwith and without prior reference to the principal or any other persons".

Para 32.1 under section (2) "instructions to bidders" provides that the successful bidder shall furnish to the employer a performance security in the form and the amount stipulated in the bidding data sheet and the conditions of contract within a period of 28 days after the receipt of letter of acceptance.

IB.15.6 Bid Security, Instructions to Bidders provide that the bid security may be forfeited:

a) if the bidder withdraws his bid
b) if the bidder does not accept the correction of his bid price
c) In the case of successful bidder, if he fails within the specified time limit to:
    i Furnish the required Performance Security;
    ii Sign the Contract Agreement
    iii Furnish the required JV agreement within 7 days of the receipt of letter of acceptance.

Clause 10.1 of Particular Conditions of Contract (Part-II) provides that Performance Security equal to 10% of the contract price stated in the Letter of Acceptance shall be provided by the Contractor to the Employer in the prescribed form within 28 days after the receipt of Letter of Acceptance.

(A) Audit noted that Management of Pakistan Housing Authority Foundation floated tender for contract No PHA-F-16/09, "Construction of Multi-storey Apartments at Sector I-12, Islamabad" (Package-09). Seven (07) bidders participated in tendering. Tenders were opened by tender opening committee and four (04) bidders were prequalified technically and financially. The bid evaluation committee declared M/s Exceed (Pvt.) Ltd as 1st lowest and recommended award of work for Rs 951,003,233.

Audit observed that acceptance letter was issued to M/s. Exceed (Pvt.) Ltd on 12.07.2016, but contractor failed to execute / commence the work after lapse / expiry of a period of twenty one (21) months. The Authority issued a termination notice to the contractor on 27th April, 2018. However performance security of the contractor for Rs 90.457 million was not forfeited/ encashed by the Authority.

Audit pointed out loss in May-July 2018. The Authority replied that due to default of the contractor, under clause 63.1, the Competent Authority upon recommendations of "The Engineer" issued notice of termination to contractor on 27th April, 2018 accordingly. EFU General Insurance limited vide letter dated 8th May, 2018 was requested by the Competent Authority for encashment of the Performance Bond. The Contractor files a writ petition against PHA-F in Islamabad High Court, the Honorable High Court in his order dated 25th June, 2018 stated that "until the next date fixed, the respondents are restrained from encashing Performance Bond". As the matter is sub judice in the competent Court of law. Authority informed that the matter is sub-judice.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC pended the para being subjudice with the direction to department to pursue the case actively. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(B) Audit noted that management of Pakistan Housing Authority Foundation, Islamabad awarded five (05) development works of Housing Schemes at Kurri Road Islamabad during the year 2015-16/2016-17 to various contractors at contract cost of Rs 1,290.115 million.

Audit observed that the contractors failed to provide required performance bank guarantees within the specified period of 28 days and due to failure of the contractors for not providing the required performance guarantee within given period, the bids security amounting to Rs 20.500 million was not forfeited under the above- referred clause.

Audit pointed out non-forfeiture of bid security in May-July 2018. The Authority replied that as per provision of contract agreement signed between the PHA-F and contractors. The contractors submitted the Performance Guarantees in shape of Bank Guarantees in light of Clause No.10.1 of the particular conditions of contract Part-II after seeking approval of extension of time for the submission of Performance Guarantee from the Competent Authority.

The reply was not tenable as there was no provision under contract agreement to allow extension in the date for provision of performance guarantee and bid money was required to be forfeited.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 The DAC directed to fix responsibility for non-obtaining of performance guarantee besides recovery of built-in cost to maintain such guarantee from contractor. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(C) Audit noted that management of Pakistan Housing Authority Foundation, Islamabad awarded the work "Construction of D & E type Multi-storey Apartments at Sector I-12, Islamabad Package-02" to M/s. MAAKSON (Pvt.) Ltd vide acceptance letter, dated 7th September 2016.

Audit observed that the contractors failed to provide required performance guarantee within the specified period of 28 days and due to failure of the contractor for not providing the required performance guarantee within given period, the bids security amounting to Rs 15.00 million was not forfeited under the above-referred clause even the contractor failed to provide the required performance security up to April 2018.

Audit pointed out non-forfeiture of bid security in May-July 2018. The Authority replied that the Competent Authority i.e. MD/CEO issued a final notice to the Contractor with the directions to submit performance security within 27 days. In response, the Contractor submitted performances guarantee on 7th March, 2017. The reply was not tenable as there was no provision under contract agreement to allow extension in the date for provision of performance guarantee and bid money was required to be forfeited.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein The DAC directed to fix responsibility for non-obtaining of performance guarantee besides recovery of built-in cost to maintain such guarantee from contractor. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(D) Audit noted that the work, "Construction of 67 numbers Category-III houses at Kurri Road Islamabad was awarded to M/s Sardar Waheed Hussain Khan being the 1st lowest at an agreed cost of Rs 236,507,990 (5.27% below on engineering estimate). Audit further noted that the contractor submitted performance guarantee amounting to Rs 12.0 million on 15th June, 2016 valid up to 31st December, 2017.

Audit observed that the Meezan Bank vide its letter dated 22nd June, 2016 refused to certify the provided bank guarantee as genuine. Due to submission of fake performance security as certified by the Bank, the bid security/CDR of the bidder amounting to Rs 5.0 million was required to be forfeited in line with provision of the bid documents under section 2, "Instructions to bidders".

Audit pointed out non-forfeiture of bid security in May-July 2018. The Authority replied that as per provision of contract the contractor filed a suit in this matter and contended that during the verification process there was a problem regarding verification/authentication of Performance Guarantee submitted in shape of Bank Guarantee issued by Meezan Bank afterwards Meezan Bank issued a letter regarding authentication vide letter No. MBL/CAD-North/2944/16 dated October 10, 2016.

The reply was not acceptable as the performance guarantee issued by Meezan Bank Rawalakot, Azad Jammu and Kashmir vide its letter dated 15th June 2016 was not authenticated by issuing bank hence the bid security of Rs 5.00 million was required to be forfeited in accordance with the terms & conditions of the contract agreement.

The matter was discussed in DAC meeting held on 10th-11th January, 2019 wherein DAC directed to get the facts verified from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 18, 05, 20, 03)

8.4.13 Loss determined by Engineer against additional claim of contractor due to mismanagement - Rs 82.520 million

As per clause 67.1 "the contractor and the employer shall give effect forthwith to every such decision of the engineer unless and until the same shall be revised as hereinafter provided in an amicable settlement or an arbitral award.

Audit noted that PHA management awarded works “Infrastructure work at Kurri road Islamabad” to M/s. MA Aleem Khan & Co (MAAKSON) on 31^{st} January, 2012 at contract cost of Rs 579.876 million. The work was to be completed in 18 months, with date of commencement as 22^{nd} March, 2012, and date of commencement as 21^{st} September 2013. Contractor could not complete the work within stipulated time period and last extension was determined by the Engineer up to 30^{th} November 2013, but contractor only executed the work valuing Rs 377.982 million against revised contract cost of Rs 648.982 million. The contractor terminated the contract by issuing requisite notices on 11^{th} February, 2017, and termination notice was not challenged within due date and contractor was demobilized from site of work.

Audit observed that contractor failed to execute/complete the work in stipulated period of 18 months until 21 September 2013 after commence the work as on 22^{nd} February, 2012. Non-fulfillment of contractual obligations by the Employer resulted in loss in the shape of contactor claim determined by the Engineer for Rs 82.520 million.

Audit pointed out loss in May-July 2018. The Authority replied that the contractor filed arbitration application before the Court of Civil Judge Islamabad. The PHA Foundation filed application before the Court under order 7 Rule-II of CPC regarding non-maintainability of the case filed by the contractor. Further the case is pending for arguments before Civil Court. Authority informed that the matter is sub-judice.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019 wherein DAC pended the para being subjudice with the direction to department to pursue the case actively. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 16)

Others

8.4.14 Non-confirmation of minutes of the meeting of cabinet sub-committee on regularization of contract/daily wages employees

A meeting of the Cabinet Sub-Committee regarding regularization of employees on contract/daily wages basis in the Ministries/Divisions/ Attached Departments/Organizations was held under the Chairmanship of Syed Khursheed Ahmed Shah Minister for Religious Affairs on 15th March 2012 in the Committee Room of Establishment Division, Cabinet Block Islamabad and same were circulated by Ministry of Housing and Works vide letter No. F.1 (1)/2010-Coord dated 16th October, 2012.

Audit noted that Managing Director, Pakistan Housing Authority Foundation provided partial minutes of meeting (singed by Section office, Establishment Division) regarding the decision of the approval of regularization the services of 42 employees of PHAF and directed the Ministry of Housing & Works and the Managing Director PHA Foundation to immediately issue the notification of the adjustment of the employees in PHA foundation. Accordingly, the office orders were issued by the PHA foundation.

Audit observed that PHAF requested Establishment Division through Ministry of Housing & Works vide its letter dated 15th January, 2018 for confirmation of minutes of meeting issued by the Cabinet's sub-committee. The Establishment Division intimated that "Presently, the Cabinet's sub-committee is disbanded since dissolution of National Assembly i.e. 16th March 2013 meaning thereby that the role of Establishment Division as secretarial support of the committee cannot be exercised by entertaining any requests for advice. In view of above, Establishment Division is not in a position to verify the genuineness/veracity of the above-mentioned minutes issued in favour of regularization and adjustment of services of employees of PHAF. ''

Audit was of the view that action of PHAF in absence of confirmation of minutes was not appropriate.

Audit pointed out non-confirming minutes of meeting in May-July 2018. The Authority replied that necessary action will be initiated as per the advice of audit authority. The outcome will be shared with Audit team as and when finalized. Furthermore, management of PHA Foundation raised some observations and sought some clarification from Cabinet Division, the cabinet addressed the queries. The reply was not accepted as further action along with outcome may be shared with Audit in accordance with TORs of the constituted committee for regulation of the employees.

The matter was discussed in DAC meeting held on 10^{th}-11^{th} January, 2019 wherein DAC directed the department to get the record verified from Audit. Compliance of DAC directive was not made till the finalization of this report.

Audit recommends compliance of DAC directive.

(DP. 30)

CHAPTER 9

HIGHER EDUCATION COMMISSION

(INFRASTRUCTURE DEVELOPMENT EXPENDITURE OF FEDERALLY CHARTERED UNIVERSITIES)

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 is 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. Further, as per Auditor General of Pakistan policy decision, issued vide letter No. AP&SS/C/Audit Jurisdiction/2015/106 dated 20.03.2015, the Directorate General Audit Works (Federal), has also been assigned the responsibility to comment upon the overall status of Federal Government Grants utilization by HEC on infrastructure development projects.

9.2 Comments on Budget and Accounts (Variance Analysis)

Table below shows the position of budget allocation, releases and actual expenditure against PSDP of HEC for the financial year 2017-18:

(Rs in million)

Type of Funds	Budget Allocation	Funds Released	Actual Expenditure	(Excess)/ Saving	(Excess)/ Saving in %age
Federal PSDP (HEC)	35,662.801	16,388.397	17,568.990	(1,180.593)	(7.204%)

Audit evaluated overall performance of HEC with reference to utilization of development budget. Audit observed as follows:

A sum of Rs 35,662.801 million was allocated for Higher Education Commission in Federal Public Sector Development Programme (PSDP), against 169 development schemes. Funds of Rs 16,388.397 million were released under 1st and 2nd quarter causing less releases of Rs 19,274.404 million (which was 45.954% of total allocation). An expenditure of Rs 17,568.990 million was incurred. This reflected that funds amounting to Rs 1,180.593 million were utilized from previous year's savings/retained amounts. 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.

Total budget allocation for development projects of federally chartered universities for the financial year 2017-17 was Rs 3,776.477 million. Actual release of fund was Rs 1,543.88 million and actual expenditure was Rs 2,077.216 million.

Overall position of budget allocation/releases and incurrence of expenditure under PSDP of HEC is narrated as under:

i. Under 17 projects/universities, funds worth Rs 3,335.911 million were got re-appropriated in favour of 24 other projects/universities by the Ministry of Planning, Development & Reforms vide letter No. 4(50-12)PIP/PC/2017-18 dated 15.08.2017 and letter No. 4(50-12)PIP/PC/2017-18 dated 15.09.2017, 11.12.2017, 04.04.2018 and 12.06.2018. It indicated that cash plans/works plans were prepared/got approved without legitimate need of the projects or execution pace was not up to mark due to lack of monitoring.

ii. In 57 cases, funds of Rs 7,300.505 million were released during the year 2017-18 against which an expenditure of Rs 12,325.901 million was incurred. It resulted in excess expenditure of Rs 5,025.396 million than the funds released for the projects. The situation transpired that the universities retained unspent funds during previous year and utilized in the subsequent year. Unspent funds of Assignment Accounts were required to be lapsed to the government at the end of the financial year which was not done. 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 27 projects, overall budget allocation was got enhanced from Rs 2,992.669 million to Rs 6,594.714 million through re-appropriation process and an amount of Rs 3,602.045 million was released. In 02 projects/ universities, original allocation was nil and after re-appropriation, Rs 187.599 million were allocated during 2017-18. However, the management could not spend even a single rupee during the year 2017-18 against the same projects. This showed that internal controls were not exercised efficiently to assess the actual requirement of funds. Due to which, not only the government was prevented to utilize the same on other needy projects but the public was also deprived of achieving the benefits from these projects due to delaying the completion of projects.

iv. Under 36 universities/projects, an expenditure worth Rs 5,111.667 million was incurred against the released amount of Rs 8,995.978 million resulting less utilization of funds amounting to Rs 3,884.311 million which constitute 43.17%. Out of 36 universities/projects, nineteen (19) projects incurred expenditure of Rs 270.151 million against the release of Rs 2,136.910 million resulting less utilization of Rs 1,866.759 million which is 87%. This visualized that the progress of execution of works was not in line with the targets set in the PC-I and approved work plan. 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. In 69 projects/universities, funds of Rs 9,170.00 million were allocated for new schemes, against which Rs 10.00 million were released against one project "Establishment of Women Sub-Campus of Swat University in Mingora". No expenditure against the release of Rs 10.00 million was incurred.

vi. 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 execute project as per given targets of PC-I/cash plans and work plans. Further, new schemes need to be got approved from competent forum through vigorous pursuance. Procedure of Assignment Account needs to be followed in letter and spirit.

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

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	14	14	02	12	14
2016-17	12	03	-	03	-

Note: Audit Report for 2016-17 was partially discussed while Audit Reports for the year 2012-13, 2014-15 and 2017-18 are yet to be discussed by PAC.

9.4 AUDIT PARAS

Irregularity and Non-Compliance

9.4.1 Payment to suppliers without execution of agreements - Rs 25.503 million

Para 7.12 of Pak. PWD Departmental Code provides that where the work or supply of material is to be given out on contract, the following conditions must be observed:

(a) Tenders must be invited from registered prequalified contractors, firms and suppliers in the most open and public manner possible.

(b) The agreement with the contractors selected must be in writing and should be precisely and definitely expressed. It should state the quantity and quality of the work to be done, the specifications to be complied with, the time within which the work is to be completed, the conditions to be observed, security to be lodged, performance bond and the terms upon which the payments shall be made etc.

Audit noted that management of Karakoram International University, Gilgit invited tenders for supply of computers, photocopiers, UPS and electrical items for mining, engineering, geological departments at Ghizer and Diamer campuses. Supply orders were issued to technically and financially qualified suppliers with the following terms and conditions:

(i) Time for completion of supply will be forty five days from the issuance of supply order i.e. 20th February, 2018.

(ii) Payment will be made after successful completion of supply & installation subject to verification of claim with clearance certificate from inspection committee.

(iii) A penalty of 0.01% per day upto a maximum of 10% of contract cost can be imposed for delays in supply and the firm will not be allowed to participate for any tender in future.

Audit observed that the management of the university made payment of Rs 25.503 million to different suppliers during 2017-18 without execution of agreements in violation of rules and procedure in-vogue. Audit also observed that concerned users only issued inspection note of the supplied equipment, whereas terms & condition of the supply order provided that the supplier will train the staff for operation of the equipment. Evidence of provision of job training was not on record. This resulted in irregular payment of Rs 25.503 million.

Audit pointed out the irregularity in August 2018. The management replied that the equipment has been purchased from listed/short listed contractors after completing all formalities.

The reply was not accepted because payments were made without execution of contract agreements.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends an early action towards regularization of the matter and fixing of responsibility at the person (s) at fault.

(DP.03)

9.4.2 Execution and payment without provision in PC-I - Rs 16.08 million

Para 9.3 of Guidelines for Project Management provides that "the revised PC-I should provide reasons and justifications for revision in cost/scope of work.

Audit noted that the management of Shaheed Zulfiqar Ali Bhutto, Medical University, PIMS, Islamabad and Karakoram International University, Gilgit awarded various works to different contractors.

Audit observed that the project management Shaheed Zulfiqar Ali Bhutto, Medical University, PIMS, Islamabad executed item of "Providing and laying of aluco bond cladding overall 4mm thickness with 0.5 mm thickness aluminum sheet on both sides over PVC pad. (branded Alcobond / alucopanel /alupex/UAE/Dubai made as per approved colour including cost of E-shape aluminum channel, L-iron rivets, scaffolding fixing complete in all respect" for a quantity of 1,715 cubic meters vide BOQ item No. 22 without provision in the PC-I. In another case, Project Director, Karakoram International University incurred an expenditure of Rs 6.274 million upto June 2018 against provision of contingencies of Rs 5.224 million and a Toyota vehicle Hilux 4x4 Vigo Champ-5M/T/2494cc diesel engine 2KD FTV, RHD, 5 speed manual transmission with front heater was purchased for Rs 3.456 million against provision of pickup of Rs 0.9 million in the PC-I. This resulted in execution of costly item and excess expenditure in violation of PC-I of Rs 16.08 million.

Audit pointed out the irregularity in August 2018. The Management replied that the expenditure was incurred as per site requirements and with the approval of the competent authority. Revised PC-I has already been submitted for approval. The approved revised PC-I will be shared with Audit.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends fixation of responsibility of violation of PC-I provisions.

(DP.07, 14)

9.4.3 Award of consultancy services without tenders - Rs 3.645 million

Rule 12(2) of Public Procurement Rules 2004, provides 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. Rules 20 of Public Procurement Rules, 2004, provides that procuring agencies shall use open competition bidding as the principal method of procurement for the goods, services and works.

Audit noted that the management of COMSATS Institute of Information Technology (CIIT) Islamabad awarded supervision of the work "Construction of Nallah Flood Protection Works at CIIT Campus Chak Shahzad Islamabad" to M/s Naqvi and Siddiqui Consulting Engineers on 27th May, 2016.

Audit observed that the consultancy services for supervision were hired without open bidding in violation of Public Procurement Rules, 2004. This resulted in irregular award of contract and payment of Rs 3.645 million.

Audit pointed out the irregularity in July 2018. The management of replied that the consultant was hired for provision of consultancy services of the project. The said work was a part of the Infrastructure Development of CIIT project which was awarded after calling of open bidding in 2008 with the approval of the Campus Works Committee (CWC).

The reply was not accepted because this component of the work was not included in the scope of the consultancy contract awarded in 2008. Hence, fresh tenders were required to be called for the new work instead of award to the existing consultants without calling of bids.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends investigation of the matter to fix responsibility against the responsible.

(DP. 19)

Performance

9.4.4 Non-utilization of PSDP lapsable Grant - Rs 50.386 million

According to Para No.13 (vii) & Para 3.27 of Guidelines for Project Management, during the first quarter of the financial year, releases of the allocations provided in the PSDP for individual schemes, as have already been approved formally by the competent authority or have been given anticipatory approval by the Chairman, ECNEC, shall be made by the Secretary of the Ministry/Division concerned/PAO without approval of FAs Organization in accordance with the Cash Plan of the projects duly approved by the Secretary of the Ministry/Division and Planning and Development Division. All releases during the remaining three quarters of the financial year shall be made with the prior approval of Financial Advisers Organization in accordance with the approved Cash Plan. The releases shall be subject to utilization of funds released earlier, after furnishing a certificate by the Principal Accounting Officer regarding satisfactory implementation of approved Work Plan for the previous quarter of the financial year.

Audit noted during scrutiny of accounts record pertaining to the Karakoram International University (KIU) that the HEC allocated funds of Rs 159.980 million to KIU, Gilgit Baltistan for establishment of 03 Sub-Campuses at district level in Gilgit-Baltistan region.

Audit observed that the management could not disburse the allocated funds during financial year 2017-18 due to poor progress towards establishment of the sub-campuses. Campus wise disbursement of funds is detailed follow:

(Rs in million)

S.No.	Name of Campus	Budget allocation	Disbursement
1	Sub-Campus Ghizer	20.000	32.022
2.	Sub-Campus Hunza	89.980	46.337
3.	Sub-Campus Diamer	50.000	31.235
Total		**159.980**	**109.594**

Poor performance resulted in non-utilization of PSDP funds of Rs 50.386 million

Audit pointed the irregularity in August 2018. The management replied that the balance funds would be utilized during the financial year 2018-19.

The reply was not acceptable because undisbursed funds were required to be surrendered.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends investigation of reasons of delay and action accordingly.

(DP.08)

Internal Control Weaknesses

9.4.5 Non-obtaining of insurance of works - Rs 678.825 million

According to clause-21.1 to 25 of contract agreement, the contractor was bound to provide insurance policies for the persons, works and equipment etc. on the contract the sum of the contract price plus 15 %. He was also required to get third party insurance (including employer's property) against liabilities for death of or injuries to any person or loss or damages to the property arising out of the performance of the contract.

Audit noted that the management of Karakoram International University, Gilgit and Quaid-i-Azam University, Islamabad awarded various works to different contractors.

Audit observed that the project management did not obtain insurance covers of Rs 678.825 million (contract cost plus 15%) as per provisions of the contract. In this way, the contractor saved about Rs 6.788 million (Rs 678.825 million x 1 %) of premium included in the bid offered. This resulted in non-provision of insurance cover for Rs 678.825 million and non-recovery of Rs 6.788 million as detailed below:

S. No.	DP No.	Name of University/ institute	Name of work	Name of Contractor (M/s)	Contract cost + 15% (Rs in million)	Insurance premium (Rs in million)
1.	02	Karakoram International University, Gilgit	Construction/Establishment of Faculty of Engineering Campus at Gilgit	Shoukat Khan & Co	428.205	4.282
2.	27	Quaid-i-Azam University Islamabad	Construction of student hostel No. 11	Rab Nawaz & Co	117.227	1.172
3.	32	Quaid-i-Azam University Islamabad	Construction of student hostel No. 12	Ali Ahmed Jan & Co	133.393	1.333
			Total		**678.825**	**6.788**

Audit pointed out the irregularity in August 2018. The management of Quaid-i-Azam University, Islamabad replied that insurances mentioned under the referred clauses were excluded/deleted in Particular Conditions of Contract and the contractors could not include its impact in the tender cost during bidding, hence these insurances were not obtained accordingly. Reply of the department was not admitted because the supporting documents provided by the department with reply as evidence do not match with the documents produced during audit. Moreover, the PEC standard documents/clauses were not subject to any change / deletion without concurrence of the PEC. The management of Karakoram International University, Gilgit did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

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

9.4.6 Loss due to acceptance of higher rates of steel - Rs 62.553 million

According to Para 56 of CPWA code, a properly detailed estimate must be prepared for the sanction of competent authority; this sanction is known as the technical sanction to the estimate and must be obtained before the construction of the work is commenced. As its name indicates, it amounts to no more than a guarantee that the proposals are structurally sound, and that the estimates are accurately calculated and based on adequate data.

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. The work was to be completed within 24 months from the date of start of 29th August 2016. The contractor has been paid Rs 309.873 million upto 17th running bill paid in June, 2018.

Audit observed that Engineer's Estimates for civil works including external development were prepared by the consultant's M/s Development Consultancy Services (Pvt) Ltd vide their letter No. DCS/PM/SOD/ 2016/040 dated 6th April, 2016 for Rs 554.057 million. The same estimate was technically sanctioned by the Vice Chancellor of the university on 5th March, 2018 (After award of work). Tenders were called and opened on 18th July, 2016 on item rate basis. The work was awarded on 8th August, 2016 at an agreement cost of Rs 518.966 million against the engineer's estimated cost of Rs 554.057 million approved on 5th March, 2018.

Audit further observed that rate of supply & fix round deformed bars grade 40 cutting, bending, placing etc was analyzed for T.S of Rs 120,046.92 per metric ton. This includes cost of bar as Rs 82,000 per metric ton. Against this item, the contractor quoted rate of Rs 101,500. The bid was accepted and awarded the work to the lowest bidder for Rs 518.966 million.

Audit also found that price index of Federal Bureau of Statistics (FBS), Government of Pakistan was to be applied (provided in the Appendix-C) for price adjustment under Clause 70 of agreement. Accordingly, as per Statistical Bulletin of FBS for the month of June, 2016, base price prior to 28 days of bid opening of Steel bars was Rs 66,500 per metric ton. Rates of steel were increased from December, 2016 and difference was paid from IPC-3 (December, 2016) to IPC-17 (June, 2018). In this regard, following irregularities were observed:

1. As per Statistical Bulletin of FBS, rate of steel bars was Rs 66,500 per metric ton, while the rate of Rs 82,000 (G-40) was included in the rate analysis instead of material cost of Rs 66,500 which increased the estimated cost.
2. The contractor quoted composite rate of steel bars (G-40) as Rs 101,500 and G-60 as Rs 104,125 per metric ton. Material cost in the composite rate may have been considered Rs 95,000 per metric ton (Rate analysis of quoted rate is not available on record). This resulted in higher rate of approximate Rs 28,500 per metric ton (Rs 95,000 - Rs 66,500) at the time of submission of bid.

3. On the other hand, the Contractor is receiving difference of price of steel between base rate of Rs 66,500 and current price of steel ranging from Rs 67,500 to Rs 89,500.

In this way, department is paying difference of rate of steel; first, higher quoted rate of Rs 95,000 (approximate cost of steel in quoted composite rate of steel G-40 of Rs 101, 500 & G-60 of Rs 104,125) per metric ton against prevalent rates ranging from 64,500 to Rs 89,500. Secondly, difference between base and current rates was paid as escalation. This way, government has been put to loss of Rs 62.553 million upto 17th IPC due to acceptance of higher rate of steel.

Audit pointed out the loss in July 2018. The department replied the item rates were calculated according to prevailing market rate. The rates of Statistic Division often do not depict the actual rates of market. In any case, the work was awarded at the cost which was less than the estimated cost. The reply was not acceptable because the analyzed rates were higher than those prevailing in the market as is evident from the bid cost which was below the estimated cost. Further, the work was awarded on 8th August, 2016 while the estimate was technically sanctioned by the Vice Chancellor of the University on 5th March, 2018.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends fixation of responsibility of award of work at higher rates.

(DP.12)

9.4.7 Non-encashment of Performance Security - Rs 13.968 million

As per sub-clause 10.1 of contract agreement, the contractor shall provide a Performance security in the prescribed form annexed to those Documents. The said Security shall be furnished by the Contractor within 28 days after the receipt of letter of acceptance. The Performance security shall be equal to 10 percent of the Contract Price in the currency of the contract at the option of the bidder, in the form of Bank Guarantee from any scheduled Bank in Pakistan or from a Bank located outside Pakistan duly counter-guaranteed by a scheduled bank in Pakistan or an insurance Company having at least AA rating from PACRA/JCR.

Audit noted that the Project Director, COMSATS Institute of Information Technology, Islamabad awarded the work “Construction of Nallah 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. As per agreement clause, Performance Security was obtained from the contractor vide bond No. 2016/04/ISBBBPDP00016 dated 26th April, 2016 with expiry date of 25th July, 2018.

Audit observed that contract was terminated on 20th March, 2018 due to non-execution of work but the Performance Security of the contractor was not en-cashed. This resulted in non-encashment of Performance Security of Rs 13.968 million.

Audit pointed out non-encashment of performance security in July 2018. The management of the project replied that upon termination of the contract, the COMSATS University Islamabad (CUI) has taken action against the contractor and notified the insurance company (M/s IGI Insurance Limited) for encashment of Performance Bond. In response, M/s IGI Insurance informed on 26th June, 2018 that honourable Court ordered not to encash the said Performance Security and advised to restrain from acting upon any letter issued regarding the Performance Guarantee.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends vigorous pursuance in the court of law.

(DP.21)

9.4.8 Non-revalidation of Performance Security - Rs 10.193 million

Clause 10.1 of the contract provides that contractor shall provide performance security to the Employer in the prescribed form. The performance security shall of an amount equal to 10% of the contract price stated in the letter of acceptance. Such security shall at the option of bidder be in the form of either (a) bank guarantee from any schedule bank in Pakistan or (b) bank guarantee form a bank located outside Pakistan duly counter-guaranteed by a schedule bank in Pakistan or an insurance company acceptable to the employer. Validity of the performance Security will be upto completion time of the contract and will be returned to the successful bidder after issuance of the completion certificate of the work.

Audit noted that Project Director, Quaid-e-Azam University (QAU) Islamabad awarded a work, "Construction of student hostel No. 11" under Expansion Program of QAU at a contract cost of Rs 101.937 million to M/s Rab Nawaz & Co on 1st October, 2015. The date of start of the work was reckoned from 19th January, 2016 with completion period of 18 months. The contractor was paid 12th running bill for Rs 5.488 million upto June 2018.

Audit observed that the contractor provided Performance Security from East West Insurance Company of Rs 10,193,703 which was valid up to 19th October, 2016. Review of the progress report indicated that only 80% work was completed upto June 2018 but the Performance Security was not got re-validated for the extended period. Non-adherence to rules caused non-re-validation of Performance Security of Rs 10.193 million.

Audit pointed out the irregularity in August 2018. The management replied that as per contract agreement, the validity of the Performance Security was upto completion time of the contract upto maximum of one year, hence it was not got revalidated after the maximum period of one year. Moreover, the Performance Security is still retained and will be released when the completion certificate of the work is issued. Furthermore, now the work is almost completed and there is no fear of default of the contractor.

The reply was not accepted because the department granted extension of time for completion of work upto 17th September, 2018, therefore, the revalidation of the performance security upto 17th September, 2019 was required to be made accordingly.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early re-validation of the Performance Security.
(DP. 30)

9.4.9 Unauthorized provision of transport to consultants - Rs 3.112 million

According to consultancy services agreement for design and construction supervision of "Establishment of school of dentistry at Shaheed Zulfiqar Ali Bhutto University, PIMS, Islamabad" signed with M/s Development Consultancy Services (Pvt) Limited on 30th October, 2015, there was no provision regarding provision of transport facility to the Consultants.

Audit observed that the Consultants have been provided two vehicles alongwith 300 liter petrol per month, day to day maintenance, insurance etc and drivers through contractor by making provision in the tender documents of the civil work vide special condition No. 16 of the contract with M/s Capital Builders as detailed below:

1. Suzuki (Jimny) Model 2016
2. Suzuki Wagon R (VXL) Model 2016

Audit further observed that the management provided vehicles to the consultants without such provision in the agreement signed with the Consultants. Hence, they were not entitled for free transport facility, therefore, cost of vehicles and maintenance with driver's pay of Rs 3.112 million (approximate) needs recovery from the consultants as calculated below:

Sl. No	Make & made of the vehicles	Depreciated cost (Rs)	Maintenance Rs per month	Driver's pay (Rs per month)	Total (Rs in million)
1.	Suzuki (Jimny) Model 2016	1,200,000	5,000*24= 120,000	16,000*24=336,000	1.656

Sl. No	Make & made of the vehicles	Depreciated cost (Rs)	Maintenance Rs per month	Driver's pay (Rs per month)	Total (Rs in million)
2.	Suzuki Wagon R (VXL) Model 2016	1,000,000	5,000*24= 120,000	16,000*24=336,000	1.456
Total					**3.112**

Audit pointed out the recovery in July 2018. The department replied that it is standard engineering practice in construction projects, that all construction site requisites including site and office equipment, safety, security, provision of utilities and running office space, transport etc. are owned and managed by the contractor. The reply was not acceptable. Agreement of the consultants does not contain provision regarding vehicles to be provided by the Employer to the Consultants.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early recovery of the cost of vehicles and their operation and maintenance charges from the Consultants.

(DP.18)

9.4.10 Execution of item of work beyond approved plan - Rs 1.167 million

Para 7 of instructions to Measurement Books (MBs) provides that all the payments for works and supplies are based on the quantities recorded in the MBs, it is incumbent upon the person taking the measurements to record the quantities clearly and accurately and as per cross sections.

Audit noted that the Project Director, COMSATS Institute of Information Technology, Islamabad awarded the work "Construction of Nallah Flood Protection Works at CIIT Campus, 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 the department measured and paid item of work “sub soil pile boring 30 inch dia in all kinds of soil”. The department re-measured the length of piles and increased the quantity by 634.11 Rft and made payment of Rs 786,296 (634.11 Rft x Rs 1,240 per Rft).

Audit also observed that the height of each pile given in cross section / design was 50 feet for item of work “Providing and laying R.C.C cast in situ” whereas, the department measured and paid extra height ranging from 5 to 10 feet for pile No. 1 to 45 and made extra payment of 300 feet of Rs 381,000 (300 feet x 1,270 per Rft). This resulted in overpayment of Rs 1.167 million (Rs 786,296 + Rs 381,000).

Audit pointed out the overpayment in July 2018. The management replied that the item No. 3 (i) “sub soil boring of 30 inches dia for piles in all kinds of soil to required depth complete” was re-checked by the consultants. The item was actually executed upto 50’ and was claimed by the contractor. However, in order to keep check on the quality, the Resident Engineer withheld certain quantities which were released in subsequent bill. Therefore, it was not re-measurement but in fact a matter of subsequent release of withheld quantity. Furthermore, the profile of land along nullah was undulating and it had a variation in level of approximate 15 feet (Pile No. 1 to 45). Moreover, the front side boundary wall was also constructed on the highest level. Therefore, the height of piles from the inside of the campus was increased by 5 to 10 feet above the bed of nullah to keep the strength of the pile intact. This was in line with the design parameters which suggested that the pile depth should be at least 25 feet deep below the bed of nullah. Thus, the increase in the height of pile in that particular area was allowed as per site conditions.

The reply was not admitted as record does not show that the quantity was withheld. It was re-measurement of the height of piles after execution of correspondence item of “RCC in pile work” which was not possible.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for recovery of overpaid amount.

(DP.20)

9.4.11 Unauthorized inclusion of cost element and escalation on bricks - Rs 1.047 million

According to Standard Procedure of Price adjustment of PEC 2009, 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.

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 of 29th August 2016.

Audit observed that the management determined cost element of bricks as five (5) percent while as per actual cost element, divided by the total amount of Engineer's Estimate, weightage of bricks works out to ½ percent. As such, the weightage was not to be included in the Appendix C (variable portion) but was to be included in the fix portion. But the bricks were included in the list of specified material provided in the Appendix C and price escalation on bricks was paid to the contractor from IPC 9 to 17. This resulted in overpayment due to inadmissible payment of price escalation on bricks of Rs 1.047 million.

Audit pointed out the overpayment in July 2018. The management replied that as per contract amount, the escalation price is being calculated on the overall material used in execution of total project. The reply was not acceptable. Cost element of bricks was taken as five (5) percent in the Appendix C while as per actual cost element, divided by the total amount of Engineer's Estimate, weightage of bricks works out to ½ percent.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends recovery of overpaid amount from the contractor.

(DP.16)

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. As per Schedule-II of Rules of Business, 1973 (amended up to January 2019), Overseas Pakistanis and Human Resource Development Division is responsible for administration of Workers Welfare Fund Ordinance, 1971.

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 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 the year 2017-18:

(Rs in million)

Description	Budget Allocation	Actual Expenditure	Variation Excess/ (Saving)	Excess/ (Saving) in %
Establishment Charges	1,340.315	1,139.24	(201.075)	(15.00)
Other welfare measures	3,774.000	1,923.08	(1,850.92)	(49.04)
Education	7,488.240	4,939.27	(2,548.97)	(34.04)
Development Works	11,656.99	2,746.663	(8,910.327)	(76.44)
Total	**24,259.545**	**10,748.253**	**(13,511.292)**	**(55.694)**

(Source: Budget allocation and actual expenditure has been taken from expenditure statements provided by WWF/Boards).

- Funds of Rs 11,656.99 million were allocated for development works/new schemes in the original budget out of which, only Rs 2,746.663 million were utilized leaving 76.44% funds unutilized. This indicated that planned development targets were not achieved by the management of Fund/Boards.

- Funds of Rs 3,774.000 million were allocated for welfare measures of workers and Rs 1,923.08 million were utilized involving a saving of Rs 1,850.92 million. Less utilization and saving of 49% of the budget was indicative of lackluster performance of the Department and the workers were deprived of the welfare facilities despite availability of funds.

- Funds of Rs 7,488.240 million were allocated for provision of "education facilities" to the worker's children but only Rs 4,939.27 million were utilized. Non-utilization of 34% funds of allocation indicate inefficient 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
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	10	19	34.48
2010-11	13	13	05	08	38.46
2013-14	15	15	01	14	6.66
2016-17	48	27	10	38	20.83

Note: Audit Reports for 2011-12, 2012-13, 2014-15, 2015-16 and 2017-18 have not been discussed by PAC till the finalization of this report.

10.4 AUDIT PARAS

Irregularity and Non-Compliance

10.4.1 Non-verification of credentials, irregular appointments and unauthentic payment of salary - Rs 52.500 million

According to Sl. No. 28 of ESTA Code Vol. (Civil Establishment Code), checking the genuineness of educational certificates / qualification etc. produced by the persons in ministerial services of the Federal Secretariat and its attached departments is necessary. Workers Welfare Board Khyber Pakhtunkhwa notified a Rationalization Committee on 12th February, 2016 in pursuance of the decision taken in 81st Board meeting held on 30th December, 2016 for scrutiny and screening of all contractual appointments in WWB Khyber Pakhtunkhwa. The Rationalization Committee was required to identify the following cases as per their assigned TORs:

i) 3rd Division holders
ii) Irrelevant qualification
iii) Over age
iv) Appointment during ban period
v) Fake Degree holders

Rule 13 of Workers Welfare Fund (Employees Service) Rule, 1997, (Procedure for initial appointment) describes that:

1. Initial appointment to posts in pay scale 19 and above shall be made by the appointing authority on recommendations of the Selection Board

2. Initial appointment to posts in pay scale 18 and below shall be made by the appointing authority on recommendations of the Selection Committee concerned.

3. Persons married to a person who is not a citizen of Pakistan shall not be appointed to a post in the Fund except with the prior approval of the Chairman.

4. A candidate for initial appointment must possess the educational qualification and experience and must be within the age limit laid down for the post in Part-II of Appendix-2 to these rules provided that maximum age limit may be relaxed upto five years by the appointing authority if no suitable candidate within the prescribed age limit is available

5. The vacancies shall be advertised in the national press.

Audit noted that as per sanctioned and working strength of Secretary, Workers Welfare Board, Balochistan, 61 officers and officials from BPS-5 to BPS-19 were working against sanctioned strength of 74 number as regular employees. Workers Welfare Board, Khyber Pakhtunkhwa, Peshawar appointed 2,251 employees for teaching, technical and clerical staff in different capacities for the programme of Poly Tech on contract basis upto 2014 for 48 WWB schools in BPS-2 to BPS-18 in Education Directorate. Out of 100 employees appointed in BPS-17 & 18, degrees of 15 employees were declared bogus in 2016.

Audit observed that Secretary, Workers Welfare Board, Balochistan and Khyber Pakhtunkhwa could not initiate the process of verification of certificates, diplomas, degrees of remaining employees despite strict directions of the Prime Minister of Pakistan.

Audit further observed that the appointments in WWB Khyber Pakhtunkhwa were made without observing specified criteria as under:

a. The appointments were made without advertisement on contract basis.
b. Most of the employees have not required educational qualification.
c. Some of them were found overage.
d. Certain employees were recruited during ban period.
e. Most of the employees remained absent from duty.
f. Salary of ghost employees was released without verification of their attendance from the place of posting.

This resulted in non-verification of credentials of the officers and staff of WWB, Balochistan and Khyber Pakhtunkhwa, irregular appointments and unauthentic payment of salaries of Rs 52.500 million.

Audit pointed out the non-verification of credentials irregularity in September 2018. The Board did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends fixing of responsibility against the persons responsible besides corrective action may be taken in the matter.

(DP.04, 20, 25)

10.4.2 Payment of Pay and Allowances without approval - Rs 3.949 million

As per Rule 25 of General Financial Rules (Volume-I), all departmental regulations involving financial character or having important financial bearing should be made by or with the approval of Ministry of Finance.

Audit noted that Secretary, Workers Welfare Board, Balochistan, Quetta adopted pay and allowances structure of the Federal Government. Audit further noted that, in addition to the Pay and Allowances structure of the Federal Government, House Rent ceiling at the rates of Islamabad and Conveyance Allowance at higher rates were allowed by the Governing Body of WWF instead of allowances admissible to the Federal Government employees.

Audit observed that the allowances were allowed without getting approval of the Finance Division, Government of Pakistan. This resulted in irregular payment of Rs 3.949 million.

Audit pointed the irregularity in January 2018. The Board did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early clarification of the matter from Finance Division or recovery of the amount involved.

(DP. 02)

Performance

10.4.3 Non-handing over of completed projects - Rs 107.040 million

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.

Audit noted that Workers Welfare Board, Balochistan Quetta executed three projects for construction of Labour Colony at Kingri, 192 flats at Eastern Bypass and 204 flats at Nawa Killi Quetta. Audit further noted that the civil work of the projects was completed by the Works Directorate during 2014-15. Only minor payments were withheld which were released during 2017-18.

Audit observed that the completed flats were not handed over to concerned authority for allotment to the eligible persons despite lapse of more than three years which resulted in recurring loss of revenue to the Board involving Rs 107.040 million.

Audit pointed out the irregularity in November, 2018. The department replied that the civil works of the projects were completed in 2015, but claim of contractor regarding price adjustment was pending for want of approval of Governing Body of WWF. Further, the policy for allotment of flats / quarters (either on rental basis or ownership basis) is also pending with WWF. As soon as decision is received from GB WWF Islamabad, allotment will be made.

The Board admitted the delay in allotment of quarters /flats which was due to non-availability of policy which resulted in loss of revenue of three years besides wear and tear in the constructed structure.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends investigation and action against the responsible(s) of the loss.

(DP.31)

10.4.4 Non-eviction of 1,181 illegal occupants of workers flats and non-recovery - Rs 89.340 million

Clause 10 of Allotment Regulations, 2002 of Khyber Pakhtunkhwa Workers Welfare Board describes that allotment of house on rent basis shall be cancellable on the grounds and in a manner prescribed hereunder:

The workers shall become ineligible for retention of the house on the following grounds:

i. If he has furnished false information in his application form or has attached any fake document herewith on the basis of which he got the allotment and his fact is subsequently detected.
ii. He has sublet the house.
iii. He has defaulted in payment of rent for three consecutive months and other dues.
iv. He has been dismissed / removed / discharged / terminated from service or he resigns from service.
v. He leaves the service under one establishment and joins service under another establishment.

In case of illegal occupant who is not the earlier allottee, the authorized officer shall immediately lodge a complaint with the Magistrate concerned to get the illegal occupant evicted forthwith and handover the possession to the authorized officer of the Board. For occupation of the house till his eviction, rent at the market rate shall be recoverable from him which shall be deposited in the court.

According to Term and Condition No. 1 of Sale / Purchase agreement / Allotment Order signed between Workers Welfare Board, Balochistan and allottees, the allottees were required to pay the cost of the house by regular monthly installments as per mode of payment by 10th of each calendar month. Condition No. 2 of the ibid agreement, if the installments or other charges payable by the allottees are not paid by the specified date, surcharge on late payments shall be charged from and paid by the allottees. As per Condition No. 3, if the installments or other charges are in arrears for three months, allotment shall be liable to cancellation.

Audit noted that WWB, Khyber Pakhtunkhwa, Peshawar is maintaining 34 number labour colonies having 5,688 flats in Khyber Pakhtunkhwa province. Audit further noted that Workers Welfare Board, Balochistan constructed low cost houses for the workers out of funds provided by WWF and allotted to the workers at various locations of the province.

Audit observed from the allotment record pertaining to Workers Welfare Board Khyber Pakhtunkhwa, Peshawar that 1,881 family flats situated in various labour colonies were occupied by the unauthorized people. But WWB neither took timely action for cancellation and evictions nor was recovery of rent at market rate made from the illegal occupants. WWB Quetta also failed to recover monthly installments of cost of the houses and delay charges from various allottees for the year 2016-17 and 2017-18 as per conditions of the agreements. This resulted in non-recovery of 89.340 million (Rs 70.860 million, Rs 6.349 million for 2016-17 and Rs 12.130 million for 2017-18).

Audit pointed out the non-cancellation and eviction of illegal occupants and non- recovery in January, September 2018 and November 2018. The WWB Peshawar did not reply. The WWB Quetta admitted recovery relating to the year 2017-18.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early cancellation, eviction of illegal occupants and recovery of rent at market rates.

(DP. 22, 05, 32)

Internal Control Weaknesses

10.4.5 Payment of salaries to contract employees without evidence of attendance - Rs 1,120.680 million

Workers Welfare Board Khyber Pakhtunkhwa notified a Rationalization Committee on 12th February, 2016 in pursuance of the decision taken in 81st Board meeting held on 30th December, 2016 for scrutiny and screening of all contractual appointments in WWB, Khyber Pakhtunkhwa. The Rationalization Committee was required to identify the following cases as per their assigned TORs:

i) 3rd Division holders
ii) Irrelevant qualification
iii) Overage
iv) Appointment during ban period
v) Fake Degree holders

Audit noted that Secretary, Workers Welfare Board, Khyber Pakhtunkhwa, Peshawar appointed 2,251 employees on contract basis and 531 contract employees of Metric Tech, Mono Tech and Poly Tech for performing duties in different Educational, Vocational Institutions of Khyber Pakhtunkhwa during the period 2010-13.

Audit observed that the employees were not evaluated as per above TORs. Audit further observed that salaries to the contract employees were released without obtaining evidence of attendance of the employees at the place of posting. Attendance sheets or biometric verification were not found attached with the pay rolls submitted by the schools to the Director, Education.

This resulted in un-authentic payment of salaries of Rs 1,120.680 million to the contract employees during the year 2017-18.

Audit pointed out the irregularity in September 2018. The Board did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends fixation of responsibility against the person (s) at fault.

(DP. 24)

10.4.6 Non-insurance of work costing - Rs 212.900 million

Clause 21.1-25 of the agreement provides to insure the works together with materials and plant by the contractor. He was also required to get third party insurance (including Employer's property) against liabilities for death of or injuries to any person or loss or damages to the property arising out of the performance of the contract and provide such evidence to the Employer prior to start of work. The bid rates shall be deemed to have included all such obligations required under the clause and no separate payment shall be made to the Contractor for such insurance.

Audit noted that Director, Works WWB, Khyber Pakhtunkhwa, Peshawar awarded the work "Construction. of Grammar School (male / female) at Shahbaz Azmat Khel, Bannu" to M/s Bannu Construction Co at agreement cost of Rs 212.900 million on 8th January, 2018. The work was started on 8th January, 2018 and was to be completed by 14th January, 2020 (24 months).

Audit observed that the Workers Welfare Board Khyber Pakhtunkhwa, Peshawar did not obtain insurance policy for Rs 212.900 million from the contractor. The absence of insurance arrangements put the workmanship and equipment at risk and increased the vulnerability of

WWB to incur a huge liability in case of an incident. Besides, the Contractor saved the amount of insurance premium which was built in his rates. This resulted in non-insurance of work costing Rs 212.900 million and non-recovery of Rs 2.129 million for un-insured period at the rate of 1% of contract cost.

Audit pointed out the non-recovery of un-insured period and non-insurance of work in September 2018. The Board did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early recovery of un-insured period.

(DP .23)

10.4.7 Delayed execution of work due to non-clearance of land - Rs 159.944 million

As per Para 2.6 of Project Management Guidelines of Planning Commission of Pakistan, it is important to watch that progress is not pushed at the cost of quality. It is also equally important that the works are not delayed / suspended or slowed down due to impediments in timely supply of materials, acquisition of land, and/or want of requisite funds at appropriate stages. All these strategic points must be sorted out well in advance by the Project Director in coordination with the concerned quarters to avoid time and cost over runs.

Audit noted that the WWB Quetta planned to execute a project "Construction of Girls High School at Sor-Range". PC-I of the project was prepared in April 2015 of Rs 187.942 million which includes construction cost as Rs 159.944 million. The PC-I of the project disclosed that land measuring 4 acres was mutated in the name of WWB through Pakistan Medical & Dental Council. The work was awarded on 23rd February 2018 to M/s Baloch Construction at agreement cost of Rs 159.944 million.

Audit observed that the work was started on 15th March 2018 but the work was stopped by the local tribes having claim that the land belongs to their tribe. The contractor did not submit any bill upto October 2018 due to stoppage of work. Audit further observed that mobilization advance of Rs 15.944 million was paid to the contractor during April-May 2018 for which recovery had not been started due to non-submission of bills and non-start of work. This resulted in award of work without clearance of land and non-execution of work involving Rs 159.944 million.

Audit pointed out the matter in November 2018. The Board admitted the audit observation.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early settlement of issues and completion of work besides recovery of mobilization advance.

(DP.29)

10.4.8 Overpayment due to non-adjustment of de-escalation amount - Rs 6.250 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.

Audit noted that the WWB Khyber Pakhtunkhwa, Peshawar awarded six different works on 11th November, 2013 and 19th February 2014 with revised date of completion as 31st December, 2018 and 30th August, 2018.

Audit observed that prices of specified material provided in the Appendix C to the contract were decreased from those prevailing 28 days prior to bid submission date but project management did not make adjustment of the increase/decrease in the prices of specified material. This resulted in overpayment of Rs 6.250 million due to non-deduction of price de-escalation.

Audit pointed out the overpayment in September 2018. The Board did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends for early recovery of the amount of de-escalation under intimation to Audit.

(DP.21)

CHAPTER 11

MINISTRY OF PLANNING, DEVELOPMENT AND REFORM (SPECIAL PROJECT CELL) PRIME MINISTER'S PROGRAMME FOR RECONSTRUCTION & REHABILITATION OF AFGHANISTAN

11.1 Introduction

Prime Minister's Programme for Reconstruction & Rehabilitation of Afghanistan was launched during the financial year 2001-02. Initially the Programme was started with a donation of US$ 100 million which was subsequently increased to US$ 300 million. The Programme is being implemented through Ministry of Planning, Development and Reforms (Special Project Cell-Afghan Projects).

A Committee for Reconstruction and Rehabilitation of Afghanistan (CRRA) was constituted to provide for institutional base in Government of Pakistan to coordinate its efforts for Reconstruction and Rehabilitation of Afghanistan by Planning and Development Division on 4th December, 2001. The Terms of Reference of the CRRA as envisaged in Chief Executive Secretariat U.O. No. 1(32)/DS(D-3)/2001 dated 29th November, 2001 are as under:

- i) Identification of Sectors and Public/Private sector companies which can participate.
- ii) Sector-wise need assessment with the help of data available on Afghanistan and preparation of a strategy.
- iii) Assessment of shortcomings of the companies especially, in their capacity to compete in international bidding and rectification thereof.
- iv) Revival of bilateral and multilateral projects where MOU/agreement has already been signed with Afghanistan.

The Projects were being executed through National Logistic Cell, Frontier Works Organization, National Highway Authority, NESPAK and Ministry of Foreign Affairs. As per procedure, payments for work done, supplies made or services rendered are processed on submission of bills by the contractors to Planning & Development Division (Special Project Cell - Afghan Projects). After scrutiny, Planning & Development Division forwards the claims to Ministry of Finance which issues surrender order. Planning & Development Division releases claims as per surrender order against which AGPR issues cheques after pre-audit.

Directorate General Audit Works (Federal), Islamabad conducted audit of the Programme as per direction of Auditor General of Pakistan in pursuance of the request of Planning & Development Division vide their letter No. 11(52)Afg/PC/2013 dated 3rd July, 2013. Eleven (11) projects under the Prime Minister's Programme were subject to the audit. Nine projects relate to infrastructure development while two relate to trainings of Afghan officials and scholarships for Afghan students.

11.2 Comments on Accounts

Audit was conducted during 2017-18 (Phase-II) covering accounts for the financial year 2016-17. During the financial year 2016-17 budget and expenditure figures were as under:

(Amount Rs in million)

Financial year	Budget	Expenditure
2016-17	3,000	2,544.712

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

Compliance position of PAC's directives on Audit Reports relating to Prime Minister's Programme for Reconstruction & Rehabilitation of Afghanistan is as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
2013-14	20	20	08	12	40

11.4 AUDIT PARAS

Irregularity and Non-compliance

11.4.1 Award of work without open competition and subletting of consultancy services - Rs 67.902 million

Rule 12(2) of Public Procurement Rules 2004, provide that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. Rule 15 provides that a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

Audit noted that the Ministry of National Health Services, Regulation and Coordination awarded a consultancy contract for Medical Equipment Planning of three hospitals in Afghanistan to M/s NESPAK at cost of Rs 67.902 million on 26th January, 2015 without pre-qualification and calling of open tenders as no record pertaining to pre-qualification and bidding was made available to Audit.

Audit observed that the firm was not registered with the PEC in the specified discipline as required under the PEC Consultancy By-laws, 1986. Audit further observed that M/s NESPAK on its website has mentioned its consultancy services for electrical and civil works only. No other expertise in medical field were mentioned in its profile. So the award of work to a non- specified consultant without open tendering stands irregular involving Rs 67.902 million.

Audit further observed that M/s NESPAK further awarded /sublet its consultancy work to M/s Health solutions at cost of Rs 9.450 million on January 2016. M/s NESPAK was not relevant for making bidding documents and installation of medical equipment as the consultant was technically sound for electrical and civil works (as per profile of the company available on its Web) that's why they sublet the contract to another firm M/s Heath Solutions Pakistan at very low price Rs 9.450 million. Had the consultancy was awarded through open bidding, the management could have saved a huge amount of Rs 58.452 million (difference between cost of NESPAK and M/s Health Solutions).

Audit pointed out the irregularity in May, 2018. The department did not reply.

DAC meeting was not convened despite efforts by Audit.

Audit recommends fixation of responsibility for violation of rules.

(DP. 05, 12)

11.4.2 Non-availability of vouched accounts for the payments made to other departments – Rs 837.228 million

As per para 72 of Central Public Works Account Code (CPWA), as a general rule, every payment including repayment of money previously lodged with Government for whatever purpose, must be supported by a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts. The full name of the work as given in the estimate and other particulars specified in paragraph 198 or the head of account, to which the charges admitted on a voucher are debit able, or to which the deductions or other credits shown in the voucher, are creditable, should be clearly indicated on it in the space provided for the purpose or in some prominent position.

Audit noted that Special Project Cell released an amount of Rs 837.228 million to Higher Education Commission, Ministry of

Railways and Ministry of Housing & Works for different works relating to HVAC systems, procurement of furniture, lifts in buildings, scholarships to Afghan students and feasibility study for new rail link between Loi Shalman valleys to Jalalabad. Huge amounts were paid to ministries/ departments but their vouched accounts /record was not submitted by them to the Special Project Cell at Ministry of Planning, Development and Reform. This resulted in to non-availability of vouched accounts for Rs 837.228 million.

Audit pointed out the irregularity in May 2018. The department did not reply.

DAC meeting was not convened despite efforts by Audit.

Audit recommends for early adjustment of paid amount.

(DP. 17)

Internal Control Weaknesses

11.4.3 Payment to the contractor without estimate and vouched account - Rs 409.500 million

According to official noting 170 dated 16.06.2017 and approved revised PC-I for the project "Construction of Additional Carriageway Torkham-Jalalabad Afghanistan", provision of security charges was made @ 13% of balance project cost i.e. civil work cost after IPC-6 was to be considered for payment of security charges.

Audit noted that an amount of Rs 409.500 million was paid as Security Charges against the project "Construction of Additional Carriageway Torkham-Jalalabad Afghanistan."

Audit observed that remaining work was carried out to the tune of Rs 1,149.724 million, therefore, security charges were required to be paid for Rs 149.464 million instead of Rs 409.50 million. This resulted in overpayment of Rs 260.036 million.

Audit further observed that agreement of M/s FWO with local security service providing company showing agreed rates and other terms and conditions was not on record.

Audit pointed out the irregularity in May 2018. The department did not reply.

DAC meeting was not convened despite efforts by Audit.

Audit recommends early recovery of the amount involved.

(DP. 14)

11.4.4 Non-recovery of mobilization advance - Rs 338.247 million

According to clause 60.13(a) of agreement, an interest free mobilization advance upto 15% of the contract cost stated in the letter of acceptance shall be paid by the employer to the contractor in two equal parts upon submission by the contractor of a mobilization advance guarantee for the full amount of the advance in the specified form from a scheduled bank of Pakistan acceptable to the employer.

Audit noted that Project Director, "Construction of Additional Carriageway Torkham-Jalalabad Afghanistan" paid an amount of Rs 651.125 million initially on account of mobilization advance on 03rd April, 2008. The project was stopped due to law and order situation in 2011. The recovered amount of mobilization advance up to 2011 was Rs 544.107 million leaving a balance of Rs 107.018 million. The work was restarted in 2015 and further mobilization advance of Rs 484.914 million was given to the contractor as per revised contract cost. Recovery of Rs 253.685 million was made up to 2016. This resulted in non-recovery of mobilization advance Rs 338.247 million.

Audit pointed out the non-recovery in May 2018. The department did not reply.

DAC meeting was not convened despite efforts by Audit.

Audit recommends early recovery.

(DP. 18)

11.4.5 Non-rectification of damaged works - Rs 294.550 million

As per Clause 19.1 of Contract agreement, the contractor shall exercise care to protect the natural landscape and shall conduct his construction operations so as to prevent any unnecessary destruction, scarring or defacing of the natural surroundings in the vicinity of the works, except where clearing is required for permanent works, approved temporary works and for excavation operations. Where unnecessary destruction, scarring damage or defacing may occur as a result of the contractor's operations, it shall be repaired, replanted or otherwise corrected as directed by the Engineer at contractor's expenses.

Audit noted that Project Director, "Construction of Additional Carriageway Torkham-Jalalabad Afghanistan" paid an amount of Rs 294.550 million on account of rectification works to M/s FWO through IPC No.13 in February 2018.

Audit observed that the work was under care of the contractor. Therefore, all kind of expenditures to rectify the damages was required to be borne by the contractor but in this case, the damages were rectified at the cost of Employer instead of contractor. This resulted in non-recovery of damaged works of Rs 294.550 million.

Audit pointed out the issue in May 2018. The department did not reply.

DAC meeting was not convened despite repeated efforts by Audit.

Audit recommends early recovery of the amount involved under intimation to Audit.

(DP. 13)

Annexure-1: MFDAC

Six-hundred and twelve (612) 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.	National Highway Authority	251
2.	Capital Development Authority/Metropolitan Corporation Islamabad	79
3.	Civil Aviation Authority	112
4.	Pakistan Public Works Department	96
5.	Estate Office	4
6.	Federal Government Employees Housing Foundation	4
7.	National Construction Limited	1
8.	Pakistan Housing Authority Foundation	4
9.	Higher Education Commission	22
10.	Workers Welfare Fund/Boards	24
11.	Planning Development and Reform	15
	Total	**612**

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 NHA, CDA, CAA, Pak. PWD, Estate Office, FGEHF, National Construction Limited, PHAF, HEC, Workers Welfare Fund/Boards and Planning, Development & Reform Division (Special Project Cell) 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 competent forum, 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, separate payment for built-in items, 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, mobilization advance, etc. were noticed which have been highlighted in this Audit Report.

Annexure-A

Para No. 2.4.1

Award of additional works without fresh tenders - Rs 7,778.46 million

Rs in million

S. No.	Formation	Agreement Cost	Additional Work Cost	Percentage of additional work	DP No.
1.	Construction of Road Safety Training Institute NH&MP at H-8/2 Islamabad	63.626	90.533	142%	117
2.	RM-PN-15-05-08	9.987	33.53	336%	292
3.	RM-PN-15-05-09	9.592	35.524	370%	
4.	RM-PN-15-05-10	8.029	36.922	460%	
5.	RM-PN-15-05-11	8.337	1.858	22%	
6.	RM-PN-14-05-13	5.217	3.925	75%	
7.	SM-PN-14-05-112	16.636	29.578	178%	
8.	SM-PN-14-05-113	16.334	31.259	191%	
9.	SM-PN-14-05-115	9.545	38.983	408%	
10.	PM -2013-14-PN-10	30.494	12.838	42%	
11.	RM-PN-15-05-17	6.848	2.399	35%	
12.	NH&MP Building 14-03 (Package-2)	20.464	28.938	141%	300
13.	GM LRTP - Temporary Operation of Tunnel (New work without tender)	0	163.209	100%	364
14.	PM-2015-16-PN-06	154.284	58.043	38%	291
15.	PM-2015-16-PN-05	159.143	40.129	25%	
16.	PM-2015-16-PN-04	50.258	15.949	32%	
17.	PM-2014-15-PN-09	338.288	16.156	4.8%	
18.	Construction of Shaheed Benazir Bhuttu Bridge Over River Indus Connecting	1151.522	145.672	13%	475

S. No.	Formation	Agreement Cost	Additional Work Cost	Percentage of additional work	DP No.
	Chachraan Sharif with Kot Mithan Package-2B				
19.	PM-2014-15-BN-05-N-40	164.036	24.535	15%	419
20.	Widening of main carriageway from Faizpur Interchange M-2 Lahore to Ravi Toll	36,825.00	6,395.760	17.37%	343
21.	RM-(M-I)-2015-16-03	6.271	2.588	41%	219
22.	RM-(M-I)-2015-16-09	5.291	2.290	43%	
23.	RM-(M-I)-2015-16-10	4.751	4.097	86%	
24.	RM-(M-I)-2015-16-11	4.517	3.867	86%	
25.	RM-(M-I)-2015-16-12	4.849	3.867	80%	
26.	PM-2014-15-PN-09 (Change of complete design)	0	217.695	100%	298
27.	PM-2013-14-BN-01 (Change of location)	0	224.003	100%	412
28.	BS-01-2014-15-BS (Change of location)	0	104.467	100%	45
29.	Rehabilitation of Center Pier of Lunda Bridge (Without tender on emergency basis)	0	9.846	100%	94
	Total	**39,073.319**	**7,778.46**		

Annexure-B

Ref to Para 2.4.15

Non-recovery of unexecuted works - Rs 14,884.047 million

DP No	Description	Amount (Rs in million)
123	Non-execution of HT Cable and Galvanized steel pipe	1,831.857
124	Less execution of pipe culvert 1.22 meter dia	2,523.576
126	Non-construction of service roads	2,430.000
128	Provision of survey equipment, material testing laboratory, offices etc	808.122
129	Non-recovery due to execution of Sub-base and Aggregate Base in less layers	1,563.623
131	Less construction of Sand Platform	5,043.007
132	Reduction in thickness of Asphaltic Base Course from 34cm to 30cm	177.974
142	Non construction of test piles and road side facilities	505.888
	Total	**14,884.047**

Annexure-C

Ref to Para No. 2.4.16

Non-imposition of liquidated damages - Rs 10,204.262 million

(Rs in million)

S No	Formation	Name of work	Physical progress	Liquidated damages	DP No
1	Hakla-DI Khan Motorway	Package-V	36%	1,688.680	192
		Package-IV	42%	2,138.620	
		Package-III	39%	2,062.890	
		Sub Package-2A, 2B, 2C	49%, 51%, 19%	2,362.057	
		Package-I	52%	1,275.834	
2	GM Construction Punjab Lahore	Construction of river training and protection woks Shaheed Benazir Bhutto Bridge	87%	207.450	483

S No	Formation	Name of work	Physical progress	Liquidated damages	DP No
		connecting Chachran Shareef Kot Mithan Package-IV			
3	GM Construction Punjab Lahore		49%	32.790	479
4	GM Construction Punjab Lahore	Construction of Bridge over Ravi River at Syedwala Pattan District Okara	35%	82.932	443
5	GM M-8	Shahdadkot Road Section-IV, Package-III (M-8)	75%	111.584	384
6		Replacement of Temporary Old Bridges with permanent bridges (steel equipment bridges & RCC bridges) on Gilgit Skardu Road		36.800	305
7	GM Khyber Pakhtunkhwa, Alpuri – Basham	Package-I Package-II Package-III Package-IV	88%	130.315	348
8	GM N-50	Zhob-Mughal Kot (Lot-1 & II)		70.030	259
9		PNRHP – 17 contracts		4.280	152
Total				**10,204.262**	

<u>Annexure-D</u>

Ref to Para No. 2.4.20

Overpayment due to non-adjustment of price de-escalation and incorrect price escalation - Rs 1,716.685 million

(Rs in million)

S No	Name of Formation	Description	Amount	DP No.
1	GM Construction NHA Khyber Pakhtunkhwa	De-escalation	5.812	286
2	Construction of approach road from Kot Mithan to N-55 of Shaheed Benazir Bhutto Bridge over River Indus connecting Chachran Sharif with Kot Mithan	De-escalation	5.001	462
3	Construction of Road Safety Training Institute NH&MP at H-8/2 Islamabad	De-escalation	0	118
4	Widening and improvement with closed U-Turns from Rawat T-Chowk to Fauji Foundation Hospital Rawalpindi	De-escalation	54.261	112
5	Dualization of Balance portion of Sukkur Bypass	De-escalation	8.849	99
6	Construction of Kharan-Yakmach Road Project Section-I	De-escalation	28.224	36
7	Lyari Expressway Karachi	Enhancement / Revision of Factor-C	248.068	328 329
8	Lowari Tunnel Project	Enhancement / Revision of Factor-C	1,148.629	367
9	Hoshab-Nag-Basima	Escalation on component having less than 5% impact	93.429	394
10	Lyari Expressway Karachi	Escalation on incorrect current rates	25.422	330
11	Gwadar-Hoshab M-8	Escalation on incorrect current rates	7.149	376
12	Gwadar-Hoshab M-8	Escalation on incorrect current rates	1.906	379
13	Lyari Expressway Karachi	Escalation paid on Steel Billet instead of Iron Bars	30.398	331
14	Jalalpur Pir Wala Uch Sharif Section	Escalation paid on re-rated items	59.537	450 452
		Total	**1,716.685**	

Annexure-E

Ref to Para No. 2.4.26

Non-recovery of mobilization advance – Rs 791.215 million

(Rs in million)

DP No.	Name of work	Mobilization Advance		
		Amount Paid	Paid on	Recoverable
287	Construction of Peshawar Northern Bypass (Package-II) Charsadda road to Warsak road	215.597	06.06.2016	215.597
383	Gwadar-Ratodero Road Project Khuzdar-Shahdakot Road Section-IV, (Package-III)	103.232	31.01.2009	48.500
435	Improvement & Widening of additional two lanes on either side from Thokar Niaz Baig to Hudyiara Drain Multan Road (N-5) for 10.170 km, Lahore	527.118	07.04.2017	527.118
Total		**845.947**	**-**	**791.215**

Annexure-F

Ref to Para No. 2.4.30

Non-recovery due to non-insurance of works - Rs 376.322 million

(Rs in million)

S No	Project/formation	No. of contracts	Cost of works to be insured	Premium recoverable	DP No
1	GM North NHA Sukkur	03	1,384.879	13.848	14
2	Construction of Kuchlac Bypass (KM 15.243), 04 bridges, 03 Toll Plazas and 02 Weigh Stations of Kalat-Quetta-Chaman at N-25	01	3,133.389	6.963	26

S No	Project/formation	No. of contracts	Cost of works to be insured	Premium recoverable	DP No
3	Widening and improvement with closed U-Turns from Rawat T-Chowk to Fauji Foundation Hospital Rawalpindi	01	1,033.145	10.331	113
4	Rawat-Rawalpindi Widening Project (RRWP) – Phase-II, Conversion of 02 Lane Lai and Sawan Bridges to 04 Lane Bridges -KM1533 to 1534- RH-RWP15-16-PH-02	01	1,430.044	14.300	115
5	Construction of Multan - Sukkur Motorway	01	0	0	134
6	GM (Maint), Balochistan West, NHA, Gawadar	02	5.152	0.051	217
7	Construction of a 4 Lane Bridge Across River Indus Linking Layyah With Taunsa including 2-Lane Approach Roads and River Training Works (Package-I Major Bridge on River Indus)	01	3,093.477	30.935	229
8	GM Construction Khyber Pakhtunkhwa	02	6,045.716	60.457	288
9	GM Yakmach Kharan	03	5,697.26	56.97	326
10	Construction of Burhan Hakla to D.I. Khan Motorway	02	42,015.163	45.109	72
11	Construction of Burhan Hakla to D.I. Khan Motorway	-	7735.800	77.358	83
12	Additional Works Kalat Quetta Chaman Road	01	6060.800	60.00	407
Total		**18**	**77,634.825**	**376.322**	

<u>Annexure-G</u>

Ref to Para No. 2.4.34

Non-Compliance of DAC directives regarding recoveries - Rs 257.256 million

(Rs in million)

Sr. No	PDP	Subject	DAC directives	Amount
1.	68	Overpayment to the contractor in the shape of undue benefit - Rs 12.107 million	During DAC meeting held on 7th& 8th November, 2018. NHA admitted the overpayment. The DAC directed NHA to effect recovery from the next IPC and get it verified from Audit.	12.107
2.	145	Unauthorized/unjustified payment to the contractor on account of insurances and taxes - Rs 2.562 million	During DAC meeting held on 12th and 13th December. 2018, DAC Settled the para subject to recovery of the admitted amount by NHA by 26th December, 2018 and its verification from Audit.	2.562
3.	161	Overpayment due to non-deduction of cost of available stone – Rs 15.161 million	During DAC meeting held on 12th and 13th December. 2018, NHA admitted recovery. DAC settled the para subject to recovery and its verification by Audit.	15.161
4.	164	Loss due to inclusion of cost of stone in the items of work – Rs 100.363 million	During DAC meeting held on 12th and 13th December. 2018, NHA admitted recovery. DAC settled the para subject to recovery and its verification by Audit.	100.363
5.	190	Overpayment due to measurement of item No.104 under the chainages of item No.106 (a)-Rs 2.256 million	During DAC meeting held on 12th and 13th December. 2018, the project Management admitted the overpayment. Para was settled subject to verification of recovery within 60 days.	2.256
6.	194	Un-justified payment due to executing/ measuring/ paying Item No. 109-a in the same area of Item No. 110 – Rs 39.245 million	During DAC meeting held on 12th and 13th December. 2018, the Project Management admitted the recovery. Para was settled subject to verification of recovery and issuance of warning to supervision consultant under intimation to Audit and PAO.	39.245
7.	200	Overpayment due to double measurement of certain chainages under of item No.101 and 104 - Rs 1.731 Million	During DAC meeting held on 12th and 13th December. 2018, Para was settled subject to verification of recovery.	1.731
8.	203	Undue payment owing to payment of structural excavation twice time once under Item No. 107 and secondly under Item No. 108(d)-Rs 5.826 Million	During DAC meeting held on 12th and 13th December. 2018, Para was settled subject to recovery of the undue payment and its verification by Audit at the earliest.	5.826

Sr. No	PDP	Subject	DAC directives	Amount
9.	205	Overpayment due to measurement of item No.108(c) under Bridge chainages from 50+400 to 50+460- Rs 7.431 million	During DAC meeting held on 12th and 13th December. 2018, Para was settled subject to recovery of the overpayment and its verification by Audit besides issuance of warning to the Supervisory Consultant for oversight approach.	7.431
10	247	Non-deduction of cost of Weep Holes from the stone masonry item - Rs 2.764 million	During DAC meeting held on 26th December, 2018, NHA admitted recovery. DAC directed that recovery will be affected by 31st January, 2019 by GM (N-50) under intimation to Audit.	2.764
11	251	Overpayment due to non-adjustment of the downward spray rate - Rs 8.001 million	During DAC meeting held on 26th December, 2018, NHA admitted recovery. DAC directed that recovery will be affected by 31st January, 2019 by GM (N-50) under intimation to Audit.	8.001
12	97	Excess expenditure due to execution of item of work beyond approved design-Rs 2.975 million	During DAC meeting held on 7th& 8th November, 2018, NHA admitted the payment of excess quantity of 5,660.21 cubic meter of granular sub-base for Rs 5.004 million. DAC directed NHA to effect recovery from the next IPC and get it verified from Audit.	5.004
13	223	Overpayment due to payment of an item of work at higher rates - Rs 5.020 million	During DAC meeting held on 26th& 27th December, 2018. Mr. Amjad GM(M-I) NHA assured that recovery of Rs 5.020 million will be effected. DAC directed NHA to effect recovery by 15th January, 2019 under intimation to Audit.	5.020
14	258	Overpayment due to separate measurement of built-in component – Rs 5.952 million	During DAC meeting held on 26th& 27th December, 2018, NHA admitted recovery. DAC directed that recovery will be affected by 31st January, 2019 by GM (N-50) under intimation to Audit.	5.952
15	257	Overpayment due to non-deduction of volume of riprap – Rs 5.382 million	During DAC meeting held on 26th& 27th December, 2018, NHA admitted recovery. DAC directed that recovery will be affected by 31st January, 2019 by GM (N-50) under intimation to Audit.	5.382
16	357	Overpayment in violation of contract clause - Rs 38.451 million	During DAC meeting held on 15th January 2019, NHA admitted recovery. DAC directed that recovery will be affected by 15.02.2019.	38.451
			Total	**257.256**

Annexure-H

Ref to Para No. 2.4.39

Execution of work beyond design/drawing - Rs 123.651 million

DP No	Project	Issue	Amount
449	Construction of Bridge Over Ravi River Syed Wala Pattan	Measurement of item 108c beyond x-section	7.816
457	Shaheed Benazir Bhutto Bridge project	Excessive measurement of item SP-10 and 108c than X-section	60.313
461		Excessive height of embankment than X-section	31.196
476		Excessive measurement of granular sub base than X-section	10.538
477		Measurement of ABC at 0.15 cm thickness than 0.10 cm	7.095
478		Excessive measurement of TST and ABC than X-section	6.693
		Total	**123.651**

Annexure-I

Ref to Para 4.4.2

Payments without recording measurements - Rs 8,947.538 million

DP. No.	Name of Work/project	Amount (Rs in million)
75	Provision of Additional Taxiway Edge Lights at Extended Portion of Taxiway 'A' & Provision of Alternate Circuit for Taxiway Edge Lights Installed at Multan Airport	5.657
130	Expansion of Terminal Building Allama Iqbal International Airport, CAA, Lahore	3,587.67
138	Access Roads, Allama Iqbal International Airport, CAA, Lahore	678.657
178	External Electrification & Telecom Works, IIAP, Islamabad	1,216.00
	Construction of Aviation Building, IIAP, Islamabad	223.00
	Additional Roads Network at IIAP, Islamabad	282.00
	Additional Airside Buildings, IIAP, Islamabad	177.00

DP. No.	Name of Work/project	Amount (Rs in million)
	Installation of High-Pressure Internal Gas Pipelines,	156.00
	Allied Works- UVSS at IIAP, Islamabad	108.00
	Gates & Fencing, IIAP, Islamabad	24.00
181	Const. of ASF Camp (Phase-I)	1,008.342
	Const. of Rain Water Harvesting Ramma Dam	622.421
	Additional Work (Aviation Building)	302.079
	Const. of ASF Camp (Phase-II)	265.808
	Const. of Rain Water Harvesting Kasana Dam	225.569
	Const. of Rain Water Harvesting Ramma Dam (Link Road)	31.916
	Const. of Rain Water Harvesting Ramma Dam (Additional Work)	27.919
	Const. of ASF Camp (Phase-III)	5.500
Total		**8,947.538**

Annexure-J

Ref to Para 4.4.17

Non-imposition of liquidated damages - Rs 2,408.707 million

S No	DP No	Formation	Name of work	%age of contract amount	Liquidated damages Rs in million
1.	116	Additional Director, Engineering Services (South) CAA, Karachi	Rehabilitation of cattle fence at Moen-jo-Daro Airport" and "Construction of Additional toilets block (Ladies and Gents) in domestic arrival lounge at JIAP, Karachi"	10%	2.134
2.	129	PD, Lahore Airport Project	Passenger Terminal Building Expansion Project (Car Parking)	10%	590.39
3.	149	PD, Peshawar Airport Project	Expansion and Renovation of Bacha Khan International Airport, Peshawar	10%	189.60
4.	169	PD IIAP Project, Islamabad	Package-9 Aircraft Stand Equipment	10%	599.130

S No	DP No	Formation	Name of work	%age of contract amount	Liquidated damages Rs in million
5.	172	PD IIAP Project, Islamabad	Package-5 PTB Furniture, Seating, Counters & Signage	20%	300.440
6.	174	PD IIAP Project, Islamabad	Package-4A "Airport Information Management System (AIMS)	20%	309.531
7.	175	PD IIAP Project, Islamabad	External Electrification & Telecom Works	20%	227.069
8.	182	PD-II IIAP Project, Islamabad	Airport Security Force Camp Phase-1 and Phase-II	10%	190.413
Total					**2,408.707**

Annexure-K

Ref Para 4.4.18

Non-recovery of outstanding dues from commercial parties - Rs 2,250.907 million

DP No	Location	Description	Amount (Rs in million)
01	APM, JIAP Karachi	Recoverable from Commercial licensees (2016-17)	114.813
02	APM, JIAP Karachi	Recoverable from Government agencies (2016-17)	1,083.616
16	APM, JIAP Karachi	Recoverable from allottees of CAA residences (2016-17)	3.517
53	Finance Directorate	Recoverable on account of non-aeronautical revenue (2016-17)	3.487
87	APM, JIAP Karachi	Recoverable from M/s TCS and Star Aviation (2017-18)	100.287
90	APM, JIAP Karachi	Recoverable from Government Departments	724.514
93	APM, JIAP Karachi	Recoverable from M/s Pakistan Aviation Engineering and M/s Wateen Telecom Ltd	2.307
94	APM, JIAP Karachi	Recoverable from Commercial licensees (2017-18)	135.093
96	APM, JIAP Karachi	Recoverable from UIG	2.463

DP No	Location	Description	Amount (Rs in million)
		(Ramada Hotel)	
103	HR (BS) HQCAA	Recoverable from allottees of CAA residences (2017-18)	17.794
105	HR (BSS) HQCAA	Recoverable from allottees of CAA residences (2017-18)	18.856
122	APM, Faisalabad	Recoverable from Commercial licensees (2017-18)	8.599
150	APM Bacha Khan International Airport, Peshawar	Recoverable from Commercial licensees (2017-18)	21.871
159	APM, JIAP Karachi	Recoverable from M/s Shaheen Airline	3.600
160	APM AIIAP, Lahore	Recoverable from duty free shops	1.768
183	APM, Lahore	Recoverable on account of non-utilization charges	8.322
Total			**2,250.907**

Annexure-L

Ref to Para 5.4.1

Non-obtaining of insurance policies/performance securities of Rs 2,479.348 million and non-recovery of premium - Rs 24.793 million

(Rs in million)

Sr. No.	DP No.	Name of Division	Nos. of works	Amount	Remarks
Non-obtaining of insurance policies					
1.	02	C E/M-I D, PPWD Karachi	02	39.054	Non-obtaining
2.	118	CCD-II Pak PWD Lahore	01	25.456	Non-obtaining
3.	52	CCD-Pak PWD Muzaffargarh	01	1,692.2	Non-obtaining
4.	154	CCD, Sialkot	07	368.649	Not revalidated
5.	76	PCD-IV, Islamabad	01	87.375	Non-obtaining
		Total	**12**	**2,212.734**	

Non-obtaining/revalidation of performance securities					
6.	41	CCD Pak PWD Abbottabad	13	125.380	20% Insurance Bond of contract amount Not revalidated
7.	128	CCD-II Pak PWD Lahore	04	104.369	Non-obtaining
8.	153	CCD Pak PWD Sialkot	07	36.865	Not revalidated
		Total	**24**	**266.614**	
Grand Total				**2479.348**	
1%				**24.793**	

<u>Annexure-M</u>

Ref to Para 5.4.12

Unauthorized payments on account of excess quantities/deviations without approval of the competent forum - Rs 393.795 million

S. No	**DP No.**	**Name of Division**	**Amount (Rs in million)**	**Remarks**
1.	06	CCD-IV, PPWD, Islamabad	150.660	Excess over BOQ
2.	70	CCD-IV, PPWD, Islamabad	27.670	-do-
3.	21	CCD-VIII, PPWD, Islamabad	13.341	-do-
4.	30	CCD-II, PPWD, Peshawar	5.496	-do-
5.	155	CCD, PPWD, Sialkot	4.923	-do-
6.	12	CCD-III, PPWD, Peshawar	2.272	-do-
7.	59	CCD, Muzaffargarh	67.265	-do-
8.	186	CCD-II, PPWD, Islamabad	88.062	Extra/Substitute item without approval
9.	187	CCD-I1, PPWD, Islamabad	17.307	-do-
10.	127	CCD-II, PPWD, Lahore	12.201	-do-
11.	67	CCD-I, PPWD, Lahore	3.645	-do-
12.	98	CCD-I, PPWD, Quetta	0.953	-do-
Total			**393.795**	

Annexure-N

Ref to Para 5.4.13

Unjustified delay in inquiry proceedings involving serious financial irregularities/loss - Rs 4,215.391 million

Rs in million

DP No	Name & Designation	Charge Sheet issued vide No.	Brief description of case/charge sheet	Amount
DP-82	Mr. Atiq ur Rehman E.E(civil)	F.11(16)/90-Admn-III Dated 06.05.2014	Financial loss of Rs. 68.553 million to public exchequer in execution of development schemes in Tehsil Gujar khan Distt. Rawalpindi NA-51 (old)	68.533
		F.11(16)/90-Admn-III Dated 06.05.2014	Responsible to award the tender of Rs. 3,752 million on exorbitant high rates and caused loss of Rs. 3,752.00 million in development schemes of NA-51 (old) & NA-48 (old) Distt. Rawalpindi/ Islamabad.	3,752.00
		F.11(16)/90-Admn-III dated 06.05.2014	Financial loss of Rs. 145.230 million in NA-51 (old) development schemes.	145.230
	Khursheed Ahmad Mirza A.E.E Civil	F.11(6)/94-Admn-III Dated 28.05.2013	Committed financial irregular fraud cheating, violation PPRA Rules and deliberately caused financial loss of Rs. 20.000 million to Govt. in execution of 04 Nos development schemes in Distt. Sheikhupura.	20.00
		F.11(6)/94-Admn-III Dated 28.05.2013	Embezzlement of fund by making bogus payments to contractors i.e. without execution of work in Distt. Gujranwala. Causing a financial loss of Rs. 18.780 million	18.780
	Zaheer Ahmad Warraich S.E	F.11(39)/91-Admn-III(b) Dated 31.05.2018	Unauthorized expenditure under cover of works contingencies Rs. 1.015 million relating to CCD- Pak.PWD Sargodha (ceremony charges of Eid Millan Party)	1.015
DP-	Mr. Rafaqat	F.11(12)/90-	Committed fraud/cheating by	10.00

DP No	Name & Designation	Charge Sheet issued vide No.	Brief description of case/charge sheet	Amount
84	Iqbal AEE	Admn-III Dated 04.02.2014	steeling/misplacing two (02) vehicles which eventually has caused loss of Rs 10.00 million to National Exchequer. The vehicles were received by him from NLC against following two projects. a. Dualization of Mandara to Chakwal Road b. Dualization of Sohawa to Chakwal Road	
		F.11(12)/90-Admn-III Dated 28.05.2014	Financial loss of Rs 68.553 million to the public exchequer in execution of development scheme in Tehsil Gujjar Khan Distt. Rawalpindi (NA-51) 1. Const. of boundary/retaining wall Nullah and PCC road etc. at Sarwar Shaheed (NH) Govt. Degree College for boys Gujjar Khan 2. Widening/resurfacing of road from Jabar to Bewal Tehsil Gujjar Khan	68.553
		F.11(12)/90-Admn-III Dated 27.05.2014	Embezzlement in development schemes of constituency (NA-51) Gujjar Khan (Loss of Rs 131.28 million	131.28
			Total Rs	**4,215.391**

Annexure-O

Ref to Para 5.4.15

Award of additional/varied work without tendering - Rs 132.426 million

(Rs in million)

S. No.	Name of Work/Scheme	PC-I Cost	Agreement Cost	Cost of Extra/ Subt. Item	variation with reference to original estimate
1	Re-Construction / Improvement of Road from Kot Naina to Agency More via Harial Jagial Tehsil Shakargarh District Narowal	70.956	55.577	33.862	61%
2	Construction of Road from Basao Kot to Agency More via Fatui Chak , Noeshra , Beco Chak Tehsil Shakargarh District Narowal	71.927	53.007	28.664	54%
3	Widening /Improvement of Road from Agency More to Bara Manga Tehsil Shakargarh District Narowal	24.181	17.129	16.881	99%
4	Widening /Improvement of Road from Wali Pur Bhoora to Bara Manga via Jarpal Plot Tehsil Shakargarh District Narowal	28.142	20.361	17.886	88%
5	Widening /Improvement of Road from Agency More to Indra More Via Malik Pur Tehsil Shakargarh District Narowal	49.497	35.657	35.133	99%
	Total	**244.703**	**181.731**	**132.426**	