



**AUDIT REPORT
ON
THE ACCOUNTS OF
CDA, CAA, NHA, PAK PWD,
ESTATE OFFICE, FEDERAL GOVERNMENT
EMPLOYEES HOUSING FOUNDATION,
NATIONAL CONSTRUCTION LTD.,
PAKISTAN HOUSING AUTHORITY FOUNDATION,
EVACUEE TRUST PROPERTY BOARD,
FRONTIER CORPS, PAK RANGERS,
HIGHER EDUCATION COMMISSION,
WORKERS WELFARE FUND/BOARDS AND
MINISTRY OF PLANNING, DEVELOPMENT &
REFORMS (SPECIAL PROJECT CELL)**

**GOVERNMENT OF PAKISTAN
AUDIT YEAR 2013-14**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

A.A.	Administrative Approval
ADA	Airport Development Agency
ADB	Asian Development Bank
ADP	Annual Development Programme
AGPR	Accountant General Pakistan Revenues
ATD	Advance Transfer Debit
ATM	Air Traffic Management
BBIAP	Benazir Bhutto International Airport
BOQ	Bill of Quantities
CAA	Civil Aviation Authority
CBF	Cantonment Board Faisal Karachi
CCD	Central Civil Division
CDA	Capital Development Authority
CDWP	Central Development Working Party
Cft	Cubic Foot
CMC	Corridor Management Contractor
CPWA	Central Public Works Account (Code)
CPWD	Central Public Works Department (Code)
CRRA	Committee for Reconstruction & Rehabilitation
CSR	Composite Schedule of Rates
cu.m	Cubic Meter
CVT	Capital Value Tax
CZ	Central Zone
DAC	Departmental Accounts Committee
DBA	Directorate of Budget & Accounts
DDO	Drawing and Disbursing Officer
DDWP	Departmental Development Working Party
D.G.	Director General
DHA	Defence Housing Authority
DP	Draft Para
DRB	Dispute Review Board
DRO	District Revenue Officer
ECNEC	Executive Committee of the National Economic Council
EO	Estate Office
EPA	Environmental Protection Agency

ERP	Enterprise Resource Planning
ETPB	Evacuee Trust Property Board
FAC	Final Acceptance Certificate
FAP	Foreign Aided Project
FAR	Floor Area Ratio
FBR	Federal Board of Revenue
FC	Frontier Corps
FDSS	Field Design Support Services
FERP	Flood Emergency Reconstruction Project
FGEHF	Federal Government Employees Housing Foundation
FIA	Federal Investigation Agency
FIDIC	Federation Internationale Des Ingenieurs-Conseils (International Federation of Consulting Engineers)
FWO	Frontier Works Organization
FY	Financial Year
GB	Governing Body
GFR	General Financial Rules
GI	Galvanized Iron
GPF	General Provident Fund
GPO	General Post Office
GST	General Sales Tax
GWL	General Waiting List
HBA	House Building Advance
HEC	Higher Education Commission
HQ	Headquarters
HSD	High Speed Diesel
I&T	Industrial and Trade (Centre)
IB	Instructions to Bidders
ICAO	International Civil Aviation Organization
ICB	International Competitive Bidding
ICT	Islamabad Capital Territory
IDC	Inter-Departmental Committee
IGFC	Inspector General Frontier Corps
IPC	Interim Payment Certificate
JIAP	Jinnah International Airport
JV	Joint Venture

KIBOR	Karachi Interbank Offered Rate
KKH	Karakoram Highway
KPK	Khyber Pakhtunkhwa
KVA	Kilo Volt Ampere
LC	Letter of Credit
LCD	Liquefied Crystal Display
LED	Light Emitting Diodes
LTO	Lowari Tunnel Organization
MB	Measurement Book
MES	Military Engineering Service
MFDAC	Memorandum for Departmental Accounts Committee
MGD	Million Gallons per Day
MoU	Memorandum of Understanding
MPO	Machinery Pool Organization
MRS	Market Rate System
NAM	New Accounting Model
NBBIAP	New Benazir Bhutto International Airport (Project)
NCL	National Construction Limited
NESPAK	National Engineering Services of Pakistan
NHA	National Highway Authority
NH&MP	National Highways & Motorway Police
NHC	National Highway Council
NHEB	National Highway Executive Board
NIT	Notice Inviting Tender
NLC	National Logistics Corporation
NOC	No Objection Certificate
NTB	National Training Bureau
NUST	National University of Science and Technology
O&M	Operation & Management
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PAR	Performance Audit Report
PC-I	Planning Commission (Proforma-I)
PCC	Plain Cement Concrete
PDP	Proposed Draft Para
PEC	Pakistan Engineering Council

PHA	Pakistan Housing Authority
PHAF	Pakistan Housing Authority Foundation
PIAC	Pakistan International Airlines Corporation
PLA	Personal Ledger Account
PM	Prime Minister
PMC	Planning & Monitoring Cell
PMC	Project Management Consultants
PMU	Project Management Unit
POL	Petroleum, Oil & Lubricants
PPRA	Public Procurement Regulatory Authority
PPWD	Pakistan Public Works Department
PR	Pakistan Rangers
PSI	Pound Square Inch
PSDP	Public Sector Development Programme
PWD	Public Works Department
PWP	Peoples Works Programme
RAMD	Road Asset Management Directorate
RCC	Re-inforced Cement Concrete
RD	Reduced Distance
Rft	Running Foot
RM	Running Meter
RMA	Road Maintenance Account
ROW	Right of Way
SAR	Special Audit Report
SH	Sub-Head
SOP	Standard Operating Procedure
SUPARCO	Space and Upper Atmosphere Research Commission
SRO	Statutory Regulatory Order
STP	Sewerage Treatment Plant
TSE	Technical Sanction Estimate
TST	Triple Surface Treatment
UPVC	Unplasticized Polyvinyl Chloride
USAID	United States Agency for International Development
WWB	Workers Welfare Board
WWF	Workers Welfare Fund

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with the Sections 8 and 12 of the Auditor General (Functions, Powers and Terms & Conditions of Service) Ordinance 2001 require the Auditor General of Pakistan to conduct audit of the accounts of the Federation, the Provinces, and any Authority or Body established by the Federation or a Province.

The report is based on audit of the accounts of CDA, CAA, NHA, Pak. PWD, EO, FGEHF, NCL, PHA, ETPB, FC, PR, HEC, WWF/Bs and Ministry of Planning, Development and Reforms (Special Project Cell - Afghan Projects) for the financial year 2012-13 and also contains a few audit observations for the financial years 2009-10, 2010-11 and 2011-12. The Directorate General Audit Works (Federal), Islamabad conducted audit during 2013-14 on a test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The Audit observations listed in Annexure-1 shall be pursued with the Principal Accounting Officers at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

Most of the observations included in this report have been finalized after due consideration of written responses of the auditees and discussions in the DAC meetings.

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

Sd/-

Islamabad
Dated: 6th March, 2014

(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit Works (Federal), Islamabad, carries out the audit of Federal Government entities engaged in construction works, namely, Capital Development Authority, Civil Aviation Authority, National Highway Authority, Pakistan Public Works Department, Estate Office, Federal Government Employees Housing Foundation, National Construction Limited, Pakistan Housing Authority, Evacuee Trust Property Board, Frontier Corps, Pakistan Coast Guards, Pakistan Rangers, Higher Education Commission, Workers Welfare Fund/Boards and Ministry of Planning, Development & Reforms (Special Project Cell - Afghan Projects). These entities function under the administrative control of various Principal Accounting Officers and consume major portion of the funds provided under the Public Sector Development Programme.

The Directorate General Audit Works (Federal), Islamabad, has existing human resource of 143 including officers and staff. The annual budget of the Directorate General for the current financial year is Rs 87.31 million. The Directorate General is mandated to conduct Financial Attest, Compliance with Authority Audit and Performance Audit of civil works including mega projects of Federal Government. As part of its Audit Plan (2013-14), for the Compliance with Authority Audit, the Directorate General Audit Works (Federal) conducted audit of 159 formations, out of the 370 under its audit jurisdiction during Phase-I of the Audit Plan, by deputing 14 Field Audit Teams with an input of 4,303 man-days. Two special studies relating to CDA and one relating to Pak. PWD were also conducted in integration with the Compliance with Authority Audit. Moreover, regularity audit of thirteen (13) formations and three (03) special studies, relating to CAA, NHA and Pak. PWD, were conducted in Phase-II of Audit Plan of 2012-13 and audit observations have been included in this report.

The objectives of audit were to:

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

a. Scope of Audit

Out of total works expenditure of the Federal Government for the financial year 2012-13, auditable expenditure under the jurisdiction of Director General Audit (DGA), Works (Federal), Islamabad was Rs 171,192.03 million covering 370 formations under 10 PAOs. Of this, the DGA Works (Federal) audited an expenditure of Rs 118,796.87 million during Phase-I of the Audit Plan which in terms of percentage is 69.39% of auditable expenditure. In addition, as part of its Audit Plan (2013-14), the DGA Works (Federal) executed 01 financial attest audit of the accounts of Pakistan Public Works Department (Government of Pakistan) and

10 Foreign Aided Projects executed by NHA. Besides, 3 special studies, two relating to CDA and one relating to Pak. PWD were conducted in integration with Compliance with Authority Audit and issues, as deemed appropriate, have been included in this Audit Report. The Financial Attest Audit Reports of Pak. PWD and Foreign Aided Projects are published separately. However, significant issues of financial governance and project management relating to Foreign Aided Projects are also included in this report.

The Auditees also collected revenue amounting to Rs 69,611.99 million against estimates of Rs 85,544.80 million. Audit coverage also included the assessment and collection of the revenue.

b. Recoveries at the instance of audit

In 2013-14, the Directorate General Audit Works (Federal), Islamabad pointed out ‘overpayments’ and ‘recoverables’ amounting to Rs 33,295.16 million. The management accepted the stance of Audit to the extent of Rs 28,714.66 million. Recovery amounting to Rs 82.37 million was made by the auditees and verified by Audit till the finalization of this report. Out of total recoveries effected, an amount of Rs 47.48 million was not in the knowledge of the management before the audit was carried out.

In addition to the above stated recoveries, a sum of Rs 1,839.77 million was recovered by auditees in relation to Audit observations pertaining to previous years. Total recovery of Rs 1,922.14 million was verified by Audit during 2013-14 up to 31st January, 2014. The sum included Rs 1,814.81 million pertaining to overpayments and Rs 107.33 million on account of revenue receipt expedited.

c. Audit Methodology

Desk audit involving planning, documentation of findings and quality assurance was conducted. The desk audit also included in-house meetings of Field Audit Teams for experience-sharing and

reviewing potential risk areas. A Risk Area Digest earmarking potential risk areas was prepared for guidance of the Field Audit Teams. As a part of desk audit, permanent files, a requirement under Financial Audit Manual and Quality Management Framework, were updated. Audit methodology included:

- i. Updating the understanding of the business processes with respect to control mechanism
- ii. Identification of key controls on the basis of prior years' audit experience/special directions from the Auditor General's office
- iii. Prioritizing risk areas by determining significance and risks associated with the identified key controls
- iv. Design/update audit programmes for testing the identified risk conditions
- v. Selection of audit formations on the basis of:
 - a. Materiality/significance
 - b. Risk assessment
- vi. Selecting samples as per sampling criteria/High value items/key items
- vii. Execution of audit programmes
- viii. Identification of weaknesses in internal controls and development of audit observations and recommendations relating to non-compliance of laws, rules, regulations and prescribed procedures
- ix. Integrating the work with Financial Attest Audit, where possible
- x. Evaluating results
- xi. Reporting
- xii. Follow-up

d. Audit Impact

At the instance of Audit and as an outcome of deliberations in the DAC meetings, the management agreed to undertaking following corrective measures and actions for addressing the systemic issues:

1. Capital Development Authority

- i. Implement the provisions of Section 43 of CDA Ordinance, 1960 in letter and spirit and submit estimated receipts and expenditure for approval of the Federal Government (Para 2.4.11)
- ii. Review the financial rules for appropriate amendments, e.g. payment of allowances/ex-gratia payments to temporary employees and incorporate amendments in CDA's Manual (DP. 65, DAC's directive dated 16th December, 2013)
- iii. Prescribe and notify rates of penalty for encroachment and ensure its implementation (DP. 04, DAC's directive dated 16th December, 2013)
- iv. Retrieve CDA land and take over possession of cancelled plots from illegal occupants/encroachers (Paras 2.4.7, 2.4.14, 2.4.15)
- v. Constitute IDC to probe the issues regarding undue financial aid beyond contract agreement to the contractor, deviation from the agreed item of work, non-completion of project, etc. (Paras 2.4.4, 2.4.6, 2.4.13, 2.4.25)

2. Civil Aviation Authority

- i. Review the policy of fixing reserve price while awarding licences and make a strategy for breaking the pool/cartel of the Concessionaires (DP. 04, DAC's directive dated 28th November, 2013)
- ii. Issue notices to all Housing Societies working in the New Islamabad Airport vicinity and publish public notices in the

newspapers to prohibit public, residential and commercial use of the land/area falling in the landing/take off path of the aircraft (DP. 117, DAC's directive dated 28th November, 2013)

- iii. Dismiss the employees having bogus degrees as per orders of the Supreme Court of Pakistan (DP. 154, DAC's directive dated 28th November, 2013)
- iv. Conduct survey of all spaces provided to the Government Departments for assessment of actual requirement of space and make allotments as per actual requirement after execution of proper agreement with each department (DP. 241& 255, DAC's directive dated 6th January, 2014)
- v. Follow the Government of Pakistan Rules for promotion and review Promotion Policy in the light of Government of Pakistan recruitment rules (DP. 173, DAC's directive dated 6th January, 2014)
- vi. Constitute IDC to probe the matter regarding payment on account of extra contractual decisions of "The Engineer", payment of prolongation cost and execution of defective work causing cracks in runway (Paras 3.4.2, 3.4.4, 3.4.23)
- vii. Conduct inquiries to fix responsibility for loss of aeronautical/non-aeronautical revenue, award of work at higher rates, etc (Paras 3.4.9, 3.4.10, 3.4.16, 3.4.29)

3. National Highway Authority

- i. Review and rationalize all the amendments in NHA Code and get those amendments approved from the Auditor General of Pakistan, Law Division and Finance Division as all the changes which have been made to NHA Code and Financial Manual carry no legal value till their formalization and vetting by Auditor General of Pakistan, Law Division and Finance Division (DP. 98, DAC's directive dated 26th November, 2013)

- ii. Stop undue financial favour to contractor through post-bid amendments to the contracts and get the post-bid amendments vetted from the Finance Division (Paras 4.4.3, 4.4.17)
- iii. Discontinue practice of allowing premium on current market rates (Para 4.4.19)
- iv. Prepare complete list of projects which require revision of PC-I for getting the approval of Revised PC-I from the competent forum (DP. 137, 140, 283, 284, DAC's directives dated 26th November & 26th December, 2013)
- v. Avoid assigning design review job/construction supervision to a consultancy firm already engaged in design phase of a project to avoid conflict of interest situation (DP. 192, DAC's directive dated 26th December, 2013)
- vi. Constitute IDC to probe the matter regarding award of work at higher rates and unauthorized utilization of funds (Paras 4.4.21, 4.4.23, 4.4.25)
- vii. Conduct inquiries to fix responsibility for irregular award of works, incurring expenditure without approval/technical sanction and unjustified payment of secured advance (Paras 4.4.1, 4.4.4, 4.4.8, 4.4.26, 4.4.28)

4. Pakistan Public Works Department

- i. Initiate disciplinary action against the officers responsible for issuing cheques under PWP-II in violation of orders of Supreme Court of Pakistan (Para 5.4.1)
- ii. Conduct inquiry and take action for payments against non-existent works, already executed works, bid tampering, non-transparent bidding, etc. (Para 5.4.3)
- iii. Obtain Non-Duplication Certificate from provincial executing agencies before processing development schemes (Para 5.4.8)

- iv. Refer the matter to Cabinet Division, Prime Minister Secretariat and Finance Division for seeking criteria for approval of schemes identified by notables (Para 5.4.12)
- v. Get all the pending contract agreements signed/accepted from respective authorities to formalize the process of implementation of schemes (Para 5.4.10)

5. Pakistan Rangers

- i. Re-examine the case regarding execution of major development works by Pakistan Rangers by Ministry of Interior and to amend codal rules and provisions on the subject and adopt the Pak. PWD Code, Schedule of Rates and delegation of powers accordingly (Para 11.4.1)

6. Higher Education Commission

- i. Record detailed measurements of work done in the Measurement Books duly certified and test checked by the engineers (Para 12.4.4)
- ii. Conduct inquiries and fix responsibility for award of work to other than the lowest bidder, execution of item of work without provision in the contract agreement, grant of unjustified mobilization advance to the contractors, award of work before sanction of detailed estimates, abnormal delay in award of work after approval, enhancement of scope of work, reimbursement of agreed rebate, payment of price escalation without authentic details, etc. (Paras 12.4.1, 12.4.3, 12.4.7 to 12.4.10, 12.4.13)

7. Workers Welfare Fund/Boards

- i. Constitute an IDC to probe into the matter regarding award of works by splitting and analysing item on market rate despite availability in Schedule of Rates (Para 13.4.1)

- ii. Conduct inquiry into the matter of allowing price escalation without provision in PC-I, irregularities in tendering process, etc. (Paras 13.4.2, 13.4.3)
- iii. Refer to Ministry of Law for clarification of the status of WWF/WWBs employees and powers of Governing Body to fix remunerations (Para 13.4.4)
- iv. Review the cases regarding payment to the government owned organizations and WWBs itself and effect recovery (Para 13.4.5)

8. Ministry of Planning, Development & Reforms

- i. Implement PSDP rules and procedures as applicable in case of the projects being executed by Government of Pakistan for Reconstruction and Rehabilitation of Afghanistan and process approval of such projects through the competent fora i.e. ECNEC, CDWP and DDWP as the case may be (Para 14.4.1)
- ii. Discontinue practice of granting mobilization advance without bank guarantee (Para 14.4.2)

Annexure-2 provides Audit Impact Summary.

e. Comments on Internal Controls and Internal Audit Department

The management of auditees is generally not sensitized to the imperative of strengthening internal control environment within the organizations. The present Report has identified a range of irregularities, which have been recurring over the last many years. The recurrence of these irregularities indicates the systemic issues cropping up either due to inadequate oversight mechanism or ineffective implementation of internal controls. The pre-auditing, expected to apply internal control checks during processing of

claims for payment, was weak mainly due to the influence of management.

The internal audit function exists in CDA, CAA, NHA and Pak. PWD only. The financial irregularities observed during the present audit reflect that this function was not exercised effectively. The efficient functioning of internal audit would have helped the management in effective implementation of internal controls and strengthening the internal control environment in auditee organizations.

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

In case of other auditee organizations, which do not have internal audit function, Audit emphasizes the need for establishing an internal audit regime in these organizations, directly reporting to the Principal Accounting Officers through the Audit Committees.

Comments on internal controls, highlighting irregularities are given at Annexure-3.

f. Key audit findings of the report

- i. In one case an amount of Rs 5,975.92 million was transferred by Pakistan Public Works Department to NLC and booked as expenditure without actual work done.¹
- ii. CDA land measuring 2,000 kanals valuing Rs 4,603.82 million was encroached by the private housing societies in Sector E-11 and Kuri Village.²
- iii. CDA failed to dispose of 18 industrial and 10 residential plots amounting to Rs 4,456.00 million.³

¹ Para 1.1.1

² Paras 2.4.15, 2.4.16

³ Para 2.4.12

- iv. CDA did not recover commercialization charges amounting to Rs 2,285.33 million from the allottees who were operating commercial activities such as wedding hall, market, show room and university on the industrial plots.⁴
- v. CAA accepted adverse Engineer's decisions and paid an amount of Rs 4,083.81 million instead of proceeding against the Engineer in one case.⁵
- vi. CAA paid an amount of Rs 2,170.00 million on account of prolongation cost without provision in agreement in one case.⁶
- vii. CAA paid an amount of Rs 10,816.61 million on account of defective execution of work at New Benazir Bhutto International Airport Project, Islamabad in one case.⁷
- viii. CAA did not bill 22,897 flights during September 2009 to March 2013 which resulted in likely loss of Rs 9,581.73 million in one case.⁸
- ix. NHA did not recover proportionate cost of 24 kilometer portion of Karakorum Highway submerged in Attaabad Lake from the contractor involving Rs 2,130.26 million in one case.⁹
- x. NHA transferred an amount of Rs 4,534.48 million from Road Maintenance Account to Development projects as bridge financing in violation of rules and regulations in one case.¹⁰
- xi. Despite clear orders of the Honourable Supreme Court of Pakistan on 19th April, 2013 to stop payments against

⁴ Para 2.4.17

⁵ Para 3.4.2

⁶ Para 3.4.4

⁷ Para 3.4.23

⁸ Para 3.4.29

⁹ Para 4.4.11

¹⁰ Para 4.4.42

- PWP-II, Pak. PWD issued forty (40) cheques amounting to Rs 131.46 million to the contractors. ¹¹
- xii. In Pak. PWD, the bids of two works were opened and later on tampered involving excess payment of Rs 74.35 million. ¹²
- xiii. Pak. PWD paid an amount of Rs 84.13 million on account of works which were not actually carried out at site in fourteen (14) cases. ¹³
- xiv. Pak. PWD executed Development Schemes under PWP-II without obtaining Non-Duplication Certificate from Provincial/District Governments involving Rs 15,638.48 million in 3,833 schemes/works. ¹⁴
- xv. Pak. PWD invited tenders prior to accord of technical sanctions by competent authority involving Rs 21,751.86 million in 27 cases. ¹⁵
- xvi. Funds relating to PWP-II amounting to Rs 3,778.77 million were utilized on schemes identified by other-than MNAs/Senators in 21 cases. ¹⁶
- xvii. Funds amounting to Rs 1,176.34 million were released/transferred to Pak. PWD Divisions in violation of the directives and ban imposed by the Election Commission of Pakistan against newly approved and funded schemes in five (05) cases. ¹⁷
- xviii. Funds amounting to Rs 2,262.49 million were transferred by Pak. PWD from lapsable PLA-I to non-lapsable PLA-III & IV in violation of rules in 33 cases. ¹⁸

¹¹ Para 5.4.1

¹² Para 5.4.2

¹³ Para 5.4.3

¹⁴ Para 5.4.8

¹⁵ Para 5.4.9

¹⁶ Para 5.4.12

¹⁷ Para 5.4.15

¹⁸ Para 5.4.17

- xix. Expenditure of Rs 298.71 million was incurred on account of Eid Milan, POL, Photostats, computers, LCDs, stationery, etc. and charged to the works contingencies of PWP I & II schemes without any lawful authority in 26 cases.¹⁹
- xx. An amount of Rs 489.17 million was not deducted from the payments of earth works on account of shrinkage, non-utilization of available earth, non-deduction of cost of labour for sorting and stacking of soft rock in 230 cases by Pak. PWD.²⁰
- xxi. Pak. PWD incurred an expenditure of Rs 613.01 million on execution of various development schemes in 33 Union Councils situated in Tehsil Gujar Khan without feasibility study.²¹
- xxii. Pak. PWD got completed schemes/works under PWP-I&II during 2008-09 to 2012-13 but the schemes were neither handed over to the respective agencies nor 2% maintenance charges of Rs 180.17 million were transferred to the respective Provincial/District Governments in 3001 cases.²²
- xxiii. Revenue of Rs 17,992.76 million on account of commercialization charges, CVT, entry fee, licence fee, aeronautical revenue, electricity, ROW and toll charges was not realized/recovered by CDA, CAA, NHA, FGHEF, PHA and WWF in 11 cases.²³
- xxiv. Procurement of works/services/material valuing Rs 5,480.38 million was made by CDA, NHA, Pak. PWD and HEC without calling open tenders in 273 cases.²⁴
- xxv. Overpayment of Rs 4,208.82 million was made by CAA, NHA, Pak. PWD, ETPB, WWB, HEC and Ministry of

¹⁹ Para 5.4.22

²⁰ Para 5.4.24

²¹ Para 5.4.30

²² Para 5.4.43

²³ Paras 2.4.18, 2.4.23, 2.4.26, 2.4.40, 3.4.1, 3.4.15, 4.4.32, 6.4.9, 8.4.2, 13.4.13, 13.4.14

²⁴ Paras 2.4.9, 4.4.4, 4.4.6.1, 4.4.7, 5.4.7.1, 12.4.10

- Planning, Development & Reforms to contractors due to incorrect interpretation/application of price adjustment clause of the respective contract agreements in 116 cases.²⁵
- xxvi. Payment of Rs 1,709.99 million was made by Pak. PWD, FGEHF and HEC against the ‘work done’ without recording mandatory and certified measurements in the respective Measurement Books in 26 cases.²⁶
- xxvii. ETPB earned profit of Rs 145.40 million on investments against target yields of Rs 759.34 million. Shortfall/reduction in profit resulted into a loss of revenue of Rs 613.94 million.²⁷
- xxviii. HEC awarded a work for Rs 1,573.13 million against PC-I approved cost of Rs 1,032.55 million. Inordinate delay in award of work resulted into a loss of Rs 540.59 million.²⁸
- xxix. WWB Peshawar paid scholarship/university fee amounting to Rs 144.69 million without verification of eligibility of the students.²⁹
- xxx. Special Project Cell (Afghan Projects) of Ministry of Planning, Development & Reforms awarded 09 projects costing Rs 10,695.81 million for Reconstruction & Rehabilitation of Afghanistan without approval of the ECNEC/CDWP/DDWP.³⁰
- xxxi. Mobilization Advance amounting to Rs 651.12 million was granted to M/s FWO in a project for Reconstruction and Rehabilitation of Afghanistan without obtaining bank guarantee in violation of contract agreement. A sum of Rs 318.50 million was yet to be recovered.³¹

²⁵ Paras 3.4.19, 4.4.10, 5.4.26, 9.4.5, 12.4.5, 13.4.2, 14.4.10, 14.4.16

²⁶ Paras 5.4.20, 6.4.2, 12.4.4

²⁷ Para 9.4.3

²⁸ Para 12.4.1

²⁹ Para 13.4.10

³⁰ Para 14.4.1

³¹ Para 14.4.2

- xxxii. Special Project Cell (Afghan Projects) of Ministry of Planning, Development & Reforms paid a sum of Rs 1,167.21 million to contractors of seven works on account of Exchange Rate Claim/currency fluctuations without any provision in the contract agreements.³²
- xxxiii. Special Project Cell (Afghan Projects) of Ministry of Planning, Development & Reforms paid a sum of Rs 1,145.80 million to contractors of seven works on account of price escalation. In addition, the contractors were also paid a sum of Rs 1,167.21 million on account of foreign currency. In this way the contractors were benefitted twice in violation of the contract agreement.³³
- xxxiv. A loss of Rs 596.53 million was sustained due to acceptance and award of 7 works at higher rates by Special Project Cell (Afghan Projects).³⁴

A list, indicating number of audit observations, made during the Audit Year 2013-14, which are considered to be materially less significant for reporting to the PAC, is at Annexure-1 (MFDAC).

g. Recommendations

- i. Coordinated measures be put in place to remove encroachments on state lands and structures.
- ii. Public Procurement Rules, 2004 for procurement of goods and services be adhered to in letter and spirit.
- iii. The Planning Commission's guidelines for approval and funding of projects (project management life cycle) be followed in letter and spirit.
- iv. Prior to inviting tenders in respect of development schemes, the prescribed requirements, such as Administrative Approval (A.A.), Technical Sanctions and availability of

³² Para 14.4.6

³³ Para 14.4.7

³⁴ Para 14.4.18

budget be fulfilled.

- v. The contractual obligations be monitored by the management at every stage of contract execution.
- vi. All receipts be realized in time and deposited in the treasury.
- vii. Advances to the contractors be granted strictly in line with contractual provisions and recovered accordingly.
- viii. Reconciliation of expenditure/revenue be carried out regularly.
- ix. For works falling in the territorial jurisdictions of District and Provincial Governments, the Administrative Approvals and financial sanctions shall not be accorded till the receipt/issuance of NOC/non-duplication certificate by the respective governments.
- x. Fact finding inquiries and disciplinary actions be initiated to fix responsibility in respect of cases involving misappropriation, fraud, overpayments, losses and irregular expenditure.
- xi. Charging of operational and administrative expenditure such as POL, rent of building, Eid-Milan, etc. to the contingencies of the work be stopped.
- xii. All completed schemes be handed over to the respective local authority along with maintenance cost
- xiii. Internal controls be strengthened to ensure that irregularities, as reported in this report, are preempted and fair value for money is obtained from public spending.
- xiv. Internal controls be periodically reviewed and made capable of forestalling chances of pilferage and defalcation.
- xv. Timely convening of DAC meetings and compliance of the directives of DAC and PAC be ensured.
- xvi. The Internal Audit Wings in the auditee organizations be instituted/strengthened to act as facilitator in this regard.

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S. No.	Description	No.	Budget
1.	Total Entities (Ministries/PAOs) in Audit Jurisdiction	10	295,934.74*
2.	Total formations in audit jurisdiction	370	295,934.74
3.	Total Entities(Ministries/PAOs) Audited	09	295,388.54
4.	Total Formations Audited	159	181,567.56**
5.	Audit & Inspection Reports	159	181,567.56
6.	Special Audit Reports	-	-
7.	Performance Audit Reports	-	-
8.	Other Reports		
	a. Financial Attest of Pak. PWD accounts***	01	9,353.16
	b. Foreign Aided Projects****	10	28,339.48

* This figure includes budget estimates of respective auditees (Rs 210,389.94 million) and their estimated revenue receipts (Rs 85,544.80 million) for the year 2012-13.

** This figure represents total budget allocation (Rs 140,843.83 million) and estimated receipts (Rs 40,723.73 million) of the formations audited. The actual expenditure of the formations audited was Rs 118,796.87 million and actual receipts were Rs 41,992.95 million. Audit coverage also includes two special studies relating to CDA and one relating to Pak. PWD conducted in integration with the Compliance with Authority audit.

*** Financial Attest Audit of Pak. PWD accounts was integrated with Compliance with authority audit.

**** Significant issues of regularity aspect relating to Foreign Aided Projects are also included in this report.

Table 2: Audit Observations classified by Categories

(Rs in million)

S. No.	Description	Monetary Value of Audit Observations
1.	Unsound asset management	863.31
2.	Weak financial management	41,104.24
3.	Weak internal controls relating to financial management	15,216.63
4.	Others	179.36
Total		57,363.54

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	6,369.82	101,053.54	40,723.73	33,420.47	181,567.56	137,828.40
2.	Monetary Value of Audit Observations	1,269.42	30,553.72	21,181.82	4,358.58	57,363.54	57,745.57
3.	Recoveries pointed out at the instance of Audit	47.70	12,087.81	21,128.54	31.11	33,295.16	18,718.25
4.	Recoveries Accepted/ Established at the instance of Audit	-	8,985.93	19,716.44	12.29	28,714.66	10,803.70
5.	Recoveries Realized at the instance of Audit	-	1,813.51	107.33	1.30	1,922.14	2,214.92

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 principle of propriety in public operations	10,755.06
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources	169.41
3.	Accounting Errors* (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on financial statements	2,300.92*
4.	Quantification of weaknesses of internal control systems	17,301.47
5.	Recoveries and overpayments, representing cases of established overpayment or misappropriation of public monies	28,714.66
6.	Non-production of record	243.58
7.	Others	179.36

* An Adverse Opinion has been given on the Appropriation Accounts of Pak. PWD as a result of Financial Attest Audit. Observations incorporated in the Auditor's Report (Adverse Opinion) in the Certification Audit Report have been given in Chapter 1 of this report. Amount appearing at S. No. 3 is also categorized as "Recovery established". Therefore, amount at S. No. 3 has not been carried to the total amount in order to avoid multiple reckoning.

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

S. No.	Description	Current Year	Last Year
1.	Outlays audited	176,246.23	137,828.40
2.	Expenditure on Audit	87.31	96.08
3.	Recoveries realized at the instance of Audit	1,922.14	2,214.92
	Cost-Benefit Ratio	1:22.01	1:23.05

Note: Current year's figures are up to 31st January, 2014 while previous year's figures are for whole year from 1st July, 2012 to 30th June, 2013.

CHAPTER 1

PUBLIC FINANCIAL MANAGEMENT ISSUES (PAKISTAN PUBLIC WORKS DEPARTMENT)

Pakistan Public Works Department maintains its accounts as a self-accounting entity. Directorate General Audit Works (Federal), Islamabad conducted Financial Attest Audit of the Pak. PWD accounts as integrated with Compliance Audit of the Department. The results of Financial Attest Audit had been reported to the Department and a Certification Audit Report with adverse opinion has been approved by the Auditor General of Pakistan. Most of the issues highlighted in the Management Letter pertaining to regularity and financial aspects have been included in Chapter 5 of this report. However, audit paras regarding budget utilization and accounting are as follows:

1.1 AUDIT PARAS

1.1.1 Irregular payments without work done and booking as expenditure - Rs 5,975.92 million

As per para 4 (14) of Chapter 2 of CPWA Code, the term deposit works has been defined as the works of construction or repair the cost of which is met, not out of government funds, but out of funds from non-government sources, which may either be deposited in cash or otherwise placed at the disposal of the divisional officer. Works executed for municipalities and other public bodies fall under this category when the cost of chargeable either to cash deposits made for the purpose, or to their credit balances at treasuries.

Audit noted that the Chairman ECNEC accorded approval to the projects, Dualization of Mandra to Chakwal Road (64Km) costing Rs 2,676.00 million and Dualization of Sohawa to Chakwal Road (70Km) costing Rs 3,300.00 million in anticipation of the formal approval by the ECNEC which was conveyed by Deputy Secretary (Committees) Cabinet

Division National Economic Council Secretariat letter dated 8th September, 2012. As per summary of Principal Secretary to the Prime Minister dated 2nd October, 2012 the then Prime Minister directed to assign the projects to National Logistic Cell (NLC) for execution as deposit work with the direction to transfer the funds to NLC. A Memorandum of Understanding (MOU) was signed between Director General Pakistan Public Works Department and NLC on 12th October, 2012 on a non-judicial paper without any date. The above works were assigned to M/s NLC with the conditions that 25% payment was to be made on signing of MOU, 25% on signing of contract and remaining amount of the contract by 30th March, 2013 subject to availability of funds.

Audit observed that a payment of Rs 5,975.92 million was made to NLC on 15th October, 2012, 30th January, 2013 & 16th March 2013. Transfer of funds to M/s NLC was irregular because the Pak. PWD department was mandated for all government construction works and its funds were in no way transferable to any other department as deposit works. Further, the funds under Schedule of Authorized Expenditure did not come under the definition of deposit work. Furthermore, the Honorable Islamabad High Court under Writ Petitions No.3724-2012 declared assigning of work to NLC as illegal and un-constitutional and directed that amount of Rs 5,975.92 million received by NLC for execution of the projects should be returned to Pak. PWD within one week of the receipt of the order. Pak. PWD issued directions to Federal Treasury for cancellation of cheque No. B853331 dated 16th March, 2013 for Rs 3,675 million. The same was cancelled. However, the amount of Rs 2,300.92 million had not been refunded to Pak. PWD inspite of the judgment of Islamabad High Court. The amount of Rs 2,300.92 million was booked as final expenditure.

Audit holds that assignment of projects to M/s NLC and booking of transferred funds as expenditure, without any actual work done, was a gross violation of statutory and codal provisions.

Audit pointed out the irregularity during Special Audit of PWP-II in April 2013 and regularity audit in October 2013. The Department did not reply.

The issue was discussed in DAC meeting held on 3rd October, 2013. DG Pak. PWD informed that Islamabad High Court had declared the MOU signed with NLC as null and void and directed to recover the amount within one week. Secretary (Housing & Works) directed D.G. Pak. PWD to furnish a comprehensive case to the Ministry so that matter could be taken up with Planning and Development Division at Secretary's level for effecting full recovery from NLC.

The compliance of DAC's directive was not made till finalization of this report.

Audit stressed early compliance of DAC's directive.

(Para 3(SAR)/DP. 385 CCD-VIII, Islamabad)

1.1.2 Non-production of record - Rs 243.58 million

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

Executive Engineers of Store & Workshop Division, Pak. PWD, Islamabad and CCD-IV Pak. PWD, Islamabad did not produce auditable record pertaining to thirty-one (31) samples out of two hundred and seventy (270) samples of PLA-I & PLA-II. In absence of record pertaining to these samples, Audit was not able to examine the veracity of expenditure of Rs 243.58 million.

Audit pointed out the non-production of record in September-October, 2013. The department did not reply.

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

Audit stresses that disciplinary action be taken against the person(s) responsible for non-production of record and all required record be produced to Audit at the earliest.

(DP. 292, 207)

CHAPTER 2

CAPITAL DEVELOPMENT AUTHORITY (CABINET DIVISION)

2.1 Introduction

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

- 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

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

Major resources of receipt of CDA include:

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

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

2.2 Comments on Budget and Accounts (Variance Analysis)

Comments on 'Receipt and Expenditure Account' of CDA for the year 2012-13, are as under:

(A) Expenditure:

Budget allocation and expenditure for the year 2012-13 is as under:

(Rs in million)

Type of Funds	Budget Allocation	Actual Receipt of funds	Actual Expenditure	Variation Excess/ (Saving)	Excess/ (Saving) in %
(A) Non-Development					
Maintenance Grant	1,798.29	1,675.86	1,779.95	104.09	6.21
Revenue Account	10,497.37	2,684.09	8,563.79	5,879.70	219.06
Sub-Total (A)	12,295.66	4,359.95	10,343.74	5,983.79	137.24
(B) Development					
PSDP	1,690.63	990.95	961.48	(29.47)	(2.97)
Self-Financing	14,334.44	8,089.16	3,222.76	(4,866.40)	(60.16)
Sub-Total (B)	16,025.07	9,080.11	4,184.24	(4,895.87)	(53.92)
Total (A) + (B)	28,320.73	13,440.06	14,527.98	1,087.92	8.09
(C) Non-Budget					
Deposit Works	-	236.28	414.20	177.92	75.30
Other debts & deposits	-	1,567.96	1,535.77	(32.19)	(2.05)
Sub-Total (C)	-	1,804.24	1,949.97	145.73	8.08
Grand Total (A)+(B)+(C)	28,320.73	15,244.30	16,477.95	1,233.65	8.09

(Note: Figures are based on Consolidated Monthly Account for June 2013. June (Final) Account was not made available by CDA till the finalization of this report.) Actual receipt represents actual resources realized against estimated resources (budget allocation).

- Funds of Rs 10,497.37 million were allocated in Revenue Account (expenditure on establishment and maintenance from CDA's own generated revenues) against which Rs 2,684.09 million (25.57%) were realized during 2012-13. Expenditure of Rs 8,563.79 million was incurred with an excess of Rs 5,879.69 million (219.06 %) over the realized resources.
- Funds of Rs 1,690.63 million were allocated in the Public Sector Development Programme for the year 2012-13 against which Rs 990.95 million were released. This constituted only 58.61% of the allocation. Expenditure of Rs 961.48 million was incurred. There was a saving of Rs 29.47 million (2.97%) which showed that funds placed at the disposal of the Authority were not utilized fully.
- An allocation of Rs 14,334.44 million was earmarked for the development activities under the head 'Self Financing' against which, actual funds of Rs 8,089.66 million (56.43%) were realized but an expenditure of Rs 3,222.76 million was incurred. This indicated that CDA could only achieve 22.48% of planned targets/objectives.
- From above it was evident that the development funds were not fully utilized during 2012-13 and there was a saving of 53.92%. On the other hand, there was an excess of 137.24% in non-development budget. This indicated that non-development expenditure was on rise whereas development activities were not being given priority. In other words expenditure on non-developmental activities was incurred at the cost of development expenditure.

(B) Receipts:

Receipts of CDA from its own resources are as follows:

(Rs in million)

Description	2011-12	2012-13	Difference	Difference in %
Self-financing sector				
Estimated Receipts	13,250.00	21,423.90	8,173.90	61.69
Actual Receipts	7,253.20	8,089.66	836.46	11.53
Shortfall	5,996.80	13,334.24		
Shortfall in %	45.26	62.24		
Other Receipts				
Estimated Receipts	4,066.67	8,137.33	4,070.66	100.10
Actual Receipts	3,032.54	5,150.21	2,117.67	69.83
Shortfall	1,034.13	2,987.12		
Shortfall in %	25.43	36.71		
Total Receipts				
Estimated Receipts	17,316.67	29,561.23	12,244.56	70.71
Actual Receipts	10,285.74	13,239.87	2,954.13	28.72
Shortfall	7,030.93	16,321.36		
Shortfall in %	40.60	55.21		

As per CDA accounts for the year 2012-13, the estimated receipts under self-financing were Rs 21,423.90 million against which receipts of Rs 8,089.66 million were actually realized (37.76% of the estimates) and estimated 'other receipts' were Rs 8,137.33 million and against which receipts of Rs 5,150.21 million were realized (63.29% of the estimates). This showed that there was a shortfall of Rs 2,987.12 million (36.71%) in collection of 'other receipts'. Receipts of Rs 5,150.21 million during 2012-13 were increased by Rs 2,117.67 million (69.83%) when compared with receipt of Rs 3,032.54 million during 2011-12 but shortfall in collection of estimated targets was increased from 25.43% to 36.71% during 2012-13.

There was a shortfall of Rs 16,321.41 million (55.21%) against overall estimated receipts of Rs 29,561.23 million as the Authority could generate a revenue of Rs 13,239.87 million during 2012-13. This indicated

that estimates of receipts were either overambitious/unrealistic or the Authority failed to exploit and derive benefits from the available resources. CDA should improve and rationalize mechanism of estimation and realization of revenues.

Comments on 'Receipt and Expenditure Account' of CDA for the year 2012-13 are as under:

2.2.1 Accounts not maintained in accordance with Section 44(1) of CDA Ordinance, 1960 and New Accounting Model (NAM)

Section 44(1) of CDA Ordinance, 1960, requires the CDA to prepare Balance Sheet. Further, the New Accounting Model requires double entry and specific coding to the Accounts items. The Accounts of CDA neither conform to the requirements of CDA Ordinance, 1960 nor to that of NAM (approved by the Auditor General of Pakistan).

2.2.2 Budget not submitted to Government for approval in accordance with Section 43 of CDA Ordinance, 1960

Section 43 of CDA Ordinance, 1960, requires the CDA to submit its budget to the Federal Government for approval. Further, specific approval of schemes costing over Rs 2.5 million is required from Federal Govt. The CDA did not conform to the requirements of CDA Ordinance, 1960.

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

Opening balance of Rs 102.05 million is appearing in the accounts for the Financial Year 2012-13 under Capital Account (CDA Funds). This amount is appearing in the opening balance since Financial Year 2005-06 and is being carried forward. The amount is recoverable from Rawalpindi Cantonment Board as share of expenditure on Khanpur Dam.

2.2.4 Heavy closing balances with DDOs - Rs 428.75 million

According to CDA Procedure Manual, money realized, whether in cash or cheque, should be deposited by DDOs immediately in the bank account of the Authority. There was a balance with DDOs amounting to Rs 428.75 million as on 30th June, 2013. CDA should take measures to get the amount deposited by DDOs in the main account.

2.2.5 Non-adjustment of Letter of Credit amount - Rs 14.64 million and negative opening balance of Advance Transfer Debits - Rs 1.31 million

In Remittance Account, the opening balance on 1st July, 2011 of payment against Letter of Credit was Rs 14.64 million and negative opening balance of Advance Transfer Debits (ATDs) of Rs 1.31 million has been shown. Same are the closing balances for the year 2012-13. The balances have been outstanding since Financial Year 2006-07 and nothing is on record to resolve long outstanding issue.

2.2.6 Non-preparation of Proforma Accounts

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

2.2.7 Non-remittance of government receipts - Rs 42.65 million

CDA collected a sum of Rs 84.33 million on behalf of federal government and other departments (Income Tax, deductions of GPF, Group Insurance, pension contributions, HBA, etc. of deputationists) up to 30th June, 2013 and remitted a sum of Rs 41.68 million to government leaving a balance of Rs 42.65 million yet to be remitted.

2.2.8 Expenditure in excess of receipt in the head ‘Grant-in-Aid Revenue’

There was negative opening balance of Rs 7,825.76 million on 1st July, 2012 under ‘Grant-in-Aid’. CDA received Rs 1,675.86 million and incurred expenditure of Rs 1,779.95 million during the year 2012-13. Thus excess expenditure of Rs 104.09 million was incurred during the year 2012-1-13. An overall excess was Rs 7,929.86 million up to 30th June, 2013.

2.2.9 Utilization of “Deposits” towards expenditure without authorization.

Deposits of Rs 5,316.16 million were with CDA on 30th June, 2013 (security deposits of contractors - Rs 1,845.73 million, GPF of Employees - Rs 746.70 million, pension funds - Rs 339.39 million, misc. deposits - Rs 344.40 million and deposits for execution works Rs 2,039.93 million) but there was cash balance of Rs 1,829.47 million in CDA Account. This indicates that deposits of Rs 3,486.68 million have been utilized to meet its expenses without any authorization.

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

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

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	Percentage of compliance
1988-89	07	07	04	03	57.14
1989-90	04	04	04	-	100
1990-91	21	21	21	-	100
	SAR-9	SAR-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

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	Percentage of compliance
1995-96	28	28	01	27	3.57
1996-97	32	32	19	13	59.37
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
	1SAR	1 SAR	1 SAR	-	100
	2 PAR	2 PAR	2 PAR	2 PAR	-
2000-01	73	73	62	11	84.93
	SAR-184	SAR-184	SAR-105	SAR-79	57.07
2001-02	45	45	42	03	93.33
2004-05	29	29	14	15	48.28
2005-06	57	57	38	19	64.91
2006-07	39	39	22	17	56.41
2008-09	SAR-83 (FY 2005-08)	Partially discussed	20	63	24.10

Note: Audit Reports for 1985-86, 1987-88, 2002-03, 2003-04, 2007-08, 2009-10, 2010-11, 2011-12 and 2012-13 have not been discussed by PAC till the finalization of this report. SAR stands for Special Audit Report and PAR for Performance Audit Report. Other figures relate to Annual Regularity Audit Reports.

2.4 AUDIT PARAS

Fraud/Misappropriations

2.4.1 Increase in amount of land compensation by unauthorized cutting/changes in Acquittance Roll - Rs 25.38 million

According to Para 449 of CDA Procedure Manual, Part-III-Accounting Procedure, Acquittance Rolls and Supplementary Rolls prepared by the Revenue Section of Lands Directorate, on the basis of Award made by the Deputy Commissioner and decision given by Commissioner CDA on appeal filed by the ousters against the orders passed by the Deputy Commissioner CDA, are received in Pre-audit Cell for pre-audit and payment. The requisite pre-audit of Acquittance Roll is conducted with reference to directives issued by the chairman, Award announced by Deputy Commissioner and Revenue Record viz-a-viz village field book, statements No. I, II & III etc. prepared by the Revenue Section of Land Directorate and the decision given by the commissioner, CDA.

Audit noted that Revenue Section of Land Directorate, CDA Islamabad prepared Acquittance Roll under Award dated 15th September, 2009 for acquisition of land in village Badhana, Sector H-16, Islamabad and forwarded for payment of compensation.

Audit observed that the amount was changed by cutting/overwriting in Acquittance Roll after pre-audit checks without any attestation/authentication. Further, an entry for payment of Rs 19.92 million in favour of an individual Khewat No.31 (24 kanal), recorded in the same hand writing, was cancelled without any authority. This indicates that either the entry was cancelled without due justification or a fake entry was made by the persons who prepared the Acquittance Roll. The unauthorized changes by cutting/overwriting in the Acquittance Roll involved an extra amount of Rs 25.38 million.

Audit maintains that the unauthorized changes in the payment record occurred due to weak financial controls.

Audit pointed out the irregularity in August 2013. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. CDA apprised the Committee that the matter was being investigated. Besides, the criminal case was also registered with Police. The Committee directed CDA to intimate the action taken departmentally against the persons at fault. The compliance of DAC's directive was not reported till the finalization of this report.

Audit requires investigation in the matter to fix responsibility and disciplinary action against the responsible(s) for attempting fraudulent payment.

(DP. 93)

Irregularity and Non-Compliance

2.4.2 Loss due to charging cost of plot at lesser rates on change of Floor Area Ratio after allotment - Rs 524.36 million

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

Audit noted that Building Control Directorate, CDA Islamabad approved building plan of a Plot in G-9 Markaz, Islamabad on 4th January, 2013 with a total covered Area of 52,938.52 sft. (two basements, Ground Floor + 3 Floors) but the cost of the plot was not recovered in advance @ Rs 315,000 per square yard as provided in the original allotment letter, on change of FAR from two storeys to 1:5 Floor Area Ratio. This resulted into a loss of Rs 524.36 million.

Audit maintains that non-recovery/loss occurred due to deficient revenue-recognition policies, disregard to the rules/ regulations and weak internal controls.

Audit pointed out the loss in July 2013. The Authority replied that the charges for Additional storeys were calculated @ Rs 1,800 per square yard with the approval of Chairman CDA. The reply was not tenable because the rate of FAR 1:5 was Rs 315,000 per square yards provided in the offer letter and required to be charged on change of FAR.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee decided to conduct inquiry at ministry level for change of conditions of allotment and effect recovery accordingly. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends to recover the cost of plot as per offer letter besides disciplinary action against the responsible (s).

(DP. 102)

2.4.3 Loss due to non-recovery of commercialization charges of plot allotted for Institute and transfer to private parties - Rs 462.22 million

According to Rule-18(5) Chapter-V of Islamabad Land Disposal Regulation 2005, plots allotted for social welfare projects shall not be transferable except with the prior permission of the Authority, in exceptional cases and strictly for the same purpose for which they were allotted. In the alternate, the plot will revert to the Authority with structure thereon.

Audit noted that CDA allotted a Plot No. 19, F-7 Markaz, Islamabad to Institute of Policy Studies in the year 1981 for construction of building for the Institute. Later on CDA Board allowed, as a special case, shopping mall on ground floor. In January 2008, CDA Board decided that commercialization of the building subject to demolish & re-

creation of building by provision of parking and payment of commercialization charges. Audit observed that commercialization of plot was allowed without recovery of commercialization charges and the plot was transferred in name of private parties in August 2012.

Audit held that departure from rules/regulations resulted in loss of Rs 462.22 million.

Audit pointed out the loss in July 2013. The Authority replied that an inquiry was ordered to investigate the matter and stop further transfer and withdrew the land use conversion and unlawful approval of the building plan. Audit holds that change in land use of the plot as commercial instead of its specified purpose was unauthorized.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee directed CDA to complete the inquiry within fifteen days and take action accordingly. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends to recover current market price of the plot on change of land use besides disciplinary action against the responsible(s).

(DP. 46)

2.4.4 Irregular enhancement in scope of work - Rs 167.09 million

Rules 2 (k) & 42 (c) (iv) of Public Procurement Rules, 2004 provides that repeat orders means procurement of the same commodity from the same source without competition and includes enhancement of contract and repeat orders not exceeding fifteen percent of the original procurement. Rule 12(2) of Public Procurement Rules, 2004 provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Director, Water & Sewerage (Development), CDA, Islamabad awarded a work 'providing/laying water conduction main from G-13 to I-16 (New route of Shah Allah Ditta Reservoir), Islamabad' at a cost of Rs 199.37 million. Later on extra items valuing Rs 167.09 million were included and the scope of work was enhanced by 84%. These items were also not included in the approved PC-I of the project. This resulted into irregular enhancement/execution of work for Rs 167.09 million in violation of Public Procurement Rules, 2004, PC-I provisions and laid down rules.

Audit maintains that weak supervisory controls caused undue burden on the public exchequer.

Audit pointed out the irregularity in August 2013. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee viewed the position with great concern on payments made by CDA beyond respective agreement and directed to constitute an IDC to probe the matter, within one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends investigating the matter for fixation of responsibility and action against the responsible(s).

(DP. 150)

2.4.5 Conversion of land obtained for official residences into a Housing Society in violation of Lease Agreement - Rs 108.04 million

According to clause-10 of lease agreement signed with Naval Headquarters Islamabad, the plot measuring 10.06 acres in F-11/1, Islamabad was meant for construction of official residences (basement+Ground+4 storey building).

Audit noted that CDA handed over the possession of the plot to the Naval Headquarters on 15th August, 1995. CDA did not monitor the use of land for construction of official residences and due to leniency of CDA the Naval Headquarters converted the land into residential plots under Naval Housing Society. The plots were allotted to the officers on ownership basis in violation of terms and conditions of lease agreement with CDA. In 2009, the Navy Authorities approached CDA for transfer of land in the name of Director General, Military Lands & Cantonment. The CDA land was used by the Naval Housing Society instead of construction of official residences. No action was taken by CDA for unauthorized use of the land. This resulted into unauthorized use of CDA land valuing Rs 108.04 million.

Audit pointed out the unauthorized use of land in July 2013. The Authority replied that matter for allotment of land and lease agreement pertains to Estate Management-I, Directorate CDA. The reply was not to the point because land was leased out by the CDA on clearance / approval of its use by Planning Wing. No action was taken by Planning Wing CDA on violation of approved plan.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee directed CDA to implement provisions of penalty clause and take remedial measures. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends investigating the matter and take appropriate action besides recovery of cost of land at current market rates.

(DP. 49)

2.4.6 Undue payment on account of extra items of leftover work of previous contractor - Rs 53.88 million

Clause 7.20 & 7.21 of the contract specification provides that pipe shall be laid in accordance with the specification and level and gradient provided in the drawings.

Audit noted that Deputy Director, Water & Sewerage Zone-A, CDA Islamabad got executed extra items “relaying of pipeline” of Phase-I to improve their levels as gradient was not maintained by the previous contractor which was his responsibility as well as of the Divisional Officer who accepted the work for payment. This resulted into undue payment recoverable from the original contractor for Rs 53.88 million.

Audit maintains that the undue expenditure was made due to weak internal controls and negligence of the Authority.

Audit pointed out the irregularity in August 2013. The Authority did not respond to the audit observation.

The matter was discussed in DAC meeting held on 16th and 17th December, 2013. The Committee viewed the situation with great concern and directed to constitute an IDC to probe the matter, within one month. Outcome of the inquiry in compliance of DAC’s directive was not reported till the finalization of this report.

Audit recommends investigating the matter for fixing responsibility and effecting recovery from the responsible(s).

(DP. 157)

2.4.7 Loss due to non-recovery on account of unauthorized occupation of excess land - Rs 29.00 million

According to Para-2 of Islamabad Land Disposal Regulation 2005, Agro-farming and Agro Industries plots shall be leased through open auction.

Audit noted that Director Regional Planning, CDA Islamabad allotted additional land to the allottee of plot No.17, Poultry & Vegetable Scheme-II, Chak Shahzad, Islamabad. Audit observed that the allottee occupied land measuring 0.58 acre in excess of allotment without authorization and payment of the cost of land at market rates. CDA neither recovered the cost of excess land at market rate nor regained possession of

land. This resulted into loss/non-recovery of cost of excess land occupied amounting to Rs 29.00 million.

Audit held that as per rules land was required to be leased through open auction but weak supervisory controls caused unauthorized/illegal occupation of CDA land and non-recovery of cost thereof.

Audit pointed this out in August 2013. The Authority replied that case for allocation of additional land measuring 0.58 acres was under process. After approval of the competent authority and determination of rate by Finance Wing, the cost of land would be recovered. The reply was not tenable because processing of case for approval of additional land without determining its market cost was serious irregularity and a violation of Land Disposal Regulation.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. CDA explained that eventually it was a case of encroachment instead of allocation of excess land to allottee. The Committee directed to retrieve the land. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends retrieving the land and disposal through open auction.

(DP. 112)

2.4.8 Non-acceptance of lowest bid due to mis-management - Rs 15.96 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.

Audit noted that Deputy Director, Market & Roads Maintenance (South) CDA, Islamabad opened tenders for the work "Improvement/

Construction of Parking Road & Draining System Southern Side of II Principal Road, Islamabad” on 13th August, 2012 with NIT cost of Rs 15.96 million. The lowest bidder quoted rates of 31.50% below on MES Schedule of Rates 2009, 30% below on NHA CSR 2009 and 15% below on non-scheduled items. The contractor withdrew his bid due to non-acceptance within the validity period of 90 days. Non-acceptance of lowest bid of Rs 15.96 million within bid validity period would cause loss to Authority.

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

Audit pointed out non-acceptance of bid in September 2013. The Authority replied that the delay in non-award of work was caused mainly due to procedural formalities. The reply was not tenable as validity period expired due to negligence of the officer/officials by creating unnecessary delay in completion of procedural and codal formalities.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee directed CDA to hold fact finding inquiry to identify the persons at fault. The compliance of DAC’s directives was not made till the finalization of this report.

Audit recommends fixing responsibility against the person(s) at fault for non-acceptance of the lowest bid within validity period and denying CDA benefit of competitive rates.

(DP. 86)

2.4.9 Irregular award of additional work - Rs 13.59 million

Rule 42 (c) (iv) of Public Procurement Rules, 2004 provides that a procuring agency shall only engage in direct contracting if the repeat orders do not exceed fifteen percent (15%) of the original agreement. Rule 50 provides that, any unauthorized breach of these rules shall amount to mis-procurement.

Audit noted that Deputy Director Road-V, Directorate of Roads (South), CDA Islamabad awarded a work at a cost of Rs 36.49 million. Audit observed that additional items/quantities valuing Rs 13.59 million, by 37.24% in excess of the original contract, were got executed by enhancing the scope of work. This resulted into irregular award of additional work for Rs 13.59 million.

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

Audit pointed out irregularity in July 2013. The Authority replied that the scope of the work was enhanced due to revision of design by the consultant. The reply was not tenable as the increase in the scope of work was beyond the permissible limit of fifteen percent (15%).

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee observed that the design of the work was prepared by the consultants without soil investigations which led to revision of the design and increase in scope of work. The Committee directed to conduct inquiry at Cabinet Division level for fixing responsibility within one month. The compliance of DAC's directives was not made till the finalization of this report.

Audit recommends fixing of responsibility against the designer/consultant for poor designing and estimation.

(DP. 21)

2.4.10 Irregular/Unauthorized award of work to a non-specialized firm - Rs 8.92 million

Notice Inviting Tenders for procurement of "Forest fire equipment and wireless system" provides that sealed tenders are invited on percentage basis from the enlisted CDA firms/contractors in appropriate category and tender will be issued only to those firms having experience in relevant field of work. As per PEC Bye-Laws no engineering work/

procurement shall be made except by a contractor licensed as such by the Council. The license issued to the contractor shall specifically mention the type of work that the contractor can undertake according to discipline shown in the application from prescribed in the Appendix-A.

Environment Directorate Regional CDA Islamabad awarded a work “Procurement of Wireless/Telecommunication equipment” to a contractor registered under category CE-10 (General Civil Engineering Works) instead of required registration under category EE-07 (Telecommunication Installation). Audit observed that the Supplier/ Contractor was not licenced under the relevant category of specialization, therefore, award of the work to a non-specialized firm was irregular/unauthorized. This resulted into irregular/unauthorized award of work for Rs 8.92 million.

Audit maintains that irregular award of contract was due to failure of internal controls and negligence of the Authority.

Audit pointed out irregularity in July 2013. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. CDA explained that required equipment was arranged by the contractor through its co-partner who was registered with Pakistan Engineering Council. DAC did not accept the viewpoint of the authority and directed to hold an inquiry at Cabinet Division level for fixing responsibility within one month. The compliance of the DAC’s directive was not conveyed till the finalization of this report.

Audit recommends conducting inquiry and fixing responsibility.

(DP. 53)

2.4.11 Non-submission of Budget to the Federal Government for approval

Section 43 (1) of CDA Ordinance, 1960 provides that in the month of February each year the Authority shall submit to the Federal

Government for approval a statement of the estimated receipts and expenditure in rupees in respect of the next financial year. Sub-section 2 provides that in the manner prescribed by the Federal Government the Authority shall also submit to the Federal Government for approval a statement of the estimated receipts and expenditure in foreign exchange in respect of the next financial year. Sub-section 3 provides that the Authority shall obtain specific sanction of the Federal Government in respect of each individual scheme costing rupees twenty five lacs or more to be financed out of the Capital Development Authority Fund.

Audit noted that Finance Wing, CDA Islamabad got approved Budget Estimate for the year 2012-13 from CDA Board for Rs 29,561.23 million being estimated receipts and Rs 28,320.72 million estimated expenditure (Rs 16,025.06 million for development and Rs 12,295.66 million for non-development expenditure) but did not submit the statement of estimated receipt and expenditure to the Federal Government for approval. Further, specific sanction of the Federal Government was not obtained in respect of each individual scheme costing Rs 2.50 million or more to be financed out of the CDA Funds. This resulted in non-submission of statement of Receipts and Expenditure for approval to Federal Government for the year 2012-13.

Audit maintains that CDA failed to implement the CDA Ordinance, 1960 and did not submit statement of Receipts and Expenditure to the Federal Government for approval and irregularity occurred due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out the irregularity in September 2013. The Authority replied that CDA being an autonomous body was empowered under Section 42 of the Ordinance to maintain its own financial system / accounts. So, financial statements were not being remitted. Further, CDA Board was vested with powers to launch/ approve development schemes at its own as per instructions contained in Manual of Development Projects as issued by the Planning Commission. The reply was not tenable because CDA was required to submit statement of estimated Receipts and

Expenditure for the year 2012-13 to the Federal Government for approval as per provision of CDA Ordinance, 1960.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee endorsed Audit opinion and held that CDA was bound to submit its estimates of receipts and expenditure for approval of the Federal Government. Cabinet Division disagreed with the contention of CDA that the Authority was empowered to make and approve its budget, and termed CDA practice a violation of Section 43 of CDA Ordinance, 1960 under which CDA was bound to submit estimated receipts and expenditure for approval of the Federal Government. The Committee directed Chairman CDA to ensure compliance of Section 43 of CDA Ordinance, 1960 in letter and spirit. The compliance of DAC's directives was not made till the finalization of this report.

Audit requires early implementation of DAC's decision.

(DP. 164)

Performance

2.4.12 Non-disposal of industrial and residential plots in Sector I-9 - Rs 4,456.00 million

According to Para-09 of Islamabad Land Disposal Regulation 2005, Industrial plots shall be sold or leased out through open auction. Plots for extractive industries will, however, be given only on license terminable on three (03) months notice and on payment of such periodical fee as may be prescribed.

Audit noted that Director Industrial Planning, CDA, Islamabad leased out 29 industrial plots in Sector I-9/2 and 13 residential plots in Sector I-9/4 to Carrier Telephone Industries (CTI). On privatization of CTI in 2005, Siemens Pak acquired 18 industrial and 03 residential plots. Remaining plots were handed over to CDA by Siemens.

Audit observed that these plots were not disposed of through open auction. A report dated 20th February, 2013 by surveyor of CDA disclosed that the plots were under possession of Telecom Foundation. This resulted in non-disposal of plots for Rs 4,560.00 million.

Audit maintains that non-disposal of plots occurred due to lack of coordination / timely decision by CDA.

Audit pointed out non-disposal of plots in July 2013. The Authority replied that disposal of industrial and residential plots, its possession, taking over and further custody till re-auction rest with Directorate of Estate Management-II. The reply was not to the point because proper disposal of these plots was responsibility of Planning Wing.

The matter was discussed in the DAC meeting held on 31st December, 2013. The Committee viewed the issue with concern and directed to a hold fact finding inquiry through the Cabinet Division and report to the Committee and Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends to dispose of the vacant plots besides fixing responsibility against the person at fault.

(DP. 187)

2.4.13 Inefficient/ineffective utilization of public development funds without achievement of prescribed objectives - Rs 842.63 million

Para 2.1 of Guidelines for Project Management provides that in order to achieve the objective of efficient utilization of natural and economic resources of the country, it is necessary that development projects are planned and executed with vigilant management. For achievement of stipulated targets, 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.

Moreover, Para 3.6 of the *ibid* guidelines provides that the rationale behind the project appraisal is to provide the decision-makers yardsticks for the selection/rejection of projects. If the project is found technically sound, financially and economically viable and socially desirable only then project is approved.

Audit noted that Director Water & Sewerage (Development), CDA awarded a work “Providing/laying water conduction main from Shah Allah Ditta reservoirs to various sectors” to a contractor at a cost of Rs 670.52 million on 21st September, 1999 with a completion period of one year. The project was approved by the ECNEC in its meeting held in September 1999.

Audit observed that an expenditure of Rs 842.63 million was incurred on the work but the work was yet to be completed even after 14 years. As per PC-I the conduction line was to be laid for providing 16.5 million gallons per day (MGD) water to 14 sectors of Islamabad. Several development works of water supply in those sectors were not completed despite incurring of huge development funds as the system could not be made operational due to missing portion of main conduction line that connects with the reservoir. Thus planned objectives were not achieved due to inefficient utilization of public resources. This resulted in inefficient utilization of public funds of Rs 842.63 million without achievement of objective.

Audit maintains that value for money was not achieved due to inefficient utilization of public resources, poor planning and mismanagement.

Audit pointed out the issue in August 2013. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee viewed the situation with great concern and directed to constitute an IDC to probe the matter with

direction to report within one month. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends investigating the matter for fixing responsibility and appropriate action against the responsible(s).

(DP. 152)

2.4.14 Inefficient property management caused 122 kanal land grabbing

According to Section 49(C)(1) & (2) of CDA Ordinance 1960, if any building, structure, work or land is erected, constructed or used in contravention of the provisions of rules and regulations, the Deputy Commissioner may require the owner, occupier or user to remove, demolish or so alter the building, structure or work or desist from using the land. If an order under sub-section(1) is not complied with within the specified time, the Deputy Commissioner, or any person empowered in this behalf by the Authority, may remove, demolish or alter the building structure or work, or stop the use of the land by using necessary force and may also recover the cost from the person responsible.

The Margallah Hills National Park was established in 1980 under S.R.O. 443(1)/80. The declaration included most of the Margallah Hills range (12,605 hectares), immediately north of the Islamabad city. The total area is 15,883 hectares which constitutes a remarkable diversity of ecological, cultural and recreational environments. Each unit presents special challenges for land managers and opportunities for public services. The Environment Directorate of the Capital Development Authority (CDA), since its establishment in 1980, has been in charge of developing the Margallah Hills National Park (MHNP) for the purpose of providing "the protection, preservation, conservation and management of scenery, flora and fauna in a natural state for the enjoyment of the people in the Islamabad Capital Territory".

Audit noted that Environment Directorate (Regional), CDA was assigned forest management of Margallah Hill National Park and a

separate formation headed by Deputy Director (Forest) was constituted and equipped with manpower i.e. range officers, foresters, forest guards and 231 Ordinary Grade Malis. It was responsibility of the divisional office to protect the forest land but during review of the case file of encroachment it was observed that 122 Kanal forest land was encroached by certain land grabbers. Roads and buildings were constructed illegally in the reserve forest compartment No. 23 and 08. This indicated that despite having heavy territorial staff, land grabbers encroached upon the forest land and forest management failed to protect and conserve the forest.

Audit pointed out the encroachment in July 2013. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. CDA apprised the Committee that demarcation was in progress. The Committee directed CDA to complete the demarcation and report retrieval of CDA land. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends investigating the matter and take appropriate action.

(DP. 61)

Internal Controls Weaknesses

2.4.15 Non-taking over possession of CDA land encroached by a housing scheme - Rs 2,313.82 million

According to Para 66 of Municipal Bye-laws, no person can encroach on the land under the charge of the Authority or put up an immovable structure, hut or Khoka or overcharging structure under any circumstances. According to Section 49(C)(1) & (2) of CDA Ordinance 1960, if any building, structure, work or land is erected, constructed or used in contravention of the provisions of rules and regulations, the Deputy Commissioner may require the owner, occupier or user to remove, demolish or so alter the building, structure or work or desist from using

the land. If an order under sub-section(1) is not complied with within the specified time, the Deputy Commissioner, or any person empowered in this behalf by the Authority, may remove, demolish or alter the building structure or work, or stop the use of the land by using necessary force and may also recover the cost from the person responsible.

Land Directorate, CDA, acquired land in village Kurri in 1968. The staff of Revenue Section submitted a report dated 28th May, 2013 that CDA Land measuring 1,342 Kanal, 11 Marlas in village Kuri was encroached by a private Housing Scheme named “Bahria Enclave”. The Housing Scheme also constructed road on CDA land measuring 200 Kanal. Audit observed that the land was still in un-authorized possession of the Bahria Enclave as per the imagery of SUPARCO. According to a report prepared by Tehsildar CDA more than 1,500 kanal CDA land located in 85 Khasras was encroached by the private housing society. Audit further noted that Director Enforcement, CDA issued last notice to the management of the society on 07th November 2012 to vacate the CDA land within seven days but no action for eviction was initiated. This resulted in non-taking over of possession of precious CDA land from a private housing society valuing Rs 2,313.82 million.

Audit maintains that CDA has failed to implement the CDA Ordinance, 1960 and allowed unauthorized/ illegal occupation of CDA land which occurred due to lack of oversight mechanism to safeguard the public property.

Audit pointed out this slackness in August 2013. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee directed CDA to initiate criminal proceedings against illegal owners of such societies besides taking all possible actions for retrieval of the land. The compliance of DAC’s directives was not reported till the finalization of this report.

Audit recommends initiating appropriate action to retrieve CDA land from encroachers and fixing responsibility on the relevant officers who failed to safeguard public property despite having huge paraphernalia and enforcement resources.

(DP. 90, 180)

2.4.16 Non-retrieval of CDA land from Housing Societies in Sector E-11 - Rs 2,290.00 million

According to Section 49(C)(1) & (2) of CDA Ordinance 1960, if any building, structure, work or land is erected, constructed or used in contravention of the provisions of rules and regulations, the Deputy Commissioner may require the owner, occupier or user to remove, demolish or so alter the building, structure or work or desist from using the land. If an order under sub-section(1) is not complied with within the specified time, the Deputy Commissioner, or any person empowered in this behalf by the Authority, may remove, demolish or alter the building structure or work, or stop the use of the land by using necessary force and may also recover the cost from the person responsible.

Audit noted that Director Housing Societies, Planning Wing, CDA Islamabad transferred land measuring 2,605 kanals to various societies in Sector E-11 Islamabad whereas the Societies collectively got the possession of 3,063 kanal as recorded in the minutes of meeting held on 12th June, 2007, circulated vide No.CDA/DEM-II(E-11)107/1733 dated 15th June, 2007. Audit observed that Housing Societies encroached upon 458 kanal which was owned by CDA. Record of the Directorate was silent about retrieval of CDA land from the Housing Societies. This resulted into non-retrieval of CDA land from Housing Societies valuing Rs 2,290.00 million.

Audit maintains that CDA failed to implement the CDA Ordinance, 1960 and allowed unauthorized/illegal occupation of CDA land which occurred due to lack of oversight mechanism to safeguard the public property.

Audit pointed out the encroachment of CDA land in August 2013. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee directed CDA to furnish reply explaining the factual position by 17th December, 2013. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends initiating appropriate action to retrieve CDA land from encroachers.

(DP. 96)

2.4.17 Non-imposition & recovery of commercialization charges for operating commercial activity on plots allotted for establishment of manufacturing industries - Rs 2,285.33 million

Para-19(c) of Islamabad Land Disposal Regulation, 2005 provides that allotment of plots shall be liable to cancellation on account of violation of terms & conditions of allotment e.g. non-conforming use, sub-division, amalgamation of plots etc.

Audit noted that Director Planning (Industrial) CDA, Islamabad did not cancel the allotment of industrial plot for not establishing the manufacturing industry during last three decades due to lack of monitoring. Audit observed that the allottees were operating commercial activities such as wedding hall, market, show room and university on the industrial plots in violation of lease and CDA bye-laws. This resulted into non-imposition/recovery of commercialization charges amounting to Rs 2,285.33 million.

Audit maintains that non-recovery of commercial charges occurred due to deficient revenue-recognition policies, disregard to the rules/regulations and weak internal controls.

Audit pointed out non-recovery in July 2013. The Authority replied that Planning Directorate CDA had reported the non-conforming/commercial use of industrial plots to Estate Management Directorate for taking action. The reply was not tenable because allotment/terms & condition/lease agreement were finalized by Planning Wing and final decision on violation was responsibility of the Wing. The allottees were operating commercial activities on industrial plots due to lack of coordination, in-effective monitoring and in-efficiency of the management.

The matter was discussed in the DAC meeting held on 31st December, 2013. The Committee directed Cabinet Division to conduct inquiry and fix responsibility besides recovery of due amount. The compliance of DAC's directive was not reported till the finalization of this report.

Audit requires that DAC's decision be implemented and recovery be effected at the earliest.

(DP. 182)

2.4.18 Non-recovery of cost of plot, delayed payment charges, capital value tax (CVT) and advance income tax - Rs 944.99 million

According to Finance Act, 2012 capital value tax @ 2% is applicable on recorded value of commercial immovable property (other than flats) situated in urban area measuring at least 500 sq. yards or one kanal (whichever is less) and more.

As per Section 236-A of Income Tax Ordinance 2002, (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 sub-section (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 Section 152(1A) of Income Tax Ordinance 2001, every officer authorized to make payments on behalf of Govt. is required to deduct income tax @ 6% from payment of work done or services rendered.

2.4.18.1 Audit noted that Director Estate Management-II, CDA Islamabad allotted a commercial plot in F-7 Markaz @ Rs 321,000 per sq. yard on 31st December, 2009. Total cost of plot Rs 1,212.67 million was payable as per schedule approved by CDA Board. Audit observed that allottee did not deposit premium of the plot, capital value tax, advance income tax and delayed payment charges. This resulted in non-recovery of Rs 568.86 million.

Audit pointed out the non-recovery in September 2013. The Authority replied that the matter was in the court. Action toward recovery would be taken after decision by the court.

(DP. 198)

2.4.18.2 Audit noted that Director Estate Management-II, CDA, Islamabad allotted plots measuring 500 square yards or more through auction held during 2012-13 and the successful bidders were required to deposit capital value tax @ 2% of total cost of plots. Audit observed that nine bidders/allottees of plots did not deposit capital value tax (CVT). This resulted in non-receipt/deposit of capital value tax of Rs 67.25 million.

Audit pointed out non-receipt of CVT in September 2013. The Authority replied that payment of the tax was applicable at the time of issuance of allotment letter. However, efforts were being made to recover the Government dues.

(DP. 195)

2.4.18.3 Audit noted that Director Estate Management-I, CDA, Islamabad allotted residential plots measuring 500 or more each though auction held during the year 2012-13. The successful bidders were required to deposit capital value tax (CVT) @ 2% of total cost of plots.

Audit observed that the six successful bidders did not deposit capital value tax. This resulted into non-deposit of capital value tax amounting to Rs 7.91 million.

Audit pointed out non-deposit of CVT in August 2013. The Authority replied that one allottee had paid the CVT while the other had not paid the CVT. The reply was not tenable because the stated recovery from the allottee was not substantiated with evidence and the status of recovery of remaining five plots was also not conveyed to Audit.

(DP. 123)

2.4.18.4 Audit noted that Director, Estate Management-II, CDA Islamabad auctioned commercial plots in various sectors of Islamabad through open auction but did not collect advance tax from the successful bidders of five plots. This resulted in non-recovery/ deposit of advance tax amounting to Rs 297.97 million.

Audit pointed out the non-recovery in September 2013. The Authority replied that show cause notices were issued to allottees of plots at S. No. 1 & 2 of detailed statement. A request was also forwarded to Additional District Collector for recovery of a plot (at S. No. 3). Allottee of a plot (at Serial No. 04) deposited CVT whereas reply in respect of others allottees (at S. No 5 & 6) was not furnished.

(DP. 194)

2.4.18.5 The Director Land CDA, Islamabad made part payment to a private Housing Society against the claim for vacation and development of land in Sector E-11, Islamabad on 8th January, 2013. Audit observed that income tax @ 6% was not deducted at source. This resulted in non-deduction of income tax amounting to Rs 3.00 million.

Audit pointed out the non-deduction of income tax in August 2013. The Authority did not furnish reply.

(DP. 95)

Audit maintains that non-recovery occurred due to weak internal controls. The Authority failed to realize due revenue and other recoveries in a climate of financial constraint and declining resource availability within CDA.

The matter was discussed in the DAC meetings held on 16th, 17th and 31st December, 2013. In DP. 198, CDA explained that the matter is subjudice before the Civil Court. The Committee directed to pursue the court case actively and effect recovery of dues. In DPs 123, 194 and 195, the DAC was informed that notices were issued to the bidders for payment of the tax. The Committee directed to effect the recovery and get it verified. The Committee in case of DP 95 directed CDA to recover the amount of income tax from next bill. It was further directed to call an explanation of respective Pre-Audit Officer who did not deduct the Income Tax at source i.e. at the time of payment. The compliance of DAC's directives was not reported till the finalization of this report.

Audit recommends for early compliance of DAC's directives.

2.4.19 Unauthorized/Illegal replacement of machinery of efficient tube wells without execution of contract agreement, approval of Government of Pakistan and disposal thereof without proper survey and cost analysis - Rs 819.45 million

Rule 19 (v) of General Financial Rules (Volume-I) no contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the Ministry of Finance.

As per Rule 167 of General Financial Rules (Volume-I), stores which are reported to be obsolete, surplus or unserviceable may be disposed of by sale or otherwise under the orders of the authority competent. Each order declaring stores as unserviceable should record the

full reasons for condemning them and how the condemned stores are to be disposed of i.e., whether by sale, public auction or otherwise. The head of the office should record full particulars regarding all condemned stores in suitable list from which their disposal can be watched. Moreover, as provided in the Conduct of Business Regulations, CDA 1985, the depreciated value of old/ condemned has to be worked out by the cost analyst under Finance Wing CDA for preparation of survey report for condemnation and declaration unserviceable the equipment/ machinery.

Directorate of Water Supply CDA Islamabad allowed replacement of machinery i.e. Power motors, Submersible Pumps, M.S pipes etc. of 135 tube wells in different locations of Islamabad through a private agency under a Memorandum of Understanding (MOU) signed by the then Chairman CDA and USAID without any lawful authority. Further approval and NOC of the Government of Pakistan was not sought before entering into such memorandum of understanding.

Audit observed that the existing machinery was handed over to the private agency as salvage/condemned material without preparation of survey report and calculation of depreciated value of machinery of existing tube wells/pumps. Replacement of functional machinery of superior quality with lower capacity motors, equipment without declaring existing machinery condemned through the authorized forum is irregular and unlawful. This resulted into unauthorized replacement and disposal of machinery of the operational tube wells for Rs 819.45 million

Audit pointed out the matter in July 2012. The Authority replied that the work was carried out as per clauses of the MoU signed by the then Chairman CDA and representative of the USAID. Depreciated value of the old material of all tube wells was being calculated. The reply was not tenable. As clarified by the Director General Law CDA, MOU was not a legal document. Carrying out of work by the firm without contract agreement and handing over of existing machinery of 135 tube wells to a private body, without declaring it unserviceable/condemn, was unauthorized.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee directed to furnish revised reply denoting the extent up to which respective MOU served the purpose, besides energy consumption saving comparison. CDA was also directed to provide an attested copy of MOU along with survey report and depreciated value of the machinery. The compliance of DAC's directives was not made till the finalization of this report.

Audit recommends that the matter may be probed at on appropriate level for fixing responsibility to sign MOU without lawful authority.

(DP. 40, 41)

2.4.20 Non-obtaining of insurance policies to cover work, contractor's equipment and third party insurance - Rs 739.18 million

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

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

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

Deputy Directors Road-II and Road -IV, CDA Islamabad awarded two works "construction of Margallah Avenue from G.T. Road to Sector D-12, Islamabad" and "construction of bridge in I & T Centre, G-9/4 linking Rohtas Road" to contractors at a cost of Rs 588.43 million and Rs 54.34 million respectively. Audit observed that insurance policies were neither obtained from the contractors nor effected by the Authority itself.

Contract clauses regarding insurances were not invoked which not only tantamount to undue benefit to the contractors but also put the entire works, equipment, property and labour at risk. This resulted into non-obtaining of insurance policies for the works worth Rs 739.18 million.

Audit holds that non-obtaining of insurance was an act of willful negligence and undue financial aid to contractor which also compromised authority's interest and resulted in financial impropriety.

Audit pointed out the irregularity during September-October, 2013. The Authority replied that there was no property of employer in the project premises which could get damaged and would require insurance, the contractor was liable to rectify the damaged work within the defects liability period of one year after completion of the project. The reply was not to the point because insurance of work was to be provided as per clauses of the agreement as the cost of such insurance was inbuilt in the rates offered by the contractor.

The matter was also discussed in the DAC meeting held on 31st December, 2013. The Committee directed the management to obtain the required insurance policies from the contractor forthwith and effect recovery of premium for the uninsured period. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses that DAC's decision be implemented at the earliest and recovery of the premium be effected and verified.

(DP. 167, 173)

2.4.21 Loss to CDA due to enhancement of storeys of commercial plot in violation of bye-laws and encroachment on CDA land - Rs 550.51 million

According to CDA Board decision in its meeting held on 12th May, 2009, Plot No. 5 (Old Directorate of Health Services) F-7 Markaz measuring 3,777.77 sq. yards was approved for construction with bye-laws as under:

- Floor Area Ratio (FAR) 1:5
- G.F Coverage 100%
- No. of Storeys Ground Floor + 4
- No. of Basement 02
- Use of Plot Mix use (Residential + Commercial + Offices)

Audit noted that CDA auctioned the plot No. 05, F-7 Markaz, Islamabad on 21st December, 2009 under the above bye-laws and was allotted at the rate of Rs 321,000 per sq. yard. The allottee constructed Ground + 7 (08 storeys) building on the plot against approved Ground + 4 (05 Storeys). Audit further noted that the allottee encroached CDA land measuring 196.44 sq. yards by installing cooling tower, constructed two structures in parking on 472.22 sq. yards and installed generator on CDA land measuring 21.33 sq. yards. Enhancement of storeys in violation of bye-laws approved by CDA Board after auction was a post-bid change which was unauthorized. Audit holds that had the plot been auctioned with Ground + 7 storeys, CDA would have earned at least 25% more revenue. This resulted into a loss of Rs 550.51 million (approximate). It is worth mentioning that original case file was not made available to Audit and a duplicate file containing copies of papers was provided to Audit. No efforts for tracing original file have been made besides action against person responsible. In absence of original file, authenticity of documents provided could not be ascertained.

Weak supervisory controls caused the loss. Audit holds that it was a complete failure of CDA in discharge of its functions as a capital development agency and regulatory authority.

Audit pointed out the loss in July 2013. The Authority replied that the allottee had filed a petition against the removal of encroachment on CDA's land. The Honourable Court has granted stay order regarding the removal of encroachment. The reply was not convincing because violation of approved bye-laws (G+4 storeys) after auction of plot was made but no action was taken during construction which was negligence at the part of CDA management.

The matter was also discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee observed that violation of approved Floor Area Ratio stands established and directed to conduct inquiry in the matter for fixing responsibility for Authority's inaction. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends holding inquiry and making the loss good besides disciplinary action against the responsible (s).

(DP. 77)

2.4.22 Non-taking over possession of cancelled industrial plots - Rs 500.00 million

According to Para 19 of Islamabad Land Disposal Regulation, 2005 the allotment of plots shall be liable to cancellation on account of the following:

- a) Non-payment dues within specified period.
- b) Non-completion of building within specified period.
- c) Violation of other terms & conditions of allotment e.g. non-conforming use, Sub Division, amalgamation of plots.

Audit noted that Director Estate Management-II CDA Islamabad cancelled allotment of an Industrial Plot on 8th April, 2000 due to non-payment of dues by the allottee. Similarly, allotment of another plot was cancelled on 29th June, 2012 due to subletting the plot and unauthorized construction. Director Enforcement CDA was asked on 14th February, 2013 to take over the possession of the plots but neither the possession of the plots was taken over nor the same were disposed off through open auction. This resulted in non-taking over possession of plots worth Rs 500.00 million.

Audit pointed out the CDA management failure in September 2013. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 31st December, 2013. CDA explained that the matter was subjudice before the Civil Court. The Committee pended the Para till decision by the Court and recovery of CDA dues. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends taking over possession of the plots and further disposal of the plots through open auction.

(DP. 201)

2.4.23 Non-recovery of commercialization charges - Rs 450.80 million

Para-19(c) of Islamabad Land Disposal Regulation, 2005 provides that allotment of plots shall be liable to cancellation on violation of terms & conditions of allotment e.g. non-conforming use, sub-division, and amalgamation of plots.

According to Rule-26 of General Financial Rules (Vol-I) it is duty of the departmental officer to see that all sums due to Govt. are promptly assessed, demanded, realized and remitted into treasury.

2.4.23.1 Audit noted that Director, Estate Management-II, CDA Islamabad imposed commercialization charges on a plot in Sector I-10/3, Islamabad for conversion of plot from industrial to commercial (CNG). Audit observed that the allottee of the plot was asked on 12th October, 2012 to deposit the commercialization charges but no recovery was made. This resulted into non-recovery of commercialization charges of Rs 240.80 million.

Audit pointed out non-recovery in September 2013. The Authority did not respond to the audit observation.

(DP. 207)

2.4.23.2 Audit noted that Director Estate Management-II, CDA Islamabad leased out a plot in F-6 Markaz, Islamabad measuring 466.67 Sq. yards for establishing a clinic on 27th October, 1970. The allottee did not establish

clinic on the plot and converted it into commercial plot. Lease period of 33 years expired on 27th October, 2003. Audit observed that CDA extended the lease for another 33 years from 27th October, 2003 on 13th September, 2012 but conversion of plot into clinic was not done as per undertaking and plot was further transferred in the name of another individual on 3rd July, 2013. This resulted in non-recovery of commercialization charges due to extension of lease of plot without removal of commercial use amounting to Rs 210.00 million.

Audit pointed out this irregularity in September 2013. The Authority replied that there was no violation of building regulations at the time of transfer of plot as per NOC collected from Building Control, CDA. The reply was not tenable because the allottee did not establish the “Clinic” over 33 years and plot was under commercial use. Further the NOC of Building Control Section did not mention about the use of plot.

(DP. 206)

Audit maintains that non-recovery of commercialization charges occurred due to deficient revenue-recognition policies, disregard to the rules/regulations and weak internal controls.

The matter was discussed in the DAC meeting held on 31st December, 2013. CDA informed the Committee that notices have been issued to the allottees for recovery of commercialization charges. The Committee directed to effect recovery and get it verified. The compliance of DAC’s directive was not reported till the finalization of this report.

Audit recommends for early compliance of DAC’s directive.

2.4.24 Non-taking over possession of plots on cancellation of allotment - Rs 322.66 million

Para 19-C of Islamabad Land Disposal Regulation, 2005 provides that the allotment of plots shall be liable to cancellation on violation of terms & conditions of allotment e.g. non-conforming use, sub-division, amalgamation of plots etc.

Director Estate Management-I, CDA, Islamabad cancelled allotment of two residential plots due to non-conforming use. The Enforcement Directorate, CDA was asked on 18th June, 2012 to take over possession of the cancelled plots. Audit observed that no action towards taking over possession and disposal of the plots was taken. This resulted in non-taking over possession of cancelled plots worth Rs 322.66 million.

Audit maintains that possession of cancelled plots was not taken over due to ineffective implementation of rules and regulations and lack of commitment at the part of the management to safeguard Authority's interest.

Audit pointed out the failure of CDA to proper action in August 2013. The Authority replied that in one case of non-conforming use the case was forwarded to Building Control Section to ascertain as to whether the allottee of the said house discontinued the non-conforming use or not. Final outcome of the same would be furnished on receipt of report. While in other case Deputy Commissioner CDA already ordered to seal the property and take over possession of the house. The reply was not tenable as Director Estate Management-I cancelled the allotment of the plots in June 2012 but possession was not taken over.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee directed CDA to seal the property and re-auction the plots. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends taking over the possession of plots for further disposal through open auction.

(DP. 124)

2.4.25 Undue financial aid to the contractor due to unauthorized conversion of item from composite to labour rate - Rs 258.91 million

As per contract agreement for the work 'providing/laying water conduction main from G-13 to I-16 (New route of Shah Allah Ditta

Reservoir), Islamabad' awarded in August 2007, the contractor was responsible for procurement of steel pipe and its laying. The agreed project cost was Rs 199.37 million with completion period of twelve months. Later on to avoid time and cost overruns, CDA decided in January 2009 to procure the pipe departmentally through inland letter of credit. The cost of pipe procured was recoverable from the contractor through running payments along with markup as admissible against CDA's investment.

Audit observed that CDA procured out of its own resources and delivered the pipe to the contractor for laying, without any provision in the contract. Moreover, the procurement cost of pipes for Rs 161.82 million and markup of Rs 97.09 million was not recovered from the contractor.

Audit further observed that:

- i. BOQ item "Providing/laying/jointing/welding and installation of steel pipes of 30", 24" & 18" dia" was measured in measurement book according to the provision of BOQ/contract up to 5th running bill. The item was deviated as "Laying of pipe line" in 6th running bill without approval of competent authority and paid at current market rate. Audit held that item once measured in measurement book cannot be changed. This resulted into unauthorized / irregular conversion of item and payment there-against amounting to Rs 63.56 million.
- ii. Running payments of Rs 138.03 million up to 5th running bill were made. The value of work done up to 6th running bill was worked out as Rs 129.21 million and an amount of Rs 8.82 million was recoverable from the contractor but in order to avoid recovery the value of 5th running bill was taken as Rs 85.73 million by excluding the amount of pipe to be recovered. This resulted in irregular reimbursement of cost of pipe for Rs 52.30 million.

This resulted into undue financial aid to the contractor beyond the contract provision and non-recovery of Rs 258.91 million.

Audit maintains that arbitrary payments were made and recovery was not effected due to complete failure of internal controls and utter disregard to rules and regulations.

Audit pointed out the irregularity in August 2013. The Authority replied in December 2013 that to avoid delay in execution of work, the competent authority decided to procure pipe directly from factory instead of the contractor. The cost of pipe with prevailing markup on CDA's investment was to be recovered from the contractor. Later on the contractor submitted rates only for laying of pipe. Chairman CDA approved in principle for provisional payment to the contractor of the composite item excluding the cost of pipe. The recoveries of cost of pipe already made in IPC-2 to 5 were adjusted in IPC-6. In reply the Authority conceded that recovery of cost of material plus markup was to be made from the contractor as well as the item of laying of pipe was measured beyond provision of the contract. Moreover, rate of item for laying of pipe was required to be derived from the contract price instead of market. An Analysis of rate of said item was not properly processed/scrutinized/ approved by the competent authority.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee viewed the situation with great concern regarding payments made by CDA beyond contract agreement and directed to constitute an IDC to probe the matter within one month. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 162, 151, 156)

2.4.26 Non-imposition/recovery of commercialization charges due to unauthorized change of trade of industrial plot - Rs 206.67 million

According to clause-15 of terms & conditions of allotment of Industrial plot the allottee shall not use the plot or any part thereof for any purpose other than approved by CDA or a purpose directly subservient there to or connected there with except as may be permitted by the Authority on such terms & conditions.

Audit noted that Director Planning Wing, CDA, Islamabad did not impose and recover commercialization charges from the allottee of a plot who did not establish laboratory for last 30 years and changed the trade of plot as “Warehouse”. The lease period of 30 years expired on 2nd February, 2013. Audit observed that the allottee’s request for change of trade was under process which indicated that trade was already changed as fine was calculated but not recovered. Purpose of establishing industry in city was never accomplished by the allottee except getting plots at lesser price in the name of industry. Since the allottee changed the trade without approval from CDA and lease stands expired, CDA was required either to take over the possession of the plot or impose commercialization charges but no action was taken. This resulted into non-imposition and recovery of commercialization charges of about Rs 206.67 million.

Audit holds that the Authority could not impose the penalty for non-implementation of term & conditions of lease agreement due to failure of internal controls.

Audit pointed out the non-recovery in July 2013. The Authority replied that the allottee did not utilize the industrial plot for “Dawa Khana” trade as permitted earlier. The issue of violation of terms & conditions of allotment would be referred to quarter concerned. The reply was not tenable because no action was initiated/taken on violation of terms & condition of allotment for over 30 years but change of trade by charging nominal fine was entertained which was unjustified.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. CDA informed that the case was subjudice. The Committee directed CDA to check for any restraining order in the matter, if not, seal such industrial plots, impose fine on the defaulters and effect recovery. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends recovering commercialization charges at current market rate and taking over possession of the plot for disposal through open auction.

(DP. 48)

2.4.27 Unauthentic consumption of POL valuing Rs 204.34 million

According to Rule-I of CDA Procedure Manual Part-II, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public funds as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that Deputy Director (Operations) MPO Directorate, CDA Islamabad issued diesel/petrol to CDA formations against indents without mentioning registration No. of vehicles while issuing POL from G-7 and H-10 petrol pumps. Audit observed that during the year 2012-13 diesel and petrol worth Rs 358.14 million and Rs 50.54 million respectively was issued but 50% of the POL was issued without mentioning vehicle Nos. No vehicle-wise petrol/diesel issue register was being maintained. This resulted into unauthentic consumption of diesel/POL for Rs 204.34 million.

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

Audit pointed out the irregularity during October 2013. The Authority replied that the complete record regarding issuance of fuel diesel/petrol was being maintained. As regards 50% of issuance of the fuel, it was clarified that same quantity of the diesel was being utilized for

the generators of the Water Supply Directorate for the purpose of operation of the pump stations of Water Supply Directorate CDA and for the Environment Directorate of CDA other than the vehicles/machines. However, the Assistant Director (POL) had been directed to maintain the vehicle/machine-wise fuel issuance record. The reply was not tenable because the system of issuance of petrol/diesel in MPO was not authentic and verifiable. Monthly and Yearly record of issuance of POL (vehicle wise) was not being maintained.

The matter was discussed in the DAC meeting held on 31st December, 2013. The Committee directed CDA to provide and get the record pertaining to issuance of POL other than vehicles verified. The compliance of DAC's directives was not reported till the finalization of this report.

Audit requires that DAC's decision be implemented.

(DP. 212)

2.4.28 Irregular acceptance of insurance bond as performance guarantee instead of bank guarantee - Rs 64.28 million and non-obtaining of additional performance guarantee - Rs 121.49 million

As per Clause 28.4 of Standard Bidding Documents of PEC, if the bid of the successful bidder is seriously unbalanced in relation to the Employer's estimate of the cost of work, the Employer may require the bidder to produce detailed price analyses for any or all items of the BOQ and increase the amount of the Performance Security to a level sufficient to protect the Employer against financial loss in the event of default of the successful bidder.

As per IB.32(32.1), the Performance Security shall be equal to an amount of 10% of the contract price stated in the letter of acceptance. Such security shall be in the form of irrevocable bank guarantee from a scheduled bank in favour of employer valid for period till 14 days after the date of issue of Defect Liability Period.

2.4.28.1 During scrutiny of record relating to Road Division-II, CDA, Islamabad Audit noted that work “Construction of Margallah Avenue from G.T. Road to Sector D-12, Islamabad” was awarded to a contractor at a cost of Rs 588.42 million i.e. 21% below the NIT cost of Rs 744.85 million. Being unbalanced offered bid/rates, it was decided by CDA to obtain higher performance guarantee in shape of Bank Guarantee @ 30% of contract cost in terms of Instructions to Bidder 28.4.

The contractor was asked to give his consent for deposit of 30% of bid cost as performance security in shape of bank guarantee on 7th May, 2012. The contractor agreed to provide 30% bank guarantee vide his letter dated 14th May, 2012.

Audit, however, observed that while issuing acceptance letter the very important issue of higher performance guarantee duly deliberated in bid evaluation process and agreed by the contractor was ignored and contract agreement was signed. Performance guarantee amounting to Rs 58.84 million in shape of insurance bond @ 10% of the contract cost from Atlas Insurance Co. was provided by the contractor instead of bank guarantee as clearly stated in the Acceptance Letter. Moreover, additional performance guarantee equal to Rs 117.69 million (20% of contract cost) was not obtained from the contractor to safeguard the public interest. The progress of work by the contractor was much behind the scheduled target as the project was originally to be completed by 10th June, 2013. As per Progress Report for July 2013 the project was likely to witness a delay of 8 months.

Audit pointed out the irregularity during September- October 2013. The Authority replied as per PEC letter No. PEC/CPD/CDA/2009, dated 26th March, 2013 Performance Security should be in shape of Bank Guarantee or Insurance Bond with limit to 10% of Contract value. The Employer had approved the performance security in shape of Insurance bond which had been submitted by the Contractor in line with PEC clarification. The reply was not accepted because as per contract provision the contractor was required to submit bank Guarantee against performance security. Insurance guarantee was accepted by CDA against the provision

of contract which resulted in undue financial aid to contractor. Due to manipulation and collusive practices undue financial benefit was extended to contractor which indicated complete failure of system of internal controls.

(DP. 166)

2.4.28.2 During scrutiny of record relating to Road Division-IV, CDA, Islamabad Audit noted that work “Construction of Bridge in I&T Centre, G-9/4 Linking Rohtas Road” was awarded to a contractor at a cost of Rs 54.34 million with date of start 1st February, 2012 and stipulated date of completion as 30th November, 2012. The work was awarded at 7.26% below the NIT cost.

Audit observed that Performance Security in the shape of Insurance Bond for Rs 8.15 million (15% of the contract cost) valid from 31st October, 2012 to 30th July, 2015 (Jubilee General Insurance Co.) was obtained from the contractor instead of Bank Guarantee amounting to Rs 5.44 million @ 10% of contract cost. Moreover, additional performance security of Rs 3.80 million @ 7% of the contract cost was required to be obtained due to unbalanced bid (7.26% below the NIT cost) which was not done.

Violation of contract clause resulted in non-obtaining of Bank Guarantee for Rs 5.44 million and additional performance security for Rs 3.80 million.

Audit pointed out the irregularity during September-October, 2013. The Authority replied that according to original PEC clause IB.32, it was at the option either to obtain insurance bond or bank guarantee. The contractor submitted the Insurance guarantee of AA rated insurance company viz. New Jubilee Insurance Company at the rate 15% against 10%. Five (5) % additional security was obtained from the firm in the light of unbalanced bid under clause 28.4 and produced to Audit. Clause 28.4 does not fix any value of additional security like 7% fixed by Audit in observation. The reply was not accepted because as per contract provision the contractor was required to submit bank Guarantee against performance security. Insurance guarantee was accepted by CDA against

the provision of contract which resulted in undue financial favour to the contractor. As far as 7% additional security is concerned, since contractor quoted 7% below the NIT cost it was necessary to have adequate additional security but not less than 7%.

(DP. 172)

The matter was discussed in DAC meeting held on 31st December, 2013 wherein DAC held that CDA did not obtain Bank Guarantees as required in the Contract Agreements and Insurance Guarantees were accepted beyond contract provisions. The Committee directed to hold an Inquiry at Cabinet Division level to investigate the matter for fixing of responsibility. The Committee further directed CDA to obtain Bank Guarantees as per provisions of the Contract Agreements. The compliance of DAC's directives was not conveyed to Audit till the finalization of this report.

Audit recommends that DAC's directives be complied with at the earliest.

2.4.29 Loss due to non-conviction for non-conforming use - Rs 153.90 million

According to Section-2.17 of Zoning (Building Control) Regulation, 2005, no land or building shall be put to a non-confirming use. As per the zoning regulation of CDA non-confirming use of a residential building may render the owner and occupant of the building liable on 1st conviction to pay a fine of Rs 0.500 million and in case of failure to discontinue the non-confirming use within 15 days of conviction an additional fine Rs 5,000 for every day up to 3 months.

Audit noted that 162 cases of non-conforming use were identified and reported to the Enforcement Directorate, CDA during 2011-12 for actions/eviction, where residential houses were being used for commercial purposes as offices, beauty salons/parlours, shops, restaurants, guest houses and clinics, etc. in residential areas of Islamabad in violation of the Building Control Regulation, 2005. The Authority neither initiated any penal action nor imposed/recovered any fine to discourage non-

conforming uses. Audit is of the view that the non-conforming use of residential houses not only caused inconvenience to the residents but also caused revenue loss to the Authority due to non-recovery of fine for Rs 153.90 million (approx.).

Audit observed that the loss occurred due to weak internal controls and negligence of the authority despite repeated directions of Honourable High Court.

Audit pointed out the issue in March 2013. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. CDA explained that 100 cases were already sent for cancellation of plots and disconnection of services. The Committee directed CDA to provide the final action taken against the defaulters to audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends for early eviction of non-conforming uses besides imposing fine and recovery.

(DP. 05)

2.4.30 Non-imposition and recovery of penalty - Rs 82.43 million

As per terms and condition of approval of layout plan of Housing Society, the sponsor was required to deposit entire development cost of scheme with the Authority or mortgage 20% of its saleable area in the name of Authority. The environmental clearance from Pak. Environmental Protection Agency (EPA) will be obtained by sponsor and a duly certified copy of the same shall be provided within 90 days after approval of layout plan and Engineering design within 3 months. In case of non-compliance CDA Board approved following penalties in its meeting held on 17th January, 2012:

Description	Rate of penalty
Start of Development Work prior to obtaining NOC	Rs 5,000 per Kanal
Change in Layout Plan without approval of CDA	Rs 2,000 per Kanal

The Director Housing Societies, Planning Wing, CDA, Islamabad did not impose and recover penalties from various housing societies for non-mortgage of 20% of saleable area, changes in Layout Plan without approval, starting of development works prior to obtaining NOC and without approval of engineering design. This resulted in non-imposition and non-recovery of penalties amounting to Rs 82.43 million.

Audit maintains that the authority failed to impose penalty for non-implementation of the rules regarding non-submission of mortgage deed, transfer deed and engineer design, due to weak internal controls.

Audit pointed out the non-recovery in August 2013. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee directed CDA to get the effected recovery verified from audit and pursue recovery of the balance amount of penalty. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends for strict action against housing societies besides early recovery.

(DP. 97)

2.4.31 Non-recovery of extension charges due to delay in completion of development works and non-imposition of penalty for changes in layout plan without approval - Rs 43.40 million

As per CDA Board decision dated 17th January, 2012 the owners of the private housing scheme will complete the development work within stipulated period and in case of failure, extension in period will be granted with the fee of Rs 1,250, Rs 1,875 and Rs 2,500 per kanal for the 1st, 2nd

and 3rd year respectively. Further, penalty for change in approved layout plan without approval will be recovered @ Rs 2,000 per kanal.

Audit noted that Director, Housing Societies Planning Wing, CDA could not impose and recover extension charges on account of delay in completion of development works and penalty for change in layout plan without approval from various housing societies. This resulted in non-recovery of Rs 43.40 million.

Audit maintains that non-recovery on account of delay charges was due to deficient revenue-recognition policies and weak internal controls.

Audit pointed out the non-recovery in August 2013. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee directed CDA to recover due amount and get it verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends to effect the recovery at the earliest, besides strict monitoring of housing society.

(DP. 98)

2.4.32 Less-recovery of additional storey charges - Rs 31.48 million

According to CDA Board decision dated 17th January, 2012 additional storey constructed without approval shall be regularized on payment of charges at the rates approved for each locality.

According to Planning Wing CDA letter No. CDA/PLW-UP/F-11(22)/08/1259 dated 6th April, 2009, allottee of plot No. 23, F-11 Markaz was required to pay charges for additional covered area as calculated by Finance Wing, CDA and Finance Wing, CDA intimated a rate of Rs 2,700 per sq. yard on provisional basis subject to approval of CDA Board.

According to Annex-B (5) (ii) to Islamabad Residential Sectors Zoning (Building Control) Regulation 2005, penalty at the rate of Rs 100 per square foot shall be charged for starting construction without the approval of plans.

According to CDA Board decision in its meeting held on 17th January, 2013 additional storey charges in Markaz G-6 is Rs 958 per Sft. The rates for the approval of additional storey were subject to increase at the rate of 10% or General Price Index, whichever is higher, every year.

2.4.32.1 Audit noted that Director Building Control, CDA Islamabad approved a revised plan of the plot with covered area of 116,096.73 sft. CDA Board approved revised rate of Rs 986 per sft. for additional storey in a meeting held on 17th January, 2012. Total amount on account of additional storey charges was worked out to Rs 15.79 million against which Rs 4.23 million were received. This resulted in less recovery of Rs 11.56 million.

Audit pointed out less recovery in July 2013. The Authority replied that on the basis of revised rates for allowing additional storeys, allottee was informed to pay the charges but he did not respond. The case had also been referred to Senior Special Magistrate Additional Collector, CDA for recovery.

(DP. 106)

2.4.32.2 Audit noted that Director Building Control, CDA, Islamabad did not impose and recover fine from allottee of a plot who constructed additional storey without prior approval of plan with an excess covered area of 23,006 sft. Audit observed that the plan was approved subsequently subject to payment of Rs 375 plus Rs 100 per sft. as fine. Total recoverable sum was Rs 23.90 million but the allottee paid Rs 13.88 million only. This resulted in less recovery of Rs 10.02 million.

Audit pointed out the less recovery in July 2013. The Authority replied that the matter of revised approval of additional storey was settled by the Senior Special Magistrate/Additional Collector Recovery CDA.

The reply was not tenable because the Senior Special Magistrate/ Additional Collector settled the matter on confirmation of recovery by Deputy Director (BCS-I), CDA as mentioned in his letter dated 12th July, 2012. However, payment of remaining amount was not on record.

(DP. 107)

2.4.32.3 Audit noted that Director Building Control CDA approved Building Plan of a plot in Markaz G-6 Islamabad on 19th February, 2013 with total covered area of 40,126.21 sft & 7,091.25 sft for third floor (additional storey). CDA recovered additional storey charges of Rs 1.30 million against due charges amounting to Rs 7.47 million. This resulted into less recovery of Rs 6.17 million.

Audit pointed out less recovery in July 2013. The Authority replied that the charges were worked out and recovered correctly. The reply was not tenable because charges (in G-Series) were recoverable @ Rs 958 per sft. with 10% increase after one year as per CDA Board decision in meeting held on 17th January, 2012.

(DP. 108)

2.4.32.4 Audit noted that Director of Building Control CDA Islamabad approved additional storey of Unit No.7 Block-E Markaz F-6 with covered area of 1,317.17 sft. and recovered an amount of Rs 0.81 million. Audit observed that amount of Rs 2.92 million was due to be paid at revised rate. This resulted in less recovery of Rs 2.11 million.

Audit pointed out less recovery in July 2013. The Authority replied that as per Board decision unapproved additional storeys was to be regularized up to 31st March, 2013, failing which penalties will be levied at the rate of Rs 1,000 per sft. in addition to the specified /revised rates for any unapproved additional storey. The allottee deposited payment on 21st March, 2012 therefore revised rates/penalties were not applicable in this case. The reply was not tenable because revised rates were applicable with effect from 17th January, 2012 whereas the payment was received on 21st March, 2012.

(DP. 109)

2.4.32.5 Audit noted that Director Building Control CDA Islamabad approved revised plan of a buildings after 17th January, 2013 but charged fee without increase in rates @ 10% in violation of CDA Board decision dated 17th January, 2013. This resulted into less recovery of Rs 1.62 million.

Audit pointed out less recovery in July 2013. The Authority replied that the Board decision dated 17th January, 2012 for additional storey rates also states that subsequent increase shall take effect with the approval of FA/Member. The same was circulated with effect from 3rd July, 2013. Hence, the 10% increase was not charged. The reply was not tenable because CDA Board decision clearly describes that rates were to be increased @ 10% after expiry of one year.

(DP. 110)

Audit maintains that less-recovery of rates occurred due to deficient revenue-recognition policies, disregard to the rules/regulations and weak internal controls.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee in DP 106 directed CDA to recover the additional storey charges and get it verified. In DP 107, the Committee directed CDA to get verified the amount recovered so far and pursue the remaining recovery. The Committee directed CDA in DP 108 to recover the balance amount and get it verified. In DPs 109 and 110, the Committee directed CDA to recover the amount as per revised/current rates regarding additional storey charges and get it verified from Audit. The compliance of DAC's directives was not reported till the finalization of this report.

Audit recommends for early compliance of DAC's directives.

2.4.33 Loss due to removal of the secured material - Rs 29.09 million

Clause – 5 of Indenture bond for grant of secured advance against material provides that said materials shall not, on any account, be removed from the site of the said work except with the written permission of the Deputy Director or an Officer authorized by him on that behalf.

Audit noted that Deputy Director, Water & Sewerage R/A Zone, CDA, Islamabad granted secured advance to the contractor against 22,655 Rft. 18 inch dia machine double submerged spirally machine welded M.S Pipe for Rs 12.76 million in January 2002. Audit observed that cost of 11,785 Rft pipe was recovered up to 3rd running bill leaving balance of 10,872 Rft valuing Rs 6.12 million. Audit observed that the work remained suspended and the contractor removed the pipe from site in July 2008 in violation of the rules. The current market value of removed pipe is Rs 35.21 million. Removal of the pipe from site by the contractor which was property of CDA after payment of secured advance resulted into a loss of Rs 29.09 million to CDA (Rs 35.21 million- Rs 6.12 million).

Non-adherence to rules and removal of material from site caused loss of Rs 29.09 million.

Audit pointed out the loss in August 2013. The department did not furnish reply.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee was informed that the case was subjudice. DAC took serious notice as to why accounts of the contractor were closed before settlement of the case by the court. Member (Engineering), CDA was directed to furnish report to this effect. The compliance of DAC's directives was not made till the finalization of this report.

Audit recommends making good the loss from source at fault.

(DP. 163)

2.4.34 Non-calculation and recovery of charges for allowing additional storeys - Rs 23.80 million

As per revised Building Byelaws approved by CDA Board in its meeting held on 7th July, 2006 additional storeys on existing buildings / plots shall be allowed on payment of prescribed charges to be worked out by Finance Wing, CDA.

Audit noted that Director Regional Planning, CDA, Islamabad allowed additional storeys (Ground + 9) with 40% ground coverage and FAR 1: 4 to the allottee of plot No. 2 (Revised Plot No. 18) Shah Bagh Motel, Club Road, Islamabad, on 31st August, 2008 subject to the payment of requisite charges to be worked out by the Finance Wing, CDA. Audit observed that charges for allowing additional storeys were not calculated, demanded and recovered from allottee despite lapse of a period of more than 05 years. Further, conversion of motel plot into five star hotel was also a compromise of the approved policy of open auction. Neither approval of additional storeys was withdrawn nor charges for allowing additional storeys were calculated and recovered. This resulted in non-recovery of Rs 23.80 million.

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

Audit pointed out the non-recovery in August 2013. The Authority replied that the charges for additional storeys were to be worked out by Finance Wing and charged by Directorate of Estate Management-II. Planning wing has no role in this respect. The reply was not tenable because recovery of CDA dues was responsibility of the Planning Wing before issuance of the approval of additional storeys.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. CDA admitted that no recovery was made. The Committee directed CDA to effect the recovery and get it verified by Audit. The compliance of DAC's directives was not made till the finalization of this report.

Audit requires early recovery of CDA dues besides fixing responsibility for inefficiency.

(DP. 113)

2.4.35 Non-recovery of building plan approval charges/delayed payment charges - Rs 13.65 million

According to Para 2.2.7 of Islamabad Residential Sectors Zoning (Building Control) Regulation, 2005 the fee as prescribed in the regulation shall be paid in advance for obtaining approval of Plans and delayed payment charges are recoverable at the rate of 11.70% per annum on all types of dues.

Audit noted that Director Building Control, CDA approved revised building plan of a school plot in Chak Shahzad Islamabad for Ground floor plus 5 storeys and charges amounting to Rs 27.158 million for approval of revised plan were recoverable from the allottee. Audit observed that due charges were not deposited by the allottee. This resulted in non-recovery of additional storey charges/delayed payment charges of Rs 13.65 million.

Audit holds that non-recovery of due charges was due to deficient revenue-recognition policies and weak internal controls.

Audit pointed out non-recovery in July 2013. The Authority replied that notice to the management of the school was issued on 27th May, 2013 for recovery of outstanding amount within 15 days failing which matter would be taken up with Senior Special Magistrate CDA/Additional Collector for recovery. In case of non-payment proceedings towards cancellation of allotment would be initiated.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee directed CDA to recover due amount and get it verified by Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit requires that DAC's decision be implemented.

(DP. 105)

2.4.36 Non-recovery of extension charges - Rs 13.62 million

Para 17 of Islamabad Land Disposal Regulation, 2005 provides that extension in construction period may be granted by the authority on the merits of each case subject to the payment of extension charges at such rates as may be prescribed by the Authority from time to time.

Audit noted that Director Estate Management-II CDA Islamabad allotted 150 acres land to Pakistan Golf Federation (PGF) in National Park Area, Sports Centre, Zone-IV vide lease agreement dated 16th April, 2007. The allottee was required to complete the development work within 03 years failing which the land shall automatically revert back to CDA.

Audit observed that the allottee could not complete the development work in the stipulated time. CDA Board in its meeting held on 31st October, 2011, approved one time free of charge extension for 03 years which expired on 15th April, 2013. The federation could not complete the development work and was liable to pay extension charges @ Rs 75 per sq. yard but no such recovery was made. This resulted in non-recovery of Rs 13.62 million.

Audit pointed out non-recovery in September 2013. The Authority replied that the case was under consideration of CDA Board for a decision. Further action would be taken on decision. The reply was not tenable because CDA Board had granted one time extension in completion period free of charges which expired on 15th April, 2013. Therefore, recovery of extension charges was due.

The matter was discussed in the DAC meeting held on 31st December, 2013. CDA informed the committee that matter is under consideration with the Board for decision. The Committee directed to effect the due recovery and get it verified. The compliance of DAC's directives was not made till the finalization of this report.

Audit recommends for early recovery.

(DP. 190)

2.4.37 Issuance of completion certificate of building without clearance of violations, dues and non-imposition/recovery of fine for unauthorized construction - Rs 12.28 million

According to Zoning (Building Control) Regulation, 2005 Annexure-B(5)(11) penalty at the rate of Rs 100 per sft. shall be imposed/recovered for start of construction without approval of plan. Para 5.6.9 of Zoning (Building Control) Regulation, 2005 provides that in case, no change is there from the approved plan and/or according to bye-laws and after receiving the necessary scrutiny fee etc., the concerned Deputy Director (Building Control Directorate) shall issue completion certificate, if all other requirements are met at the part of owner/allottee.

Audit noted that Building Control Directorate, CDA Islamabad issued completion certificate to the allottee of Plot No. 05 (Abu Dhabi Towers) Economy Flats F-11/1 on 8th August, 2012. Audit observed that the owner of the plot constructed flats in basement by violating the approved building plan. Further, fine for unauthorized construction was neither imposed nor recovered. This resulted in irregular issuance of completion certificate of the building and non-imposition/recovery of fine on account of unauthorized construction for Rs 12.28 million.

Audit maintains that the irregularity occurred due to ineffective implementation of rules and regulations and lack of commitment at the part of the management to safeguard Authority's interest.

Audit pointed out the irregularity in July 2013. The Authority replied that owner obtained stay order from the court on issuance of notice to remove unauthorized construction. Further, a committee was constituted for inquiry in the case.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. CDA explained that a committee was constituted for inquiry in the light of Islamabad High Court Judicial Commission report.

The Committee directed CDA to finalize the inquiry and take action accordingly.

Audit requires inquiry to fix responsibility for the issuance of irregular completion certificate besides removal of violation and recovery of fine.

(DP. 104)

2.4.38 Loss of revenue due to non-taking over possession of cancelled nursery plots and re-auction thereof - Rs 8.28 million

According to Para 12 of Islamabad Disposal Regulation 2005, Agro Farming and Agro Industry Plots shall be sold or leased out through open auction.

Audit noted that Director Estate Management-II, CDA Islamabad allotted 23 Nos. plots for private nurseries in Chak Shahzad, Islamabad 10 years back without any policy. These plots were required to be cancelled after approval of policy for disposal of nursery plots by the CDA Board and the plots were cancelled accordingly.

Audit observed that neither possession of the plots was taken over nor the same were offered for auction. This state of affairs leads to the observation that the plots are still in possession of the old licensees. This resulted into a loss of revenue amounting to Rs 8.28 million.

Audit pointed out the loss in September 2013. The Authority replied that all the Nursery Plots stands cancelled. The old licensees had filed court case against the cancellation of the plots. As and when the decision of the court will be received, the possession of the plots would be taken over accordingly. The reply was not tenable because allotment of these plots was cancelled in pursuance of policy formulated on the direction of Honorable Supreme Court of Pakistan and CDA did not take action towards vacations and re-auction of the plots.

The matter was discussed in the DAC meeting held on 31st December, 2013. CDA explained that the case was subjudice. The Committee directed CDA to pursue the court case actively. No progress of the case was intimated till the finalization of this report.

Audit recommends on concrete efforts for taking over the possession of the plot after cancellation and auction of these plots.

(DP. 202)

2.4.39 Loss/Non-recovery on account of missing steel - Rs 6.49 million

Rule 151 of GFR provides that the head of an office or any other officer entrusted with stores of any kind should take special care for arranging for their safe custody, for keeping them in good and efficient condition and for protecting them from damage or deterioration. Suitable accommodation should be provided more particularly for valuable and combustible stores. He should maintain suitable accounts and inventories and prepare correct returns in respect of the stores in his charge with a view to preventing losses through theft, accident, fraud or otherwise and to making it possible at any time to check the actual balances with the book balances and the payment to suppliers, etc.

Audit noted that Deputy Director Road Division-IV, CDA Islamabad terminated contract by invoking clause 63.1.1 of agreement on failure of the contractor in completion of work and took over the contractor's material/store and inventory of available steel and other items. Later on the court decided to return back the material to the contractor but the material was not available in the store and CDA had to make payment of Rs 6.49 million on account of lost steel weighing 68 Tons to the contractor. Audit observed that the steel was misappropriated from the store due to negligence of the Enforcement Directorate which resulted in payment of cash at current market rate to the contractor and a loss of Rs 6.49 million.

Audit pointed out the loss during October 2013. The Authority replied that the payment of Rs 6.49 million against missing steel was made

to contractor in the light of decision of the court. The inquiry proceedings regarding theft of steel were, however, underway.

The matter was discussed in the DAC meeting held on 31st December, 2013. CDA explained that matter was being inquired by the Member Environment. Action towards recovery of loss from the responsible would be taken on finalization of inquiry. The Committee directed CDA to finalize the inquiry and furnish report to Cabinet Division as well as to Audit by 30th January, 2014. The compliance of DAC's directives was not made till the finalization of this report.

Audit recommends for early recovery of loss besides stern action against the responsible(s).

(DP. 170)

2.4.40 Non-receipt of entry fee of Lake View Park - Rs 5.98 million

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

Audit noted that Director Parks & Grounds, CDA Islamabad awarded a contract for collection of entry tickets at Lake View Park to a contractor on 24th October, 2012 for Rs 16.02 million. The contractor deposited a sum of Rs 4.00 million and the balance amount was required to be deposited in (09) equal monthly installments.

Audit observed that the contractor did not deposit monthly installment till 26th July, 2013. CDA forfeited his Security Deposit amounting to Rs 7.00 million leaving a balance of Rs 5.98 million yet to be recovered. This resulted into non-receipt of Rs 5.98 million.

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

Audit pointed out non-receipts in November 2013. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held on 31st December, 2013. CDA explained that matter is subjudice. The Committee directed CDA to pursue the court case actively. The progress of the case was not intimated till the finalization of this report.

Audit recommends for early recovery from the contractor besides fixing responsibility for not taking timely action.

(DP. 229)

2.4.41 Overpayment due to non-deduction of excavation beyond shoring pile - Rs 2.15 million

Item No. 401.4.1 of NHA General Specifications provides that in measuring the volume of concrete to be paid for, the dimension to be applied shall be those shown on the drawings except where others ordered by the Engineer in writing. Deductions from the theoretical volume of concrete shall be made for the volumes of draining holes, weep holes, pipes and conduits, etc., in case where their cross-sectional areas exceed 500 square centimeters. The measurement shall not include any concrete used in the construction of cofferdams or false-work.

Audit noted that Deputy Director Roads-I, CDA Islamabad made payment to the contractor for item of work "hard rock excavation" in the work "Construction of grade separation facility at Zero Point Islamabad".

Audit observed that the contractor was allowed a quantity of 2,004.59 cu.m for excavation of hard, medium and soft rock beyond the shoring pile and X-section areas, which was not required after construction of shoring pile. This resulted into an overpayment of Rs 2.15 million.

Audit maintains that overpayment was due to weak internal controls.

Audit pointed out the overpayment in July 2013. The Authority admitted recovery.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee directed CDA to effect recovery and get verified the recovered amount from Audit. Progress towards recovery was not intimated to Audit till the finalization of this report.

Audit recommends early recovery.

(DP. 22)

2.4.42 Non-clearance of CDA land on cancellation of licenses for Kiosks (Khoka)

According to Section 49(C)(1) & (2) of CDA Ordinance 1960, if any building, structure, work or land is erected, constructed or used in contravention of the provisions of rules and regulations, the Deputy Commissioner may require the owner, occupier or user to remove, demolish or so alter the building, structure or work or desist from using the land. If an order under sub-section(1) is not complied with within the specified time, the Deputy Commissioner, or any person empowered in this behalf by the Authority, may remove, demolish or alter the building structure or work, or stop the use of the land by using necessary force and may also recover the cost from the person responsible.

Audit noted that Director Municipal Administration, CDA Islamabad cancelled all the temporary licenses for establishment/running the tea stall/tuck shop/Kiosk/counter cabin/snack bars etc. within the municipal limit of Islamabad on 1st November, 2013 on the directions of Judicial Commission constituted by the Islamabad High Court. Audit observed that the authority did not remove the cancelled khokha, etc. and all the old licensees were running their business. This resulted into non-clearance of CDA land on cancellation of licenses.

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

Audit pointed out the matter in November 2013. The Authority did not reply.

The matter was discussed in the DAC meeting held on 31st December, 2013. CDA explained that possession of land was not taken over due to agitation by the association. The cancellation of Khokhas was under review. The Committee directed CDA to provide relevant record to Audit for verification. The compliance of DAC's directives was not made till the finalization of this report.

Audit stress that to remove the licenses and clear the CDA land.

(DP. 247)

2.4.43 Non-action against violations of building control regulations and municipal byelaws in Sector G-12 Islamabad

According to section 66 of CDA Municipal Bye-laws, No person can encroach on the land under the charge of the Authority or put up an immovable structure, hut or Khokha or overcharging structure under any circumstances, and According to rule 49(C)(i) of CDA Ordinance 1960, if any building, structure, work or land is erected, constructed or used in contravention of the provisions of this ordinance or of any rule, regulation or order made there-under, the Deputy Commissioner or any person empowered in this behalf by the authority, may, by order in writing, require the owner, occupier, user or person in control of such building, structure, work or land to remove, demolish or so after the building, structure of work or to desist from using or to so use the land, as to be in accordance with the said provision.

Audit noted that the encroachment/illegal construction along Northern carriageway of Kashmir Highway in Sector G-12 Islamabad was pointed out by the Member Planning, CDA on 14th January, 2013 and Director Enforcement, CDA was directed to take immediate action to stop/remove construction in sector G-12 and erect a wall/fence along right of way of Kashmir Highway. Audit observed that Director Enforcement CDA neither initiated the proposed action nor imposed/recovered fine to discourage the violations and encroachment in the area.

Audit maintains that CDA failed to implement the CDA Ordinance, 1960 and allowed unauthorized/illegal construction and encroachment on its land. The irregularity occurred due to lack of oversight mechanism for implementation of internal controls and inaction at the part of CDA.

Audit pointed out the matter in March 2013. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held on 16th and 17th December, 2013. The Committee decided that matter needs to be looked into at the level of Cabinet Division for issuance of appropriate orders. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early removal of the violations besides disciplinary action against the responsible(s).

(DP. 08)

CHAPTER 3

CIVIL AVIATION AUTHORITY (AVIATION DIVISION)

3.1 Introduction

Civil Aviation Authority was established under the Pakistan Civil Aviation Authority Ordinance, 1982. The Authority is controlled and managed by the Government of Pakistan through Aviation Division. A high-powered Civil Aviation Authority Board, headed by the Secretary, Aviation Division, is vested with the powers to run and control the affairs of the Authority. An Executive Committee headed by the Director General, and assisted by the Deputy Director General, Directors, General Managers and Airport Managers, reports to the Board. The Chief Financial Officer controls the budget and enforces the internal financial controls/checks. The General Manager, Audit, under the direct supervision of the Director General, heads the Internal Audit Department. The Headquarters of the Civil Aviation Authority are situated at Karachi.

The mandate of the Authority is to provide, promote and regulate civil aviation activities and development of infrastructure for civil air transport services in Pakistan. The Authority also develops, maintains and manages the airports throughout Pakistan.

3.2 Comments on Budget and Accounts (Variance Analysis)

The Financial Statements disclosed the figures of budget and expenditure for the Financial Year 2012-13 as under:

a. Budget and Expenditure

(Rs in million)

Description	Budget	Expense	Excess/ (Saving)	Excess/ (Saving) in %
Establishment & Administrative Expenditure	17,602.04	17,045.54	(556.50)	(3.16)
Repair & Maintenance	636.97	637.60	0.63	0.10
Depreciation	3,872.69	3,027.23	(845.45)	(21.83)
Financial charges	2.29	23.81	21.51	935.94
Sub-Total	22,113.99	20,734.18	(1,379.81)	(6.24)
Annual Development Programme	20,318.57	18,950.52	(1,368.05)	(6.73)
Grand Total	42,432.56	39,684.70	(2,747.86)	(6.48)

The total budget allocation for the year 2012-13 in non-development and annual development programme was Rs 42,432.56 million against which an expenditure of Rs 39,684.70 million was incurred. This resulted in a saving of Rs 2,747.86 million representing 6.48% of total budget allocation.

Audit noted that:

- In the non-development budget, financial charges are 935.94% more than the budgeted figures of 2012-13 which was primarily due to deduction of 2.5% Zakat by National Saving Centre on interest of the deposits. The non-development

expenditure of the Authority has increased (Rs 22,113.99 million), as compared to the last financial year (Rs 15,428.39 million), which is likely to cause reduction of net surplus before taxes.

- In Annual Development Programme (ADP) budget, there was a saving of Rs 1,368.05 million representing 6.73% of the budget allocation. This suggests that the Authority was not able to fully utilize its allocated budget for development resulting in delays of various infrastructure programmes.

b. Revenue

(Rs in million)

Description	Target	2012-13		
		Realized	Excess/ (Shortfall)	Excess/ (Shortfall) %
Aeronautical	30,545.33	34,140.68	3,595.35	11.77
Non-Aeronautical	4,658.17	5,512.44	854.27	18.34
Total	35,203.50	39,653.12	4,449.62	12.64

The aeronautical revenue realized was 11.77 % higher than the target due to revision of aeronautical charges during the year, whereas non-aeronautical revenue was 18.34% more than the targeted revenue due to increased commercial activities. The overall revenue realized was Rs 39,653.12 million, for the financial year 2012-13 representing 12.64% more than the targeted revenue. Revenue realized during the year is higher than the revenue realized for the previous year which was Rs 27,177.70 million.

c. Balance Sheet

Accounting ratios and trend analysis (along with comments) have been used to measure the strengths and weaknesses of the Authority's financial position for the year ended 30th June, 2013.

(i) **Liquidity Position**

Liquidity ratios (Current Ratio, Quick Ratio and Net Working Capital) are used to measure the Authority's ability to meet the short term obligations.

(Rs in million)

Ratios		Formulae	2012-2013	2011-12
A	Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{13,537}{5,011}$	$\frac{17,275}{5,457}$
			2.70 : 1	3.16 : 1
B	Quick Ratio	$\frac{\text{Cash} + \text{Bank} + \text{Short Term Investments}}{\text{Current Liabilities}}$	$\frac{8,526}{5,011}$	$\frac{7,818}{5,457}$
			1.70: 1	1.43 : 1
C	Net Working Capital	(Current Assets - Current Liabilities)	13,537 - 5,011 = 8,526	17,275 - 5,457 = 11,818

A. **Current Ratio**

A widely used thumb rule is that a Current Ratio of 2:1 is satisfactory. By this standard, the Authority's current ratio of 2.70:1 for the Financial Year 2012-13 is satisfactory, but this ratio has declined from 3.16:1 (FY 2011-12).

B. **Quick Ratio**

As per generally accepted guidelines the ratio of 1:1 is considered satisfactory. By this standard the Authority's Quick Ratio 1.70: 1 is also satisfactory. As compared to the previous Financial Year 2011-12 this ratio has increased from 1.43:1.

C. **Net Working Capital**

Positive Working Capital of Rs 8,526 million (FY 2011-12: Rs 11,818 million) shows that the Authority is in a position to meet out its current Working Capital needs.

Overall Liquidity Position of Authority is satisfactory.

ii. Profitability Ratios

These ratios are used to measure the efficiency of the organization and optimal utilization of assets towards achievement of organizational goals.

	Ratio	Formulae	2012- 2013	2011-2012
A	Net Profit Margin	$\frac{\text{Net Profit after Taxes}}{\text{Net Revenue}}$	$\frac{13,539}{39,653}$ = 34.14 %	$\frac{6,654}{27,178}$ = 24.48%
B	Return on Investment	$\frac{\text{Net Profit after Taxes}}{\text{Total Assets}}$	$\frac{13,539}{257,728}$ = 5.25%	$\frac{6,654}{245,796}$ = 2.70%
C	Total Assets Turnover	$\frac{\text{Revenue}}{\text{Total Assets}}$	$\frac{39,653}{257,728}$ = 15.38%	$\frac{27,178}{245,796}$ = 11.05%

It was noted that during Financial Year 2012-13, the Authority's revenue increased by Rs 12,475 million and the net profit increased by Rs 6,885 million as compared to the previous year, which showed good financial operations during the year. Net Profit Margin ratio increased to 34.14 % (Financial Year 2011-12: 24.48 %)

Return on Investment for the year increased to 5.25 % (Financial Year 2011-12: 2.70 %), Total Asset Turnover increased to 15.38 % (Financial Year 2011-12: 11.05 %).

Authority's overall 'Profitability Position' and 'Liquidity Position' is satisfactory and it has increased in comparison to the last financial year and depicts a good financial performance.

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

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

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
1989-90	01	01	01	-	100.0
1990-91	09 CAA	09	09	-	100.0
	3 Ex-ADA	03	-	03	-
	1 PAR (10)	-	-	1 PAR	-
1991-92	26	26	05	21	19.23
1992-93	33 CAA	33	26	07	78.79
	5 Ex-ADA	05	-	05	-
	1PAR(14)	-	-	01 PAR	-
1993-94	49	49	15	34	30.61
1994-95	08	08	05	03	62.50
1995-96	14	14	07	07	50.0
1996-97	15	15	09	06	60.0
1997-98	91	91	75	16	82.41
	2 SAR	-	-	2 SAR	-
1999-2000	63	63	32	31	51.00
2000-01	83	83	60	23	72.00
2001-02	14	14	10	04	71.42
2004-05	10	10	07	03	70.0
2005-06	13	13	10	03	76.92
2006-07	09	09	05	04	55.55
2008-09	17	17	09	08	52.94

Note: Audit Reports for 1998-99, 2002-03, 2003-04, 2007-08, 2009-10, 2010-11, 2011-12 and 2012-13 have not been discussed by PAC till the finalization of this report. ADA stands for Airport Development Agency.

3.4 AUDIT PARAS

Irregularity and Non-Compliance

3.4.1 Non-recovery of rent, electric charges, Aeronautical revenue - Rs 14,354.10 million

Para 23 of Civil Aviation Authority Order 11-4 provides 'it is the personal duty of the Airport Manager concerned to ensure that all the dues are realized from the licensees as soon as they become due and report the reasons for non-realization of the dues or non-utilization of the space'.

Audit observed that an amount of Rs 14,354.10 million was outstanding against various licensees, lessees and airlines working at different locations as per detail below:

(Rs in million)

S No.	DP No.	Description	PIAC	Others	Total
1	7	License Fee JIAP, Karachi	1,920.29	2,068.39	3,988.68
2	11	Residential Area JIAP, Karachi	-	40.28	40.28
3	13	License Fee Multan	0.05	1.24	1.29
4	16	Aeronautical Revenue	6,323.28	1,817.66	8,140.94
5	24	License fee Faisalabad	7.32	0.03	7.35
6	45	License fee Peshawar	19.06	43.39	62.45
7	71	Govt Agencies Karachi	-	934.75	934.75
8	226	License fee BBIAP	55.10	36.36	91.46
9	227	Electric/water charges BBIAP Islamabad	2.57	22.94	25.51
10	237	License Fee Quetta	37.55	0.91	38.46
11	241	License Fee Sukkur	1.81	0.46	2.27
12	255	License Fee Gwadar	-	5.85	5.85

S No.	DP No.	Description	PIAC	Others	Total
13	273	House rent and utility	-	2.34	2.34
14	275	Foreign Travel Tax	-	1,012.47	1,012.47
Total			8,367.03	5,987.07	14,354.10

Audit maintains that the dues were accumulated due to negligence of the management in performing due responsibilities to implement agreement clauses and realization of Authority's revenue.

Audit reported the non-recovery to the Authority during July to November 2013. The Authority admitted the recovery and replied that some recovery had been effected and efforts were underway to effect the remaining recovery.

The matter was discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the matter of outstanding dues was discussed in detail. The Committee directed the Authority to:

- Furnish revised reply giving party-wise detail of outstanding dues.
- Provide detail of outstanding dues along with detail of space under occupation of the Government departments.
- Provide detail of legal cases.
- Provide detail of outstanding dues against active parties.
- Effect recovery from active parties by end of January 2014.
- Forfeit security of the defaulting parties as per law.

The compliance of DAC's directives was not conveyed to Audit till the finalization of this report.

Audit recommends early recovery of dues.

(DP.7,11,13,16,24,45,71,226,227,237,241,255,273, 275)

3.4.2 Extra contractual decisions of “The Engineer” involving unwarranted payments - Rs 4,083.81 million

FIDIC Red Book, 1999 has expressly defined the role of ‘The Engineer’ as a member of the Employer’s personnel who shall be deemed to act for the Employer. Clause 3.5 of Chapter-11 of the said book also states that, the Engineer is required to act as mediator and make endeavours to help the parties to reach an agreement. If an agreement is not achieved, the Engineer must make a fair determination strictly in accordance with the contract. For this purpose, FIDIC has suggested management meetings to be arranged by the Engineer to resolve the issues, to encourage good management practices and to prevent a claim developing into a serious conflict. Hence, the Engineer cannot take decisions against the interest of the project and affect his neutrality.

Audit noted that the Project Management Consultant (PMC) for New Benazir Bhutto International Airport Project, Islamabad was also nominated as “The Engineer” for the project. Hence, the said consultant had to perform a dual role, as a Consultant and as the Engineer working towards the best interest of the Employer and Project.

Audit observed that Package-1(Airside Infrastructure-Civil Works) of the Project was awarded to a Joint Venture (JV) firm in August 2008 with the contract cost of Rs 11.82 billion. The JV was irregularly changed to another JV in January 2010. After entering into the new JV, a series of claims under dispute were raised by the contractor. As per FIDIC clauses, “The Engineer” was required to act as mediator rather than an adjudicator to enable the Employer and the contractor to arrive at a consensus besides responsibility as consultant to avoid claims or disputes. Contrarily, the Consultant in the capacity of “The Engineer” admitted all claims including those contradictory to contract clauses and gave inaccurate decisions. Technical and professional analysis were never made and back up data was not compiled in support of these decisions.

Audit further observed that the management resorted to the Dispute Review Board (DRB) channel after making payments against

these decisions which hampered the progress of work in addition to substantial extra expenditure. No appropriate action against “The Engineer” was initiated by the Authority. Audit holds that extra contractual role of the Engineer put the Authority into a financial burden of Rs 4,083.81 million

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the irregularity in July 2013. The Authority replied that as per contractual provisions, the Employer and the contractor were legally bound to settle disputes of any kind whatsoever. The contract did not underscore any provision for the Client to proceed against the “Engineer” if the Employer was not satisfied or was aggrieved by any decision of the Engineer. The only recourse available in the Contract for the Client was to agitate the grievance before the Dispute Review Board to have the decision reversed. The reply was not tenable because the Engineer’s role as per FIDIC clause 3.5 was to give decisions in accordance with the contract. Therefore, CAA management should have taken action against the Engineer. All the Engineer’s decisions were subject to approval of the Employer. Hence, release of money just on receipt of Engineer’s decision was not justified.

The matter was also discussed in the DAC meeting held on 24th January, 2014. Audit informed the Committee that ‘The Engineer’ gave decisions beyond the contractual provision. The CAA management did not evaluate these decisions objectively and implemented blindly. Payments of Rs 4,083.81 million against these decisions were made, whereas the CAA was not required to implement the decisions under FIDIC Guidelines. The Committee took serious view of the extra-contractual decisions of ‘The Engineer’. The Committee constituted an IDC and directed that CAA would prepare TORs in consultation with Audit and Aviation Division. The Committee directed the Authority to submit the report to Audit and Aviation Division by end of February 2014. The

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

Audit stresses for action against "The Engineer" and effect recovery accordingly.

(DP.84)

3.4.3 Irregular expenditure due to irregular up-gradation of employees - Rs 3,684.54 million

Para-2 of Honourable Supreme Court of Pakistan Order dated 8th October, 2009 provides that no recruitment/appointment may be made without adhering to the policies and the judgment of the Court. In the case of Abdul Jabbar Memon, the Honourable Supreme Court of Pakistan ordered that initial recruitments, both adhoc and regular, to posts and offices without publicity and properly advertising the vacancies and at times by converting ad hoc appointments into regular appointments is prima facie violative of Fundamental Rights under Article-18 of the Constitution of Islamic Republic of Pakistan. The Honourable Court ordered as an interim measure that the violation of this Fundamental/ Human Rights be discontinued forthwith. Steps shall immediately be taken to rectify, so as to bring the practice in accord with the Constitutional requirement.

Audit noted that CAA had given employment to 4,230 supporting staff on daily wage basis. Audit observed that the supporting staff was engaged without due process of advertisement and observance of regional and provincial quotas. Subsequently, the Authority regularized 4,230 employees in 2009, but record showed that there were 4,069 employees (supporting staff) actually working, as the detail of remaining 161 staff was not available on record. Evidence on record suggests possibility of Ghost Employees. Audit further observed that the employees were not only regularized but out of these employees 1,248 were upgraded to PG-02, 1,175 to PG-03, 973 to PG-04 and 58 employees were upgraded to PG-05. Audit holds that inductions as well as up-gradation made on the direction of Cabinet Sub-committee was in violation of rules and Orders

of the Honourable Court which resulted in irregular expenditure of Rs 3,684.54 million.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the irregularity in October 2013. The Authority replied that the Supreme Court of Pakistan regularized the services of all the daily wage employees who had completed 09 months of service in CAA. As far as up-gradation was concerned, it was done under the directions of the Federal Government. The reply was not tenable because the list of all employees working at the time of induction was not verifiable from record. Further, the inductions as well as up-gradation were made without creation of posts.

The matter was discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the Authority apprised the DAC that labourers were employed on daily wages during the ban. The services of all the daily wage employees who had completed 09 months of service in CAA were regularized on the orders of the Supreme Court of Pakistan in PG-1. Further, the up-gradation was made on direction of Sub-Committee of the Cabinet. The Committee was not satisfied with the explanation. Audit informed the DAC that in the same order, the Supreme Court further directed the Authority to avoid such violative appointments in future. The Committee observed that the Authority, in violation of the Supreme Court Orders, recruitment and selection rules, up-graded the support staff without publicity and creation of posts of PG-2, 3, 4 and 5. The Committee directed CAA to review all such cases of up-gradation and appointments in the light of judgment given by Islamabad High Court in case of National Highway Authority and forward report to Audit within 15 days. The compliance of DAC's directives was not conveyed to Audit till the finalization of this report.

Audit recommends to review the matter of up-gradation.

(DP.171)

3.4.4 Irregular payment on account of prolongation cost - Rs 2,170 million

As per clause 3.1.1 of consultancy contract with M/s Louise Berger Group (LBG) pertaining to construction of NBBIA, the Project Management Consultants (PMC) shall ensure timely, due and proper completion of the project.

Audit noted that “the Engineer” decided on 6th February, 2012 for extension of time to the contractor for Package-1 “Airside Infrastructure (Civil Works)” of the Project up to 31st December, 2012. Subsequently, the claim of the contractor as prolongation cost for the extended period was admitted by the “the Engineer” and paid to the contractor for Rs 2,170 million.

Audit observed that the payment was against the provisions of the contract as:

- i) The initial and continuing delay of one year was at the part of original JV. Subsequently, the contractual JV was irregularly closed and a new JV was accepted against the contractual provisions. The minutes of meeting dated 22nd December, 2009 were assumed as addendum to the contract by the Engineer.
- ii) Therefore, the consultant should have been held responsible for delay and the consequential cost. Since the consultant himself was performing the role of “The Engineer”, therefore, the causes of delay were not attributed to the consultant due to the inherent conflict of interest.
- iii) There existed no clause for reimbursement of prolongation cost even in FIDIC rules/regulations or Planning Commission guidelines.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the irregularity in July 2013. The Authority replied that payment to Contractor was certified by “The Engineer” which cannot be denied until and unless reversed by the Dispute Review Board or in amicable settlement or arbitration. Prolongation cost shown in the statement was processed according to the contractual provisions. The reply was not tenable as the delay was at the part of original JV and was shifted to CAA through unconditional acceptance of new JV, which provided ample opportunity to the contractor to lodge such claims. Management’s wrong decision spared the contractor from bearing the consequences of the delay. If in the opinion of the management, the contractor was justified for prolongation costs, it should have been paid by Project Management responsible for irregular substitution of JV, the Consultant for not managing the contract as per TORs, other contractors responsible for interfacing issues and officials concerned.

The matter was also discussed in the DAC meeting held on 24th January, 2014. The Committee constituted an IDC to probe the matter and submit the report to Audit and Aviation Division by 6th February, 2014. No compliance of DAC’s directive was reported till the finalization of this report.

Audit stresses for immediate recovery of the overpayment and fixing of responsibility for negligence.

(DP.85)

3.4.5 Excess expenditure due to irregular execution of work - Rs 1,057.01 million

Rule-20 of Public Procurement Rules, 2004 provides that open competitive bidding process shall be the principal method of procurement of goods, services and works.

Audit noted that PC-I of New Benazir Bhutto International Airport Project, Islamabad (NBBIAP) approved in March 2008 contained a provision of Rs 40.08 million for Cargo Terminal which was to be initiated after completion of Airside infrastructure and Passenger

Terminal. The construction of Cargo Complex was undertaken in December 2012 before completion of Airside infrastructure. Foundation work of Cargo Complex was executed through Variation Order valuing Rs 379 million under the existing contract of Package-01. The steel structure work of the complex was awarded to another contractor on 2nd November, 2012 at a bid cost of Rs 650 million through tender, against which an amount of Rs 649.99 million was paid to the contractor.

Audit observed that partial execution through Variation Order was not covered under Variation Clause-51 as it was not related to the contractual scope of work of package-1. Further, the cargo complex was constructed before completion of Airside infrastructure and Terminal building whereas, commercial operations could not be undertaken and hence compromising on principles of best value for public money. The cargo building would remain idle without yielding any revenue together with costs of depreciation and maintenance for years. Audit holds that irregular execution of partial work through variation order instead of open tender and construction of the complex before Terminal building resulted in excess expenditure of Rs 1,057.01 million.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the excess expenditure in July 2013. The Authority replied that the Prime Minister instructed to construct the Cargo Warehouse on an emergent basis. Foundation work was awarded to the already mobilized contractor through a variation order to save time. The reply was not acceptable because the Prime Minister had directed to complete all components of the project immediately including cargo warehouse. But the management focused only on the construction of cargo building. The operation however could not be started despite a lapse of one year. Further, mode of construction contract was irregular because it was partially given to the existing contractor through variation order and partially through tendering.

The matter was also discussed in the DAC meeting held on 24th January, 2014. The Committee took serious view of the irregular assigning of the partial work to the existing contractor under clause 51 of the agreement through Variation Orders and partially through tendering process. This resulted into additional expenditure. The Committee further observed that construction of Cargo Terminal at this stage was not in the interest of the Project and directed the Authority to stop further investment as the operators of the Cargo Terminal should make further investment in the assigned space as per their requirement. The Committee however, directed the Authority to get the whole process of award and enhancement of scope verified from Audit up to 27th January, 2014. No compliance of the DAC's directives was made till the finalization of this report.

Audit stresses for fixing responsibility for negligence on part of individual (s).

(DP.83)

3.4.6 Award of work beyond PC-I cost - Rs 796.19 million

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

Para 11 of Project Management Guidelines issued by Planning Commission in August 2008 provides the specific actions required by the Project Directors and sponsoring Ministries/Divisions in the project planning & management of Public Sector Development Projects. Sub-para II(15) states that at the time of award of contract if it is found that cost of the project would exceed the approval limits by 15%, the project be got revised and approved by the competent forum before implementation.

Audit noted that Civil Aviation Authority awarded the work "Construction of Passenger Terminal Building and Allied Electrical & Mechanical works (Phase-II) for up-gradation of Multan International Airport" to a contractor for Rs 3,171.55 million against PC-I cost of

Rs 2,219.30 million. The PC-I was based on the Pak. PWD Schedule of Rates, 2004 plus 90% premium.

Audit observed that as per PC-I the cost of civil works was Rs 344.41 million, whereas, the work was awarded for Rs 1,140.60 million i.e. 231.17% above the PC-I provisions. This resulted in award of work at higher rates of Rs 796.19 million.

Audit communicated the observation on irregular award of work beyond PC-I in July 2012. The Authority replied that the DG CAA ordered a high level committee to examine the bid and give recommendations. After detailed deliberations including necessary comparison of lowest bid with the PC-I Cost, the Committee accepted the bid of the contractor. The reply was not tenable because civil work portion of the work was major cost component of the work and tender rates on this part of the work were 231.17% above the Engineer's Estimate. The accepted rates were significantly higher/more than the current Schedule of Rates, 2012.

The matter was discussed in the DAC meeting held on 17th & 18th December 2012, wherein, the Committee directed to provide complete file of procurement process to Audit for verification. The Committee further directed to provide comparison and complete justification of rates within one week. No compliance of DAC's directive was reported even though more than 12 months have passed since the order.

Audit stresses for implementation of the DAC's directives at the earliest.

(DP.139/2012-13)

3.4.7 Overpayment of Custom Duty beyond contract provision - Rs 221.00 million

As per Clause 73.2 of Conditions of Contract Part-II, all Customs and Import Duties paid by the Contractor on the imported equipment and materials (not manufactured in Pakistan) intended for incorporation in the Permanent Works for the sole purpose of executing the Contract shall be

reimbursed to the Contractor by the Employer against presentation by the Contractor of the relevant invoices and bills. Such compensation shall be limited to the defined costs assessed against imported equipment and materials (not manufactured in Pakistan) for the Permanent Works. Clause interalia further states that the title of the equipment and materials (not manufactured in Pakistan) imported for incorporation in the Permanent Works and for which the Contractor intends to seek reimbursement of Customs and Import Duties shall be in the name of the Employer.

Audit noted from the record of “Package-I Airside Infrastructure” of NBBIAP that the Project Director made payment of Rs 221 million on account of reimbursement of Custom and Excise Duty on the procurement of bitumen grade 60/70, batching plants and 04 Land Cruisers on the basis of Engineer’s decision dated 7th February, 2012.

Audit observed that the decision was incorrect and contrary to the contractual provisions because the bitumen was readily available and manufactured in Pakistan. The status of Attock Refinery showed that the bitumen grade 60/70 was amply available in Pakistan. Therefore, the import of bitumen was not appropriate and caused additional burden on the exchequer. Regarding batch plants, title of the machinery shown as imported by the contractor was not in the name of the Employer. These equipment were property of the contractor. Therefore, Custom Duty paid by the Authority thereon was in violation of the Contract Clause. As far as import of 04 Land Cruisers was concerned; neither Special Provision-8 of CoC Part-III allows vehicles nor were these the requirement of Permanent Works. Audit holds that entertainment of the claim of Custom Duty in violation of the Contract Clauses resulted into an overpayment of Rs 221 million.

Audit maintains that irregularity occurred due to weak financial controls.

Audit pointed out the overpayment in July 2013. The Authority replied that payment to the contractor was certified by “The Engineer” under clause 67.1 of the contract. The reply was not tenable because the

Engineer's decision was a breach of contract terms. Audit stresses to effect recovery immediately either from the contractor or from "The Engineer" who acted beyond the contract provisions and beyond his mandate stipulated in clause-2.1 and 53.1 of the Contract Agreement.

The matter was also discussed in the DAC meeting held on 24th January, 2014 wherein CAA informed that the matter was referred to Dispute Review Board who reversed the Engineer's decision in favour of the CAA. The Authority further informed that the amount was adjusted but the Contractor had obtained stay order from the Court of Law against the recoveries. Audit contended that after recoveries the contractor's bill has run into minus. The Committee noted with concern that the Engineer's decision was in violation of the contract clause 73.2 for which, the action against the Engineer should have been initiated. The Committee, however, directed to pursue the court case actively and effect full recovery of the Custom Duty paid irregularly after vacation of the Stay Order and report to Audit and Aviation Division.

Audit stresses early compliance of the DAC's directive.

(DP.89)

3.4.8 Overpayment on account of cost of Prime Coat - Rs 206.23 million

Contract Specification 2420-15(4.1.1) provides that no measurement and payment will be made for providing and applying bituminous prime coat or tack coat before laying bituminous binder course and bituminous wearing course. The cost thereof shall be deemed to have been included in the quoted unit rates of the respective items of the BOQ. The contract item number 1A-6(c) and 1A-4(c) shown in BOQ also provides as bituminous binder course including cost of prime coat for which specification 2420 has also been referred.

Audit observed that Project Director "Construction of NBBIAP Islamabad Package-I", made a separate payment of Rs 206.23 million to

the contractor contrary to the specification and BOQ provisions. Audit holds that separate payment beyond the contract resulted in overpayment.

Audit maintains that the overpayment resulted due to non-compliance of the relevant specifications.

Audit pointed out the overpayment in July 2013. The Authority replied that CAA had already intimated its intention to refer the matter to Dispute Review Board against “The Engineer’s” Decision. The reply was not convincing because “The Engineer” had no purview to entertain a claim beyond the agreement provisions. The decision itself warranted action against “The Engineer” instead of its implementation by CAA. Technical Specifications provided clearly that the contractor was not entitled for the payment.

The matter was discussed in the DAC meeting held on 2nd and 6th January 2014, wherein, the Authority admitted the recovery and committed to recover the same after finalization of the proceedings of the Dispute Review Board. The Committee directed to effect recovery and get it verified from Audit. The compliance of the DAC’s directive was not made till the finalization of this report.

Audit stresses for immediate recovery of the over payment and fixing of responsibility for negligence on part of individual (s).

(DP.87)

3.4.9 Loss due to non-acceptance of highest bid and award of lesser area - Rs 123.29 million besides non-recovery of non-utilization charges - Rs 3.30 million

Rule-4 “Principles of Procurements” of Public Procurement Rules-2004 denotes that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Audit noted that Civil Aviation Authority invited tenders through press on 12th February, 2007 to lease out land measuring 1,600 sq yds at Jinnah Avenue entry point at Karachi Airport for “Petrol Pump & CNG Station”, with a reserve price of Rs 15,000 per sq yd. In response a single bidder offered bid of Rs 50,788 per sq yd against the reserved price. The tender was scrapped with the remarks that the bidder had deposited less amount of bid security than the required amount. No correspondence was made with the bidder about payment of remaining bid money. Tenders were again invited on 25th November, 2008 with reserve price of Rs 30,000 per sq yd but no response was received.

Audit observed that the land was again advertised on 25th January, 2010 with reserve price of Rs 35,000 per sq yd. In response again a single bidder quoted bid of Rs 36,000 per Sq yd with condition of 1,000 Sq yds for their requirement instead of 1,600 Sq yds. The Authority accepted the single and conditional bid without addendum or re-tender to fetch more attractive rates and without necessary approvals by the higher authority. The action of the Authority resulted in loss of Rs 120.69 million.

Audit further observed that although the lessee failed to start construction activity in the required time period, the Authority did not impose or recover non-utilization charges amounting to Rs 3.30 million. Further the lease agreement was executed on 16th August, 2012, whereas, possession of land was handed over to the lessee on 30th April, 2013. Audit is of the view that had the time period for execution of lease fixed in the acceptance letter, the Authority would have not suffered loss of revenue amounting to Rs 2.60 million. Audit holds that the loss was due to non-acceptance of highest offer in 2007 and award of lesser land against original tender specifications in 2010.

Audit maintains that loss occurred due to inadequate oversight mechanisms and non-exercising of the relevant financial rules and internal controls and failure of Authority to protect public interest.

Audit communicated the loss in August, 2013. The Authority replied that the earlier bid of Rs 50,786 per sq yard was rejected because

the company deposited insufficient amount of earnest money. Later on the tendering was done twice but could not achieve the fruitful results. The reply was not tenable because the actions of the management resulted in a significant loss to the Authority.

The matter was discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the Committee directed the Authority to constitute a Board of Inquiry and fix responsibility for loss within 3 months. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses for immediate recovery of the non-utilization charges and fixing of responsibility for negligence at the part of individual(s).

(DP.9,12,63)

3.4.10 Irregular award of land on lease basis without assessment of land valuing Rs 108.53 million

Para-7 of Land Lease Policy provides that the market value of the land shall be assessed by the Committee at locations and HQCAA, but the value of land assessed by Collector/Revenue authority of the District shall be kept as baseline.

Audit noted that Civil Aviation Authority leased out land measuring 3700 sq yds on 27th April, 2009 to M/s Shaheen Air International for "establishment of Simulator Training Centre at JIAP Karachi", @ Rs 11,000 per sq yard for 30 years.

Audit observed that the land was awarded @ Rs 11,000 per sq yd without assessment of base rate duly assessed by the respective authority and without any survey prior to the lease. Further, the airline still has not executed the lease agreement for four years since the handing over of possession of the land.

Audit holds that award of land without assessment of market value and possession without agreement stands irregular.

Audit pointed out the irregular award of land in August 2013. The Authority replied that the lessee falls under Private Treaty as per Land Lease Policy. The reply was not acceptable because assessment of the land prior to award was mandatory.

The matter was discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the Committee directed the Authority to constitute a Board of Inquiry and fix responsibility of loss within 3 months. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses for revised market rates to be used in the lease agreement, recovery of the dues as per the new rates and fixing of responsibility for negligence on part of individual (s).

(DP.65)

3.4.11 Irregular award of consultancy contract - Rs 67.61 million without bidding process resulted in extra cost of Rs 47.31 million

Rule-20 of PPRA-2004 states that procuring agencies shall use open competitive bidding process as the principal method of procurement for goods, services and works.

Audit noted that CAA entered into a consultancy contract for Rs 409.99 million on 8th March, 2007 for a period of 48 months with a Joint Venture comprising Aeroports de Paris Ingenierie (ADPI) and National Engineering Services Pakistan (Pvt) Limited (NESPAK) for designing of all components of "New International Airport Islamabad and Field Design Support Services (FDSS)" during execution phase of the project. The remuneration/consultancy cost agreed for both the partners was as under:

Description	ADPI Cost (Euro)	NESPAK Cost.(Rs)	Total Cost (Rs)
Design	2,978,938	87,616,914	316,607,878
FDSS	573,027	43,000,000	87,048,585
Out of Pocket	50,000	2,500,000	6,343,500
Total	3,601,965	94,416,914	409,999,963

Audit observed that the consultant failed to perform its contractual obligations pertaining to FDSS. The Authority executed a separate agreement with another firm for Rs 67.61 million on 1st October, 2012 without open tender and without termination of the existing agreement.

Audit further observed that total cost for FDSS agreed with previous consultant was Rs 43 million for 36 months whereas contract with the other firm for 17 months was for Rs 67.61 million. Audit holds that irregular award of consultancy contract resulted in extra cost of Rs 47.31 million.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the irregularity in July 2013. The Authority replied that due to fast deteriorating security environment in the country additional security restriction were imposed upon ADPI by their security department in Paris to curtail their visits and positioning of their experts in Pakistan. M/s NESPAK as junior partner in the JV did not possess the appropriate level of technical expertise to fill up the void or essentially required standards of desired level of expertise and was unable to deliver, resulting in various complications which adversely affected the overall project progress. CAA was left with no option other than either terminating the contract with M/s ADPI – NESPAK and face heavy claims of the ongoing contracts or resolve the issues and control the damages in the best interest of the Authority. M/s AA Associates was engaged for Design services after the approval of DG CAA. The reply was not tenable because findings of the Committee dated 23rd July, 2012 indicated that M/s NESPAK completely failed in providing FDSS. The consultant provided

inadequate construction drawings without construction details. Further, the Hydrant Fuel main pipelines were originally planned to be laid around the apron but were actually laid under apron. CAA management should have taken action against the consultant for non-professional work besides recovery of the cost.

The matter was discussed in the DAC meeting held on 2nd and 6th January 2014, wherein, the Authority informed the Committee that the Aviation Division has ordered an inquiry into the matter. Audit informed the Committee that a member of Progress Review Committee of CAA in its meeting held on 14th June, 2010 remarked that M/s NESPAK may reconsider their financial proposal for a project of national importance. The Chairman of the Committee advised CAA to have a separate meeting with M/s NESPAK to further deliberate the scope of services and finalization of remuneration which was not complied with by CAA. The Committee directed the Authority to expedite the inquiry and report the outcome to Aviation Division and Audit. No compliance of the DAC's directives was reported till the finalization of this report.

Audit stresses for early finalization of the inquiry.

(DP.105)

3.4.12 Overpayment due to excessive rates - Rs 80.86 million

As per Contract Specification-2300-37 11.1.13 contained in Contract Document Vol-III Package-I, no measurement and payment will be made for the tie bars, dowel bars, dowel bars sleeves and welded wire mesh. The cost thereof shall be deemed to have been included in the quoted unit rates of respective BOQ items. The BOQ items pertaining to PQC accordingly includes the component of dowel and rate thereof.

Audit noted that Project Director, New Benazir Bhutto International Airport Project, Islamabad (NBBIAP) awarded a work "Development of Airside Infrastructure, Package-I" to a contractor wherein an item of work "Plain concrete pavement of flexural strength 4.50 Mpa (Mega Pascal), using ordinary Portland cement including all

types of joints, dowel bars and sealants” was provided in BOQ for runways and Cargo Aprons South, East, North and West. The nomenclature of item and its specification clearly provides that steel bar dowels were included in the plain concrete and rates are inclusive of the cost of dowels.

Audit observed that cost of steel bars dowels was paid as an additional item which was not admissible. Audit holds that separate payment of steel bar dowels resulted in overpayment of Rs 80.86 million.

Audit maintains that the overpayment resulted due to non-compliance of the relevant specifications.

Audit reported the overpayment in July 2013. The Authority replied that the payment was made under the decision of Dispute Review Board. The reply was not tenable because the contract specification and rate analysis clearly provided that the cost of steel bars was included in the BOQ items.

The matter was discussed in the DAC meeting held on 24th January, 2014 wherein the CAA admitted that the payment for dowel bars was not justified and against the contract specifications but CAA did not properly defend its stance before Dispute Review Board. The Authority further informed that the matter was being referred to the Arbitrator against the decision of DRB. The Committee directed the Authority to file case with Arbitrator within one week, pursue it actively and submit report to the Audit and Aviation Division. No compliance of the DAC’s directive was reported till the finalization of this report.

Audit stresses for immediate recovery of the overpayment and fixing of responsibility for negligence on part of individual (s).

(DP.93)

3.4.13 Unjustified provision of civil work in contract with foreign contractor valuing US\$ 623,129 (Rs 64.80 million)

Rule 10(i) of General Financial Rules states that every public servant is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that Civil Aviation Authority awarded contract for “up-gradation of Primary Surveillance Radar/Secondary Surveillance Radar systems” to a foreign contractor amounting to US\$ 10.00 million through International Civil Aviation Organization (ICAO).

Audit observed that civil/electrical works valuing US\$ 623,129 (equal to Pak Rs 64.80 million @) Rs 104 per \$) of tower, trenching & conduit, fire alarm system, perimeter fencing, air conditioning, equipment shelter etc. were made part of the agreement. Whereas, the Authority has its in-house Civil and Electrical Works Directorate having qualified engineers. Hence award of civil and electrical works to a foreign contractor was against canons of financial propriety and austerity measures. Audit holds that award of civil and electrical works amounting to US\$ 623,129 was unjustified.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the unjustified provision in agreement in August 2013. The Authority replied that the rates quoted for each item of construction of antenna tower were competitive. The reply was not tenable because the Authority has to pay in foreign currency despite having in-house expertise.

The matter was discussed in the Departmental Accounts Committee meeting held on 2nd January 2014, wherein, the Committee directed the Authority that Civil and Electrical/Mechanical works be

excluded from the scope of the work of the contractor and be entrusted to its own Directorates before signing of contract to save foreign exchange. The Committee further added that only very essential works for which in-house expertise does not exist may be executed by the foreign contractor. Audit further informed DAC that hiring of ICAO as procurement agent was irregular and Audit had raised objection to this practice in its Audit Report 2012-13. The Chair directed that the practice of appointing ICAO as procurement agent shall be discontinued forthwith. No compliance of DAC's directives was reported till the finalization of this report.

Audit stresses for implementation of the decision of the Committee for excluding the civil work from the scope of contract.

(DP.211)

3.4.14 Irregular award of lease with favorable condition and loss - Rs 45.73 million

As per Civil Aviation Authority Land Lease Policy and Para 3-b of Letter of Award, the lessee will not part with the possession of land or transfer it to any other person/agency etc. Further, the Policy provides that the lessee was responsible for a payment of one third (1/3) of value of land as premium in three installments and one tenth (1/10) of premium of land as Ground Rent for thirty years. The Annual Ground Rent would be increased 100% at the expiry of each ten years term.

Audit noted that CAA awarded land measuring 392 sq. yards to M/s ARKENS for "passageway to their plot at Survey number 524, 536 and 537 Deh Mehran Karachi" on 24th June, 2009 @ Rs 70,000 per sq. yd.

Audit observed that at the time of signing of lease agreement, a favorable clause was added that the lessee has the right to transfer the land in violation of Land Lease Policy. Audit further observed that lump sum amount of Rs 27.44 million was fixed for total value of land as premium and ground rent on Net Present Value (NPV) instead of payment in installments for thirty years which comes to Rs 73.17 million. Audit holds

that due to violation of Land Lease Policy the award of lease was irregular which caused a loss of Rs 45.73 million to the Authority.

Audit maintains that the loss occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

The Authority did not produce the record relating to allotment of the land during Annual Audit. Resultantly, Audit reported the non-production of record during August 2013. Later on, during meeting of the DAC meeting held on 28th & 29th November 2012 the Authority produced record. Audit scrutinized the record and observed irregular award and loss. The same was conveyed to the Authority. No reply to the Audit para was received.

The matter was also discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the Committee observed with concern that the land was leased against CAA policy and directed the Authority to cancel the allotment and cancellation of lease deed be got verified from Audit within 15 days. No compliance of DAC's directives was reported till the finalization of this report.

Audit recommends early implementation of the DAC's directives.
(DP.60)

3.4.15 Non-payment of property tax and CAA dues - Rs 41.28 million

As per clause 6-a & b of Lease Agreement executed with M/s United International Group (UIG), the lessee shall pay rent to the lessor and discharge all Government rates, rents, taxes, charges, etc.

Audit observed that the Lessee did not pay the Property Tax of Rs 29.98 million to the Cantonment Board Faisal, Karachi (CBF) and CBF has lodged a suit against the Lessee and Civil Aviation Authority. Audit further observed that the Lessee did not pay CAA dues of Rs 11.30 million up to June 2013 in respect of space and electricity charges. Audit holds

that non-payment of property tax and CAA dues by the Lessee was violation of the lease agreement and caused undue burden on the Authority in shape of legal expenses.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit communicated the non-payment of property tax and CAA dues in August 2013. The Authority admitted the fact that the lessee did not pay the property tax. It was further stated that the Lessee paid an amount of Rs 1.89 million out of total outstanding dues of Rs 11.32 million. The reply was not tenable because the action of the lessee was against the lease agreement and even after accounting for the above there is a significant outstanding balance against the lessee.

The matter was discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the Committee directed the Authority to effect recovery immediately. The Committee further directed to disconnect utilities and submit report in this regard within one week. The compliance of DAC's directives was not conveyed to Audit till the finalization of this report.

Audit stresses for implementation of the DAC's directives and fixing of responsibility for negligence on part of individual (s).

(DP.62)

3.4.16 Overpayment due to higher rates - Rs 29.29 million

Contract Clause-52.1 provides that varied work shall be valued at the rate and price set out in the contract if, in the opinion of the Engineer, the same shall be applicable. If the contract does not contain any rates or price applicable to varied work, the rate and price in the contract shall be used as the basis for valuation.

Audit noted that Civil Aviation Authority awarded two works i.e. “Package-I Airside Infrastructure” and “Package-8A Landside Infrastructure” at NBBIAP Islamabad. An item of “Concrete Class-B” for providing and laying reinforced concrete cement to be used in execution of columns, beams etc was provided in the BOQ of both the works @ Rs 8,621 and Rs 12,000 per Cu m. respectively.

Audit observed that during execution of work extra items of cement concrete work (Pre- cast) in column and plinth beams of boundary wall was incorporated under Variation Order @ Rs 20,065 and Rs 21,165 per Cu.m. Audit holds that in presence of comprehensive item of cement concrete available in contract @ Rs 8,621 and Rs 12,000, the execution of extra items at higher rates resulted into an overpayment of Rs 29.29 million.

Audit maintains that the overpayment resulted due to non-compliance of the relevant rules/regulations.

Audit pointed out the overpayment in July 2013. The Authority replied that the rates of laying Reinforced Concrete Cement cannot be applied to pre-cast concrete work (special concrete) as the RCC is a regular/normal concrete work. The Engineer in-charge prepared the mix proportions for various strength requirements based on availability of local materials like fine and coarse aggregates, whereas pre-cast work is special concrete with testing standards and criteria arranged from a reputed consultant. It is executed through weighed– batched concrete (plant mix) under controlled environments for a desired minimum cylinder compressive strength of 4,000 PSI. The rates incorporated under Variation Orders were justified and do not warrant any recovery. The reply was not tenable because in presence of comprehensive item of concrete for beams and columns was available in the BOQ, hence, market rate item for same purpose on higher rates up to 67% to 145% was clear violation of agreement.

The matter was also discussed in the DAC meeting held on 24th January, 2014. The Committee observed huge difference of 145 % in the

rates of cast-in-situ and pre-cast items. The Committee directed the CAA to conduct Board of Inquiry to fix responsibility for payments at exorbitantly high rates. The Committee further directed the Authority to notify the BOI along-with TORs up to 27th January, 2014. The inquiry was to be completed and report submitted within two months. No compliance of the DAC's directive was reported till the finalization of this report.

Audit stresses for early recovery of the overpaid amount.

(DP.100, 101)

3.4.17 Non-recovery on account of cost of insurance coverage - Rs 20.40 million

Para 3(ii) of acceptance letter issued to the contractor by the Director Planning & Development, Civil Aviation Authority, states that "the contractor shall provide Contractor's All Risk Insurance Policies and Workmen's Compensation Policies from CAA's approved Insurance Companies." Condition of contract 4 (Appendix-A to Bid) denotes that "minimum amount of third party Insurance is 3% of the contract price per occurrence".

Audit observed that the contractor could not provide the ibid insurance to date. Audit further observed that in case of failure by the contractor to maintain insurance coverage, the employer was required to recover the cost of insurance from the contractor and maintain such insurance to cover contractor's risk due to damages/losses. This resulted in undue favour to the contractor and non-recovery of Rs 20.40 million.

Audit holds that the non-maintenance of insurance coverage was due to non-adherence to prescribed rules and inadequate mechanism of financial, administrative and internal controls.

Audit communicated the irregularity in October 2013. The Authority admitted the Audit Para.

The matter was discussed in the DAC meeting held on 2nd and 6th January 2014, wherein, the Committee directed the Authority to effect recovery on account of premium of insurance coverage. No compliance of the DAC's directives was reported till the finalization of this report.

Audit stresses for immediate recovery of the insurance component from the contractor.

(DP.204)

3.4.18 Loss to public exchequer due to irregular appointment - Rs 17.76 million

As per Para 3.14 of CAA Service Regulations "Save in the cases of Ex-cadre appointments on contract, relaxation in age permissible in these Regulations shall be regulated in a manner that no person above the age of 50 years becomes eligible for employment in CAA".

Audit noted that CAA appointed two officers on contract basis for two years in Special Pay Group-I with lump-sum pay package of Rs 300,000 per month along-with car facility. The officers were posted at Islamabad and Multan Airport as Chief Operations Transition Advisors, whereas no provision exists under the PC-I for these positions in both projects. Audit further observed that completion of both the projects would take another couple of years. Therefore, hiring of transition experts at this stage will not serve any purpose.

Audit observed that the officers were appointed at the age of 54 and 55 years respectively having lesser experience as against the advertised requirements. Further, the appointments were made without availability/requirement of the posts and designations in the Authority's cadre wise strength as well as PC-I. Both the appointments were made without soliciting prior approval of the Prime Minister.

Audit further observed that according to 146th CAA Board meeting approval was accorded for appointment of Chief Coordinator whereas hiring of transition team leaders was made. Audit held that appointments

without requirement and provision in PC-I were irregular and resulted in loss of Rs 17.76 million to public exchequer.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the irregularity in October 2013. The Authority replied that both the officers had more than 25 years of aviation related experience. The posts were not part of the CAA approved Establishment but were created by the Competent Authority i.e. CAA Board owing to the peculiar needs of both mega projects. The reply was not tenable because the appointments were made by violating the standard rules and procedures which resulted in loss to the exchequer.

The matter was discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the Authority explained that the officers have vast experience in Pakistan Air Force for execution of such jobs. The Committee did not agree with the contention because the appointments were made in violation of Government of Pakistan Appointment Rules (Special Pay Group) and without availability of posts, their necessity and qualification criteria. The Committee directed the Authority to probe the matter in the light of Government of Pakistan Appointment Procedure for Special Pay Group quoted below:

(1) “Rule 11 read with Schedule V-A and V-B of the Rules of Business, 1973 provide that all cases which require approval of the Prime Minister should be routed through Establishment Division.”

(2) “Para 6 of Establishment Division’s O.M. No. 6/4/1996.R-3 dated 10th May, 1997 envisages that notifications of all appointments approved by the President or the Prime Minister will be issued by Establishment Division”.

Audit recommends regularization of contracts as well as amounts already paid to the officers through approval of the competent authority.

(DP.140)

3.4.19 Overpayment on account of Price Escalation - Rs 8.96 million

Part-1, Para C-5 of Standard Procedure and Formula for price adjustment of March 2009 denotes that except labour and POL, if any other adjustable items were not used in a particular billing period then the ratio of current date price and base date price for that particular adjustable items shall be considered as one. Part-I B(1) further provides that 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 the Project Director “Construction of Thar Airport near Islamkot Mithi” calculated and paid price escalation of Rs 8.96 million for cement, steel and bitumen.

Audit observed that escalation on steel and cement was paid by taking cost elements having cost impact less than five percent. Further the escalation was not admissible on bitumen as the same was not used in the particular billing period. Audit holds that payment of escalation in violation of PEC instructions resulted in overpayment.

Audit maintains that the overpayment resulted due to non-compliance of the relevant rules/regulations.

Audit reported the overpayment in July 2013. The Authority replied that the anomaly was referred to “The Engineer” who gave his judgment that, since the clarification was not part of contract agreement, as such, no recovery can be made. The reply was not tenable because the instructions were issued by PEC for all the civil contracts hence recovery is required to be made.

The matter was also discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the Committee directed the Authority to effect recovery of overpaid amount on account of price escalation and get it verified from the Audit within 15 days. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses for immediate recovery of the overpaid amount.

(DP.122,123)

3.4.20 Excess payment due to higher rates - Rs 4.27 million

Paras 220 and 221 of CPWA Code provide that before signing the bill the Sub-Divisional/Authorized Officer should check that all the rates and calculations contents of area are correctly entered.

Audit noted that Project Director NBBIAP, Islamabad provided an item of sand filling under sub head storm water drainage @ Rs 414 per Cum. The said item was also provided under sub head utilities crossing-fuel pipeline @ Rs 552 per Cum.

Audit observed that a quantity of 30,965 Cum. sand filling was executed around the foundation and under floor at Cargo Complex and allied area @ Rs 552 per Cum. as additional item. Since the sand was filled in road crossing area around foundation and under the floor, which did not involve compaction as required in road, hence the appropriate rate for sand filling was Rs 414 per Cu.m. instead of Rs 552 per Cu.m. Audit holds that application of inappropriate rate resulted into excess payment of Rs 4.27 million.

Audit maintains that the excess payment resulted due to non-compliance of the relevant rules/regulations.

Audit pointed out the excess payment in July 2013. The Authority replied that the activity of filling in case of storm water drains was limited to only laying of sand to required level. The Storm Water drains were not subjected to fatigue by vehicular traffic whereas in case of filling activity

in foundation and under floor requires laying of sand and rolling/compacting the same was done through heavy roller to eliminate the chances of any settlement. The reply was not acceptable because an appropriate/relevant rate of sand filling was available which was to be paid. The rate of Rs 552 per Cu.m was for the item provided under the fuel pipes. Hence the item carrying less rate should have been paid.

The matter was discussed in the DAC meeting held on 24th January, 2014 wherein the Committee directed to effect recovery. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses for immediate recovery of the overpaid amount.

(DP.97)

3.4.21 Irregular expenditure due to irregular appointments - Rs 3.15 million

Para D.3 of the CAA Recruitment and Selection Order provides that M/s National Testing Services shall arrange publications of advertisements as well as scrutiny of applications. Further, CAA rules provide that flying hours must be a minimum of 5,000 for a Flight Inspector.

Audit noted that CAA made an advertisement through press on 20th January, 2013 for recruitment of Flight Inspectors having experience and knowledge in specified field.

Audit observed that the Authority appointed two flight Inspectors, by reducing the criteria of flying hours from 5,000 hours to 3,000 hours. Further, both the officers were about to attain age of 60 years and as per rules in vogue, the approval of the Prime Minister was required for relaxation of rules. From the file on record it transpires that Deputy Secretary Ministry of Defence had verbally informed that the Prime Minister has approved the appointments beyond the age of 60 years in respect of the officers. Defence Division subsequently informed that the

competent authority has approved the re-employment of the officers. The reply was not tenable as documentary evidence relating to the Prime Minister's approval was not available on record. Audit holds that this resulted in irregular appointment and expenditure of Rs 3.15 million.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the irregularity in October 2013. The Authority replied that the improved job criteria was approved by the CAA Executive Committee. Further, the approval of the Prime Minister of Pakistan was shown to Audit. The reply was not acceptable because the letter on record from the Ministry of Defence did not fulfill the Audit requirements.

The matter was also discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the Authority explained that the relaxation in age and hours was granted by the Prime Minister of Pakistan. The Committee directed the Authority to provide approval of the Prime Minister to Audit for verification within one week or fix responsibility for change of criteria. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses for implementation of the DAC's directive at the earliest.

(DP.144)

Performance

3.4.22 Improper planning and inefficient project execution resulted in cost overrun - Rs 19,396 million

PC-I of the Project New Benazir Bhutto International Airport, Islamabad was approved in March 2008 at a cost of Rs 37 billion with completion period of 30 months. Appendix-E of the PC-I contains financial and sensitivity analysis report which shows that project is

financially viable in term of Net Present Value (NPV) and benefit cost ratio. The financial viability is based on the assumption that new airport would be yielding revenue (aeronautical and non-aeronautical) during 2011-12 and project will be completed within the approved cost and time. Since the PC-I was prepared by the Project Management Consultant; therefore, they were responsible for planning the entire work into packages to ensure completion by 2011.

Audit noted that the tendering process of various packages was initiated in utter disregard to the physical phasing planned in PC-I. Resultantly, the project was extra ordinarily delayed for about two (02) years and the Project Management Consultant failed to perform its contractual role with regard to coordinating and execution of work on site. The PMC and contractors were unable to give final dates for completion of assigned works. Failure of PMC has rendered all the assumptions for financial viability of the Project which were based on capital cost, operating expenses and revenue generation irrelevant and outdated. The payments were made/committed to Rs 56,256.06 million against the PC-I cost of Rs 36,860 million.

Audit observed following apparent reasons for inefficient and poor execution:

- a). Works under different packages were awarded without due consideration to their inter-relationship and interfacing issues. Piling works, Refueling systems, Airfield Lighting system Power supply and Telecommunication networks were dependent upon progress of Airside Infrastructure Civil Works. But they were awarded side by side and all packages subsequently faced delays.
- b) Lack of coordination in execution of one package has adversely affected progress of the other packages. For instance, execution of package 7A damaged kerb stones whereby entered below the kerb stone and caused damage to the pavement structure. Similarly, main runway work

damaged primary cable of package 7A. This indicates poor and lack of supervision by PMC and CAA management.

- c). Performance of PMC remained unsatisfactory in relation to execution of planning, like mis-managing all the works resulting in adverse effect on work schedule, late approval of contract activities, design changes etc.
- d). Entertaining disputes claims by “The Engineer” frequently even beyond the contract provisions.
- e). Design changes during execution phase of different packages like Package-I, Package-3 and Package-8A.
- f). The Consultant prepared cost estimates on lump sum basis instead of item wise. During execution phase, the cost of the components increased drastically. The cost of some components was also missing in PC-I. Consequently, preparation of PC-I in a non-professional manner resulted in unrealistic cost estimation with subsequent cost overruns. Since, the consultant’s scope of services has been classified in five main categories out of which one category pertaining to preliminary services proved faulty, therefore, an amount of Rs 72.48 million was required to be recovered.

Audit maintains that irregularity occurred due to inadequate oversight mechanisms and non-exercising of the relevant financial rules and internal controls and failure of Authority to protect public interest.

Audit reported the irregularity in July 2013. The Authority replied that suitable punitive action would be initiated against the consultant for their poor planning. However revision for the PC-I would be obtained from the competent authority. The reply indicates that PC-I was originally defective which requires revision from Rs 37,000 million to Rs 83,000 million. The findings/recommendations of Lt. General Shahid Niaz addressed in the revised PC-I were not shared with Audit. Audit stresses for detailed inquiry to identify the potential beneficiaries of delayed execution and fix responsibility on contractors, consultants and CAA

management besides making proportionate recovery of the losses of revenues and cost overrun accordingly.

The matter was discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the Committee directed the Authority to provide all files on selection and performance of the Design Consultants to Audit from 2004 onward for verification within 15 days. No compliance of DAC's directive was reported till the finalization of this report.

Audit recommends for implementation of the decision of DAC at the earliest.

(DP.99,116)

3.4.23 Defective execution of work - Rs 10,816.61 million

Clause-3.4 (b) Special Condition of Consultancy Contract between CAA and ADPI/NESPAK (JV) states that if the Client suffers any losses or damages as a result of proven faults, errors, gross negligence, wrong planning, wrong advice or recommendation, or omissions in the design of a project, the Consultants shall make good such losses or damages, subject to the conditions that the maximum liability as aforesaid shall not exceed twice the total remuneration of the Consultants for design and FDSS phases in accordance with the terms of the Contract. Clause-3.1.1(c) of the Contract of Consultancy services with Louis Berger Group the consultant should be responsible for any loss or damage suffered by the Client due to the gross negligence, wrong planning or design that may be attributable to the Consultant.

Audit noted that the design consultant proposed revision of pavement design on the direction of CAA Board Monitoring Committee and DG CAA to reduce the project cost. In revised design, thickness of Asphaltic base course was reduced from 200 mm to 100 mm envisaging saving of Rs 955 million.

Audit observed that diagonal cracks have started appearing in the taxiway and runway for which CAA management approached Engineering

University, Taxila for remedial measures on 20th June, 2013. The development of cracks during execution phase rendered the entire work defective amounting to Rs 10,816.61 million. Audit holds that the cost reduction compromised the quality of the entire work and precedence was given to savings over minimum structural stability.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the defective work in July 2013. The Authority replied that the process of cracking is under study by the experts and all remedial measures as and when recommended will be taken at risk and cost of the party held responsible. The reply was not convincing because the design was changed mainly on the grounds of cost reduction. Development of cracks during execution was alarming and creates potential future safety hazards. Audit stresses to conduct a detail inquiry into the entire execution of work, recover the cost of design along with the cost of remedial measures to be proposed by the Taxila University and fix responsibility on the persons/firms at fault.

The matter was discussed in the DAC meeting held on 2nd and 6th January 2014, wherein, the Committee noted that the hiring of the Design Consultant was not transparent. Indifferent and unprofessional handling of the Project by consultants had caused irreparable damage to the Project. The CAA informed the Committee that a report from Pavement Specialist of NHA for remedial measures had been received. Audit informed the Committee that as per the report of the Pavement Specialist of NHA, a number of factors appear to have contributed to the premature failure of the pavement such as:

1. Secondary consolidation resulting in differential settlement within the embankment layers.
2. Water ingress into embankment layers causing increase in soil pore water pressure.

3. Subsequent reduction in pore water pressure over time due to secondary compression in the embankment fill causing rotational failure.
4. Inadequate internal and external drainage disposal of the aerodrome pavement.
5. Subsidence of the embankment foundation at the Natural Surface Level (NSL).
6. Settlement due to installation of airfield lightening conduits underneath the aerodrome pavement.
7. Inadequate benching of embankment with rocky ridges at NSL.

The Committee after detailed deliberations constituted an IDC to prepare a detailed report for fixing responsibility on Design consultants and Project Managers of CAA within two months. No compliance of the DAC's directive was reported till the finalization of the report.

Audit stresses for early implementation of the DAC's directive.
(DP.95)

Internal Control Weaknesses

3.4.24 Non-recovery of liquidated damages - Rs 1,640.38 million

As per Contract Clause-47.1, if the contractor fails to comply with time for completion of the Works, then the contractor shall pay to the Employer relevant sum stated in the Appendix to Tender as liquidated damages for such default and not as a penalty (which sum shall be the amount due from the contractor for such default) for every day. In Appendix-A, maximum liquidated damages are 5% of the contract cost.

Audit noted that Civil Aviation Authority awarded certain contract Packages to various contractors at NBBIAP Islamabad. The stipulated completion period has since been expired but the work on each package has not been completed even after expiry of one year of time extension. The contractor's physical progress lagged behind the planned progress.

The pace of work was too slow and contractors failed to complete the work within the stipulated time. Audit holds that delayed completion warranted recovery of liquidated damages amounting to Rs 1,640.38 million.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the non-recovery of Liquidated Damages in July 2013. The Authority replied that due to involvement of various contractors, the position of site handing/taking over was not made in one go as per requirements of every package but the same was made available gradually, which was the main cause of delay. Further, the imposition of LD can be determined at completion stage. The reply was not tenable because interfacing issues were main bottlenecks in completion of various packages. This was required to be addressed appropriately by PMC and CAA Project Management.

The matter was discussed in the DAC meeting held on 24th January, 2014. The CAA admitted that the different packages of the project were delayed. The foreign exchange component and escalation had been frozen on the original completion dates. Liquidated damages would be imposed on finalization of the bills of the contractors. Audit contended that Project Progress Review Committee of CAA in its meeting held on 14th June, 2010 decided that reasons for delay in completion of the project be assessed and analysed for penal action under conditions of the contract but no action had been taken so far. The Committee was not convinced with the CAA stance and directed the CAA that a Committee headed by General Manager (Legal), CAA would probe issues of delays and propose way forward regarding imposition of liquidated damages within one month. No compliance of the DAC's directive was reported till the finalization of this report.

Audit stresses for implementation of the DAC's directives at the earliest.

(DP.102)

3.4.25 Unjustified construction of Thar airport - Rs 972.07 million

As per Project Management Guidelines of Planning Commission of Pakistan, the Mega projects of Social Sector should be based on proper feasibility study. According to General Financial Rule 10 (I) every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that original PC-I regarding building of Air strip at Islamkot was approved for Rs 120 million which is going to be enhanced up to Rs 972.07 million (revised PC-I is under approval) by Civil Aviation Authority.

Audit observed that an Air strip at Badin under Pakistan Air Force already exists nearly 70 Km away from Islamkot. The approach road from Badin to Islamkot is also being rehabilitated / constructed by Government of Sindh. The main objective of building an Air strip at Islamkot was to provide an aircraft landing and take-off facility for investors, specialists, engineers, technocrats and other stakeholders intending to travel to Thar Coal Mines fields. Audit is of the view that the existing air strip at Badin should have been renovated to meet the above stated objective rather than to build a new air strip (just 70 Km away) costing a significant expenditure of Rs 972.07 million which is unjustified and could have been saved by conducting proper feasibility study.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the unjustified construction of Thar Airport in July 2013. The Authority did not submit an appropriate reply.

The matter was discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the Authority failed to provide any justification for the project. The Committee decided to refer the Para to PAC.

Audit recommends to investigate the matter and take corrective action.

(DP.133)

3.4.26 Additional expenditure due to failure of planning - Rs 738 million

Para 2.1 of Guidelines for Project Management provides that in order to achieve the objective of efficient utilization of natural and economic resources of the country, it is necessary that development projects are planned and executed with vigilant management. For achievement of stipulated targets, it is imperative to entrust management and supervision of the project during implementation stage to capable and competent persons of required qualifications, experience and caliber.

As per Para 6-A of PC-I regarding main design features at New Benazir Bhutto International Airport, Islamabad, the construction of NIIA will be undertaken as a phased development over a 30 years period. Development phases reflect (1) short-term (2020), which is the anticipated period leading to the inauguration of the Airport, (2) medium-term (2030) and (3) Ultimate long-term planning horizons. The first phase (stage 1) had been planned to be completed in 2010-11 and will be designed to serve the traffic requirement up to year 2020. The initial (2010) development of NIIA is envisioned as having one primary runway and one secondary runway with a combined international/domestic passenger terminal, having up to fourteen (14) aircraft contact gates and eight (08) remote aircraft positions. The configuration will provide up to 50 operations per hour (under optimal conditions) and the terminal will be capable of serving 5-6 million passengers annually.

Audit noted that original design of Passenger Terminal Building contained fifteen (15) aircraft parking stands i.e. nine (09) international

gates and five (05) domestic gates and one swing gate. In May 2010 the design was revised mainly on the pretext of cost reduction whereby nine (09) contact gates comprising five (05) international, three (03) domestic gates and one swing gate were provided. On the basis of that revised design for the contract package-3, “Passenger Terminal Building” was awarded to a contractor on 20 April, 2011 at a cost of Rs 20,286 million.

Audit observed that after award of contract the design of aircraft parking stand was once again reviewed in 2013 and the design consultant was asked to examine feasibility of increasing the number of contact gates from 9 to 12. The design consultant offered two options on 10 April, 2013. Option-A pertains to localized changes to the areas around the departure gate lounge bringing the number of contact gates to a total of 11. In option-B extension in south pier was recommended for increasing the total contact gates up to 12, which involved additional construction cost. The Authority agreed to pursue option-B for which design consultant submitted a rough cost estimate of Rs 600 million on 29th May, 2013. That indicates complete planning failure at the part of CAA management which initially reduced the design parameters unnecessarily against the provision of PC-I and subsequently reversed its earlier decision. Audit holds that this would result in additional expenditure of Rs 738 million involving considerable delay in project completion.

Audit maintains that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the additional expenditure in July 2013. The Authority replied that the Secretary Defence/Chairman CAA Board had constituted a specific Committee under the Chairmanship of Lt. General Shahid Niaz to probe the facts. The reply was not tenable because inquiry report had since been issued to the Authority by Lt. Gen. Shahid Niaz but no action was taken. Audit stresses that responsibility may be fixed on the person(s) responsible for unnecessary changes in the design and effect recovery of the additional cost.

The matter was discussed in the DAC meeting held on 28th & 29th November 2013, wherein, the Committee pended the Para for verification. The Committee further directed the Director Planning & Development, CAA to hold a meeting with Audit along with all relevant record. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses for early implementation of the decision of the Committee.

(DP.114)

3.4.27 Loss on account of exchange rate due to non-finalization of contract - Rs 197.30 million

Rule 10(i) of General Financial Rules (Volume-I) provides that every public servant is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that International Civil Aviation Organization (ICAO) invited tenders on 20th December, 2010 for “up-gradation of Primary Surveillance Radar/Secondary Surveillance Radar systems” for Pakistan Civil Aviation Authority. In response a supplier was declared the lowest with bid cost of US\$ 10.00 million. Audit observed that a period of 30 months (up to August 2013) has lapsed but the said contract has not been executed. Due to the delay the Authority is suffering recurring losses on forex rates as the exchange rate in December 2010 was Rs 86 per US\$ which has increased to Rs 104 per US\$ in August 2013. This resulted in loss on account of Foreign exchange to the extent of Rs 180 million.

Audit further observed that another tender was opened on 8th September, 2011 for “procurement of High Frequency Radio Communication System” for JIAP Karachi and a firm stood 1st lowest with a bid cost of US\$ 1,565,914 (Pak Rs 136,970,497 @ 87.47 per \$). The Authority scrapped tenders without recording justification/reasons. The case is still under process of approval with the revised financial

impact of Rs 154.27 million (Rs 149.78 million plus 3% escalation) on exchange rate of Rs 95.65 per US\$ on 17th October, 2012. Thus delay in procurement of equipment caused a loss of Rs 17.30 million. Audit holds that the Authority suffered a loss of Rs 197.30 million on account of exchange rate due to mis-management.

Audit maintains that loss occurred due to inadequate oversight mechanisms and non-exercising of the relevant financial rules and internal controls and failure of Authority to protect public interest.

Audit pointed out the loss in August 2013. The Authority replied that the execution of the projects would be completed in 19 months after signing of the contract and prices will remain frozen for 02 years. The reply was not tenable because CAA has already suffered loss on account of exchange rate due to non-finalization of contract.

The matter was discussed in the DAC meeting held on 2nd January 2014, wherein, the Committee directed the Authority to investigate the matter of delay and report to the DAC within one month. The Committee further directed that no procurement should be made through ICAO as procurement agent in future. The Chair directed Aviation Division to issue instructions to CAA for stopping this practice forthwith. No compliance of the DAC's directive was reported till the finalization of this report.

Audit stresses for implementation of the decision of the Committee.

(DP.210)

3.4.28 Irregular supplemental agreement with design consultant with extra cost - Rs 43.26 million

Rule 19 (v) of General Financial Rules (Volume-I) no contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the Ministry of Finance.

Original contract made through a proper procedure of pre-qualification could not be changed/replaced by a supplemental agreement if the original contract contained no such provisions. As per General Condition 2.6 of Design Consultancy contract for design and Field Design Support Services (FDSS) in respect of New Benazir Bhutto International Airport, Islamabad the client can increase the scope of services and extend the time for completion of services.

CAA entered into a Design Consultancy contract for design and FDSS in respect of New Benazir Bhutto International Airport, Islamabad with a Joint Venture amounting to Rs 43.260 million. The contract was effective from 24th March, 2007 with completion period of 48 months. Audit observed that CAA made a supplemental agreement on 14th December, 2012 with the same JV firm whereby various clauses of original agreement were modified or deleted. The FDSS by one partner of JV were restricted up to 31st July, 2012 while for the other partner of JV were extended for FDSS and design services w.e.f. 25th March, 2011 to 31st December, 2014.

Audit holds that original consultancy contract made through a proper procedure of pre-qualification could not be changed / replaced by a supplemental agreement as the original contract contained no such provisions. The Authority could extend the original agreement under clause-2.6 of consultancy contract instead of making independent supplemental agreement. Audit further observed that one of the JV partner was relieved from the contractual obligations through supplemental agreement. However, the concerned file showed that the said partner did not render its services satisfactorily. Therefore, action was required to be taken as per original contract instead of relieving the consultancy firm through supplemental agreement. Further, in original contract, the total cost of FDSS was 11,938 € per month, whereas, in supplemental agreement, the cost was increased 24,444 € per month, which resulted in extra cost of 12,506 € per month having total extra cost of 562,770 € (approximately Rs 43.260 million).

Weak supervisory controls caused irregular supplemental agreement resulted in extra cost of Rs 43.26 million.

Audit pointed out the irregularity in July 2013. The Authority replied that supplemental agreement was made under the contractual provisions of GC 7.1 of the contract that states whereby the parties undertake to act in good faith with respect to each other's rights under this contract and to adopt all reasonable measures to ensure the realization of the objective of contract. Further in pursuant Clause 2.6 (c), the time of completion was extended up to 31st December, 2014 and the maximum remuneration increased due to extension of period and Man Months as well. The reply was not acceptable because general clauses 7.1 & 7.2 referred to in the reply did not indicate any provision of Supplemental agreement with increased cost. Action was required to be taken against defaulting partner of JV but the firm was satisfactorily relieved of its obligations. Audit stresses for recovery of the extra cost.

The matter was discussed in the DAC meeting held on 2nd and 6th January 2014, wherein, the Authority informed the Committee that the Aviation Division has ordered an inquiry in the matter. The Committee directed the Authority to expedite the inquiry and report the outcome to Aviation Division and Audit. No compliance of the DAC's directives was reported till the finalization of the report.

Audit stresses for early finalization of the inquiry. (DP.113)

Special Study of ‘Implementation of Enterprise Resource Planning (ERP)’ Civil Aviation Authority

Special study of ERP system was aimed to evaluate the process of acquisition and implementation of the Enterprise level information system.

Project Digest

Civil Aviation Authority and IBM signed agreement on 15th June, 2007 for ERP Consultancy Services. The DWP of CAA approved PC-I for Procurement and Implementation of ERP System including Hardware, Software, Services and Support at a total price of Rs 129.60 million.

The contract was awarded to M/s Jaffer Brothers Private Limited (JBL) in June 2008 after due process to implement ERP Oracle (Financial & Supply Chain Modules) and Airport 20/20 Aeronautical Billing application at a total price of Rs 101 million for Software, Hardware and Implementation Services and 40 million for three years support.

AUDIT PARAS

3.4.29 Likely loss due to discrepancy in the data of ATM and billing - Rs 9,581.73 million

CAA procured an Air Traffic System for US\$ 3,480,000 which contained AIRCON-2100 ATM system including a Billing (BILL) system for monitoring and controlling the aircraft flight movement. The ATM system has the capability of:

- Creation & updating of standard database (Airport, aircraft types and airlines).
- Acquisitions of flight plan stored in statistical files released by FDPS process.
- Definition of parameters used to calculate the route & landing charges.
- Release of bills and edition of the flight plan in different states.

- Edition of a statistical report about the bills.
- Format will be adjusted to the standard of format billing.

Audit noted that the management procured a separate Billing System (Airport 20/20) for Aeronautical billing under ERP implementation project, involving more than Rs 16.49 million in 2008. The system was also capable of integration with ATM and automatic generation of data for billing.

Audit observed that the both systems had the capability of generation of data for billing and able to integrate with each other for automatic transfer of data for billing but the systems were not integrated.

During Audit the Authority provided ATM and billing data having discrepancies and wide gaps between actual and billed flights (overfly). The difference in number of ATM data and billing data resulted in likely non-billing of 22,897 flights and loss of Rs 9,581.73 million for 43 months from September 2009 to March 2013.

The results were communicated to concerned Directorates of the Authority for reconciliation and verification of data. Despite repeated requests, reconciliation of the data was not made by the concerned Directorates. The matter of reconciliation was discussed with the Operation Directorate. It was replied that the data of ATM is not reliable hence, cannot be reconciled.

The matter was discussed in the DAC meeting on 2nd January 2014, wherein, the Authority informed the Committee that the discrepancies in Flight Movement Data was due to non-integration of ATM with the Billing system and generation of multiple data. The matter is under investigation in NAB/FIA. The Committee directed the Authority to report the findings of NAB/FIA investigations to Audit.

(Para 4.2.2, 4.3.1, 4.3.2 - ERP)

3.4.30 Loss due to overlapping of the services of the vendor - Rs 47.70 million

According to the agreement signed between CAA and M/s Jaffar Brothers, the vendor (M/s Jaffer Brothers) was required to provide maintenance support during implementation as well as Go Live support for three years after completion of the project at total cost of Rs 141 million.

Audit noted that M/s Jaffer Brothers Limited (JBL) were appointed as vendor for implementation of the ERP system on 11th June, 2008 at a cost of Rs 101 million having completion period of 15 months. The scope of work consisted of components of hardware infrastructure, software licenses and implementation, integration and training. The training component included training of 20 Core Team members as Master Trainers from abroad as well as end user level training locally and as Post-Go-Live-Support at site for three years after completion of the project at the cost of Rs 40 million.

Audit observed that prior to completion of the ERP implementation, the Authority engaged M/s IBM for Post-Go-Live-Support services and provision of human resources for implementation of the system at a cost of Rs 87.70 million through four (04) different contracts whereas, provision of skilled manpower resources during the implementation process was the responsibility of the Vendor. Hence, the engagement of M/s IBM resulted in overlapping of the awarded scope of work being executed by the vendor.

The matter was discussed in the DAC meeting on 2nd January 2014, wherein, the Authority informed the Committee that the matter is under investigation in NAB/FIA. The Committee directed the Authority to report the findings of NAB/FIA investigations to Audit.

(Para 4.2.3 - ERP)

3.4.31 Unjustified expenditure incurred on purchase of Billing System (Airport 20/20) - Rs 16.49 million

The key objectives set forth in the PC-I of the ERP project include to improve controls and efficiency through automation and streamlining the areas of finance, accounts, revenue, budgets, inventory, procurement and billing (Aeronautical and non-aeronautical); improve and automate integration within the various functions of CAA, and increased controls with minimum manual intervention.

CAA transferred the key business applications to IBM AS/400 in 90s. Personal computers were also introduced at the desktop for word processing. In 2000, Network Infrastructure was established to connect the major locations for online access to the core applications. The data of various units of the Authority was manually transferred in the AS/400 system.

CAA procured Billing System (Airport 20/20) including Aeronautical billing under ERP implementation project, involving more than Rs 16.49 million in 2008. Audit observed that newly procured system AP 20/20 could not minimize the human intervention and production of unauthentic data as the whole data was also being transferred to the new Billing system manually as it was being done with the AS/400 system. The system was procured with features of integration with the *Air Traffic Management (ATM)*. Instead of integration, in both systems the data was recorded manually.

Audit holds that procurement of separate billing system resulted in unjustified expenditure of Rs 16.49 million.

The matter was discussed in the DAC meeting on 2nd January 2014, wherein, the Authority informed the Committee that the matter is under investigation in NAB/FIA. The Committee directed the Authority to report the findings of NAB/FIA investigations to Audit.

(Para 4.3.5 – ERP)

3.4.32 Loss due to non-deployment of trained master trainers on ERP/IT section - Rs 3.79 million

As per agreement signed between CAA and M/s Jaffer Brothers (Pvt) Limited regarding implementation of ERP system in CAA, 20 core team members of CAA were trained from abroad as well as end user level training locally as post Go Live support at site for IT, Finance, Billing & Supply chain areas/sections.

Audit noted that the officers/officials who were deputed for training abroad under the ERP contract at an additional cost of Rs 3.79 million were posted on irrelevant locations/ posts/ sections. They were not deployed on the project for which they were trained. Due to mismanagement, the Authority could not achieve best value for money.

Audit holds that situation occurred due to either improper training or non-deployment of trained personnel which resulted in outsourcing of manpower at additional cost.

The matter was discussed in the DAC meeting on 2nd January 2014, wherein, the Authority informed the Committee that the matter is under investigation in NAB/FIA. The Committee directed the Authority to report the findings of NAB/FIA investigations to Audit.

(Para 4.3.7 – ERP)

3.4.33 Irregular hiring of IT Consultants and loss - Rs 22.50 million

According to Procurement of Consultancy Services Regulations 2010, method for selection of consultants shall be determined by the procuring agency prior to issuance of the request for proposals from prospective consultants. A procuring agency may utilize one of the methods A to D of the Regulations for selection of consultants.

As per Engineering Council Bye-laws, *Consulting Engineer* means any person, partnership, corporate body or any other legal entity which independently performs study, prepares reports, makes design, supervises

construction or similar advisory activities in the engineering disciplines and is registered or licensed as such by the Council. Any person who practices the profession of consulting engineering in Pakistan without valid registration by the Council and any person who abets or helps such unauthorized practice or any person or organization who infringes or helps in the infringement of these bye-laws shall be liable to be punished in accordance with the provision of the Act.

Audit noted that Civil Aviation Authority hired an Information Technology Consultant Mr. Riaz Qadeer (M/s RQ Consultants) under the Method (D) - Single source or direct selection for a period of two years from 2nd January, 2012 to 2nd January, 2014 at monthly rate of Rs 550,000 with 5 % annual enhancement plus free air tickets with boarding /lodging/ transport facilities during visit to other cities. In addition, a team of 14 members was appointed on contract to serve RQ Consultant and monthly expenditure of Rs 750,000 was being incurred on pay & allowances.

Audit observed that hiring of Consultant, who was an employee of PAF and on Leave Preparatory to Retirement (LPR) and appointment of 14 number contract employees to serve RQ Consultant, in presence of most specific method (A) of Procurement of Consultancy Services Regulations, 2010 was irregular and serious violation of PPRA Rules.

Audit holds that appointment without genuine requirement resulted in infringement of rules besides loss of Rs 22.50 million.

The matter was discussed in the DAC meeting on 2nd January 2014, wherein, the Authority informed the Committee that the matter is under investigation in NAB/FIA. The Committee directed the Authority to report the findings of NAB/FIA investigations to Audit.

(Para 4.3.8 – ERP)

3.4.34 Loss due to non-acceptance of lowest bid - US\$ 0.13 million (Rs 11.05 million)

Rule 38 of Public Procurement Rules, 2004 denotes that the bidder with 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 validities.

Audit observed that CAA (Director Technical & Logistics) awarded the contract for Provisioning, Installation & Commissioning of Air Traffic Management System at JIAP, Karachi and AIIAP, Lahore to the third lowest bidder M/s Indra Sistemas, for US\$ 3.48 million, whereas, all the four bidders were technically qualified by CAA. Due to award of contract to other than the lowest bidder who offered bid of US \$ 3.35 million, the Authority incurred an excess expenditure of US\$ 0.13 million (Rs 11.05 million @ Rs 85 per US\$). Further, the performance of the equipment was also not found to be satisfactory as indicated by Acting Director Operations, Officer In-charge Radar, Acting Chief Technical Officer JIAP and also evident from Joint Survey Report and Daily (IOU) Incidents Occurring & Un-serviceability Reports for the month of June 2011.

The above noted facts clearly showed that the performance of the newly installed system was not satisfactory besides the management also failed to compel the supplier for rectification of the defects. Moreover, it was also observed that the performance of supplied equipment by M/s Indra Sistemas had not been found satisfactory but the CAA management awarded more contracts (i.e. Procurement of Air Drome Simulators, Procurement of ILS etc.) to the same supplier.

Audit maintains that irregularity occurred due to misuse of authority, non-adherence to PPRA Rules and weak internal controls.

The matter was discussed in the DAC meeting on 2nd January 2014, wherein, the Authority informed the Committee that the matter was under investigation in NAB/FIA. The Committee directed the Authority to report the findings of NAB/FIA investigations to Audit.

(Para 4.3.9 – ERP)

3.4.35 Non-identification/inclusion of important units/locations in Need Assessment Document of Enterprise Resource Planning

The key objectives set forth in the PC-I of the ERP project include to improve controls and efficiency through automation and streamlining the areas of finance, accounts, revenue, budgets, inventory, procurement and billing (Aeronautical and non-aeronautical); improve and automate integration within the various functions of CAA, enhance transparency, and increased controls with minimum manual intervention.

The implementation of the ERP was mainly aimed at high degree of integration and automation of the enterprise's business processes and transactional functionality for financials, billing and supply chain etc. Audit, however, observed that the important sections/ locations of the CAA were not included in the Need Assessment Document and agreement of the ERP for integration with centralized accounting unit at Headquarters.

Audit holds that due to non-inclusion of important units/locations in the Need Assessment Document by the Consultants, the manually prepared data was sent by the locations. Resultantly, the compilation of various data at Headquarters and closing of accounts got delayed. The very purpose of the ERP i.e. real time data availability and generation of the different reports for the management decisions has been compromised.

Audit recommends that the Authority should integrate important sections/ locations with centralized accounting unit at head quarter to avoid delay in compilation of data at HQ and on time generation of different reports.

The matter was discussed in the DAC meeting on 2nd January 2014, wherein, the Authority informed the Committee that the matter is under investigation in NAB/FIA. The Committee directed the Authority to report the findings of NAB/FIA investigations to Audit.

(Para 4.3.4 – ERP)

3.4.36 Non-taking over of ERP system by IT Branch

According to CAA Form, CAAF.031-HRVF-1.0 (Job description), General Manager (Information Technology), CAA, is responsible for the overall management and supervision of information technology (IT) and management information system (MIS), from specifying and sourcing software and hardware to recruiting suitably skilled team member. IT Branch was also required to (a) take over complete system control and Source Code from the contractor, (b) deploy foreign trained officials back on ERP system and (c) disengage M/s IBM.

Audit observed that the IT Section neither integrated the functions of ERP with IT nor system control of the functions completed under the ERP contracts through M/s JBL and M/s IBM.

Audit recommends taking over complete system control and Source Code from the contractor, deploying foreign trained officials back on ERP system and disengaging M/s IBM.

The matter was discussed in the DAC meeting on 2nd January 2014, wherein, the Authority informed the Committee that the matter is under investigation in NAB/FIA. The Committee directed the Authority to report the findings of NAB/FIA investigations to Audit.

(Para 4.4.1 – ERP)

3.4.37 Irregular issuance of User Acceptance & Training (UAT) and Final Acceptance Certificate (FAC)

According to Term & Condition No. A-2.16 (Standard Performance), M/s JBL shall perform the services and carry out its obligations as specified in the Contract with all due diligence, efficiency and economy, in accordance with generally accepted professional techniques, standards and practices and shall observe sound management practices, and employ appropriate advanced technology and safe methods.

Audit selected important areas of ERP as sample and visited Budget, Finance/Accounts, Revenue, Budget and Asset Management sections at CAA HQ to check physically the implementation of the ERP with reference to the provisions/ specifications of the agreement. Various types of reports were also got generated. Audit observed the following discrepancies in implementation of ERP:

(i) Budget

- The system does not provide the ability to create and maintain budget data by budget formulation stage, with supporting document.
- The locations have not online access for preparation, editing, approval status, review, finalization and distribution of budget.

(ii) Finance / Accounts

- As per agreement the data conversion scope identifies conversion of historical data for 10 years but no conversion to the target environment was seen.
- The system has no ability to show history of fringe benefits of employees

(iii) Billing

- As per contract, AP 20/20 airport billing solution system must be able to provide the ability to globally change the rate, based on user-specified criteria. CAA switched over the charging parameter of overflying by weight to distance *in January, 2012*. The AP 20/20 Billing System was unable to meet the user requirement. Eventually, CAA developed an in-house arrangement for billing on revised parameter through Pakistan Aeronautical Billing Management System.
- As per agreement the data conversion scope identifies conversion of historical data for 10 years but no conversion to the target environment was seen.

- AP 20/20 is unable to store the following details with invoice/bill register for processing of bill for each change type:
 - i. Bill number
 - ii. Type of bill, based on type of document (bill, credit memo, debit memo and advance)
 - iii. Date of issue of bill/invoice
 - iv. Reference for the billing period (fortnight, month, specified period).
 - v. Posting period
 - vi. Total amount received (all transaction currencies) with received date, RV number, bank details.

- The system is unable to calculate and generate a report on flight-wise surcharge after due date in respect of the following charges by airline/party name with date, RV number and invoice number.
 - i. Landing charges
 - ii. Over flying charges
 - iii. Avio-bridge charge
 - iv. CIP charges
 - v. Aircraft power supply charge
 - vi. Embarkation fee
 - vii. Government airport tax

It showed that the system AP 20/20 is being used only as data parking or data capturing application but it is not used for performing business calculations and generating billable information.

(iv) Revenue

- The system has not the ability to update revenue accounts based on receipts.
- The system does not accommodate immediate cancelation of receivables.

(v) Asset Management System

- Location wise capitalization amount was not available.
- Capitalization summary does not show the actual location wise Work in Progress.

(vi) Supply Chain

- As per agreement the data conversion scope identifies conversion of historical data for 10 years but no conversion to the target environment was made.

The above noted discrepancies in implementation showed that the UAT and FAC were issued without completion of services provided in the agreement.

The matter was discussed in the DAC meeting on 2nd January 2014, wherein, the Authority informed the Committee that the matter is under investigation in NAB/FIA. The Committee directed the Authority to report the findings of NAB/FIA investigations to Audit.

(Para 4.5.2 – ERP)

3.4.38 Deployment of officers in IT Branch without proper policy/procedure

According to Civil Aviation Service Regulations -2000 Para 1.05, “To supplement these Regulations, administrative instructions/orders, not inconsistent with these regulations, may be issued as and when required. Such administrative instructions /orders shall have the same effect as provisions of these Regulations and shall not be issued except with the prior approval in writing of the Director General CAA”.

Audit observed that the CAA did not supplement the regulations; administrative instructions/orders and frame proper policy in respect of ERP Branch nor Job Descriptions of officers/officials have been framed. Audit further observed that establishment/strength of ERP Branch has also not been prepared and got approved from the competent authority. Audit

holds that deployment of officers/officials in ERP branch without any rules of business/policy was unjustified.

Audit recommends framing of job description of officers/ officials and approval be got obtained from the competent authority.

The matter was discussed in the DAC meeting on 2nd January 2014, wherein, the Authority informed the Committee that the matter is under investigation in NAB/FIA. The Committee directed the Authority to report the findings of NAB/FIA investigations to Audit.

(Para 4.5.3 – ERP)

CHAPTER 4

NATIONAL HIGHWAY AUTHORITY (MINISTRY OF COMMUNICATIONS)

4.1 Introduction

National Highway Authority (NHA) was established in 1991, through an Act of Parliament. The purpose and functions of the Authority are to plan, promote, organize and implement programmes for construction, development, operation, repair, and maintenance of National Highways and strategic roads specially entrusted to it by the Federal Government or by a Provincial Government or any other Authority.

NHA has its Headquarters at Islamabad with eleven Regional Offices at Peshawar, Abbottabad, Burhan, Gilgit, Balkasar, Lahore, Multan, Karachi, Sukkur, Quetta and Khuzdar. NHA is currently custodian of 12,131 kilometers of highways, motorways, expressways and strategic roads. The total length of federalized roads under the NHA is 8,780 km. NHA network comprises 4% of Pakistan's total road network that takes country's 80% commercial traffic.

4.1.1 Duties and Responsibilities

NHA is entrusted with the following functions and duties:

- i. To advise Federal Government on matters relating to national highways and strategic roads.
- ii. To frame scheme(s) for construction, expansion, operation and development of national highways and strategic roads and undertake work on such scheme(s).
- iii. To acquire any land in accordance with legal procedure and obtain and dispose of moveable and immovable property and interests therein.

- iv. To do research and development in the field of highways.
- v. To procure plant, machinery, instruments and materials required for its use.
- vi. To enter into and perform all such contracts as it may consider necessary.
- vii. To levy, collect or cause to be collected tolls on national highways, strategic roads and such other roads as may be entrusted to it and bridges thereon.
- viii. To extend licence facilities on roads under its control on such terms as it deems fit.
- ix. To maintain legal enforcement in Right of Way.

4.1.2 Organizational Structure

NHA is under the administrative control of Ministry of Communications and is headed by a Chairman. The affairs of the Authority are regulated through National Highway Council (NHC) and National Highway Executive Board (NHEB).

Organizational set up of the Authority comprises six core Wings, i.e. Motorways, Construction, Planning, Operations, Finance and Administration.

4.1.3 Funding/Income sources and positions

Grants

- Federal Government

Loans

- Cash Development Loan (loans obtained from Federal Government including foreign loans through PSDP)

Operating Income

- Toll collection at toll plazas

- Right of Way (ROW) charges of Petrol Pumps, CNG stations, restaurants, etc.
- Sale of tender, sale proceeds of assets, land and vehicles
- Bonds, shares and other means

Operating income for the year 2012-13 is as under:

(Rs in million)

S. No.	Description	Gross Revenue	Operational Charges	Net Revenue
1.	Toll Collection	13,305.70	891.86	12,413.84
2.	Weigh Stations Income	310.40	364.53	(54.13)
3.	Right of Way	488.17	0	488.17
4.	Police Fine (N-5)	1,595.72	336.82	1,258.90
5.	Other Miscellaneous	406.90	0	406.90
Total		16,106.89	1593.21	14,513.68
Less Police Fine Share				629.45
Net				13,884.23
Estimated Receipts				15,003.58

4.2 Comments on Budget and Accounts (Variance Analysis)

Table below shows the position of budget allocation and actual expenditure for the Financial Year 2012-13:

(Rs in million)

Type of Funds	Allocation	Releases	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development					
Maintenance	2,128.00	1,666.70	1,666.70	-	-
Establishment	2,669.42	2,996.89	2,996.89	-	-
Purchase of durable goods	35.85	18.57	18.57	-	-
Transfer payments	126.12	124.88	124.88	-	-
Sub-Total	4,959.39	4,807.04	4,807.04	-	-

Type of Funds	Allocation	Releases	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Development Funds					
PSDP (Local)	24,602.32	22,001.71	22,001.71	-	-
PSDP(Foreign)	26,124.90	28,339.48	28,339.48	-	-
Sub-Total	50,727.22	50,341.19	50,341.19	-	-
Grand Total	55,686.61	55,148.23	55,148.23	-	-

Following issues were found during examination of the financial statements:

1. Against the estimated receipts of Rs 15,003.58 million, the Authority was able to actualize receipt of Rs 13,884.23 million resulting in short fall of receipts/revenue for Rs 1,119.35 million (7.46%).
2. Under the receipt head “Weigh Stations Income” the expenditure on Operation and Maintenance was Rs 54.13 million more than the income of Rs 310.40 million.
3. NHA incurred expenditure of Rs 827.41 million against those PSDP projects for which no allocation was made in the federal PSDP. The expenditure was incurred through re-appropriation without approval from the competent forum i.e. Planning and Development Division, Government of Pakistan. (DP. 124)

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

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

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of compliance
1987-88	10	10	8	2	80.00
1989-90	3	3	2	1	66.67
1990-91	9	9	8	1	88.89
1991-92	31	31	25	6	80.65
1992-93	88	88	83	5	94.32
1993-94	117	117	26	91	22.22
1994-95	38	38	34	4	89.47
1995-96	25	25	23	2	92.00
1996-97	45	45	42	03	93.33
1997-98	468	300	358	110	76.50
1998-99	177	177	144	33	81.36
1999-00	185	185	130	55	70.27
2000-01	244	244	213	31	87.30
	2 PAR	2 PAR	-	2 PAR	-
2001-02	70	70	43	27	61.43
2004-05	27	27	19	08	70.37
2005-06	30	30	24	06	80.00
2006-07	65	65	49	16	75.38
2008-09	SAR-120	(Partially discussed) 4	-	-	-

Note: Audit Reports for 2002-03, 2003-04, 2007-08, 2009-10, 2010-11, 2011-12 and 2012-13 have not been discussed by PAC till the finalization of this report. Audit Report for 1997-98 and Special Audit Report 2008-09 (FY 2005-08) were partially discussed. PAR stands for Performance Audit Report and SAR stands for Special Audit Report.

4.4 AUDIT PARAS

Irregularity and Non-Compliance

4.4.1 Irregular award of works and expenditure beyond PC-I limits/provisions - Rs 14,826.05 million

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

Para 11 of Project Management Guidelines issued by Planning Commission in August 2008 provides the specific actions required by the Project Directors and sponsoring Ministries/Divisions in the project planning & management of Public Sector Development Projects. Sub-para II(15) states that at the time of award of contract if it is found that cost of the project would exceed the approval limits by 15%, the project be got revised and approved by the competent forum before implementation.

As per para 50 of Chapter 2 of NHA Code, 2005, in case of variation, if the cost exceeds by more than 15% of the original project cost (original plus variation) revised administrative approval shall be obtained from the competent authority and PC-I shall also be revised accordingly.

Para 47 of Chapter 2 of NHA Code (Volume-1) provides that the procedure of revised administrative approval also applies to modifications/variations of the proposals originally approved and to material deviations from the original proposals, even if the cost of the same can be saving on other items.

4.4.1.1 The NHA awarded the work “Construction Flyover at Nag Shah Chowk (On Multan-Shujaabad Road Crossing N-70)” at the agreement

cost of Rs 602.94 million (65.61% above) against PC-I cost of Rs 364.06 million in June 2010 involving excess of Rs 238.88 million.

This resulted in irregular award of work beyond permissible limit of 15% of approved PC-1/Engineer's Estimate due to violation of rules/NHA Code and instructions of Planning Commission.

This violation of mandate occurred due to absence of an oversight mechanism governing effective implementation of internal controls.

Audit pointed out the irregularity during July to November 2013. The Authority replied that the PC-1 amount was based on rough cost estimate and actual rates varied at the time of bidding. The reply was not accepted because while accepting higher bids, rules and regulations were violated. Revised approval of the ECNEC (being the competent forum) was not obtained before award of works at higher rates.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein NHA explained that the revised PC-I of the project/work was under process. The Committee observed that:

1. ECNEC's directions were violated.
2. Payments were made without PC-I revision.

The Committee directed NHA to get the PC-I revised/approved from the competent forum at the earliest. The Committee also directed to hold an inquiry at Ministry level to fix responsibility against the responsible.

(DP.137)

4.4.1.2 The original PC-I of the Project "Khanewal-Multan Motorway Extension, M-4, 57 km" for Rs 8,330.22 million including Foreign Exchange Component (FEC) of Rs 2,546.17 million was approved by ECNEC in its meeting held on 6th November, 2008. The project cost was revised by ECNEC in its meeting on 9th December, 2010 for Rs 14,494.94 million including FEC of Rs 10,772.16 million as conveyed through

Ministry of Communications, Government of Pakistan vide its letter dated 7th January, 2011.

During scrutiny of the record relating to the above Project, Audit noticed that in the revised approved cost, Ancillary Works (Rest and Service Areas, Toll Plazas, etc.) proposed for Rs 359 million were deleted by ECNEC from the scope of work. Moreover, Electrical works at Interchanges were not included in the approved scope of work.

Audit observed that NHA included Ancillary Works (Rest and Service Areas, Toll Plazas etc.) and Electrical works at Interchanges in the tender documents despite their deletion from proposed scope/PC-I by ECNEC and awarded these works to the contractor for Rs 1,477.78 million.

This resulted in unauthorized award of work for Rs 1,477.78 million without approval of ECNEC.

Audit maintains that award of works despite their deletion by the competent forum shows utter disregard of ECNEC approval and misuse of authority.

Audit pointed out the irregularity during September 2013. The Authority replied that Procurement & Contract Administration Section had been requested to offer clarification/reply. The same would be transmitted to Audit on receipt.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein NHA explained that the revised PC-I of the project/work under observation was under process. The Committee observed that ECNEC's directions were violated. The Committee directed NHA to get the PC-I revised/approved from the competent forum at the earliest. The Committee also directed to hold an inquiry at Ministry level to fix responsibility against the person(s) at fault.

The compliance of the DAC's directive was not conveyed till the finalization of this report.

Audit recommends that compliance of the DAC's directive be made at the earliest.

(DP.140)

4.4.1.3 NHA in fifteen (14) cases (detail provided in **Annexure-A**) incurred the expenditure of Rs 13,109.39 million without approval of the competent forum i.e. ECNEC/CDWP and without revision of PC-I.

This resulted in irregular expenditure beyond permissible limits without revision of PC-I due to violation of para 47 and 50 of NHA Code and instructions of Planning & Development Division.

Audit maintains that the irregularity occurred due to non-adherence to rules and regulations and weak internal controls.

Audit pointed out the irregularity during July-November 2013. The Authority replied that the revised PC-Is were in process of approval. The reply was not accepted because expenditure beyond permissible limits was incurred without approval of the competent forum.

The matter was discussed in the DAC meetings held on 26th and 27th November, 2013 and 26th and 27th December, 2013 wherein NHA explained that the revised PC-I of the project/work was under process. The Committee observed that:

- a. ECNEC's directions were violated.
- b. Even after 100% increase and incorporation of additional works, PC-I was not got revised.
- c. Payments were made without PC-I revision.
- d. Public Procurement Rules were violated.

The Committee directed NHA to get the PC-I revised/approved from the competent forum at the earliest. The Committee also directed

NHA to get the condonation of violation of PPRA rules and fix responsibility against the persons involved. The compliance of the DAC's directive was not conveyed till the finalization of this report.

Audit recommends that compliance of the DAC's directive be made at the earliest.

4.4.2 Invalid bid amounting to Rs 892.33 million with presumptive rates of Rs 64.65 million and non-conforming execution of bridge structure involving excess expenditure - Rs 288.37 million

PC-I of the Project "Construction of bridge at River Ravi Syedwala, NHA" amounting to Rs 1,159 million was placed before CDWP in its meeting held on 14th March, 2012. This PC-I contained bridge length of 612.30 meter with fifteen spans and approach roads of 2.64 Km. The CDWP deferred the project with the direction to resubmit the scheme on the basis of available alternative options. Accordingly, a modified PC-I was placed before the CDWP on 12th April, 2012 containing bridge length 571.48 meter with revised pavement design reducing the road width from 7.3 meter to 6.1 meter and surfacing from asphalt to TST. The CDWP agreed to the modified PC-I and approved it at a reduced cost of Rs 987 million.

Audit noted that NHA called tenders for the above project on 28th November, 2011 in anticipation of the approval of PC-I. Consequently the tenders were based on previous tender drawings showing width of road 7.3 meter with asphaltic pavement instead of TST. The modified cost of PC-I with revised design as approved by the CDWP was not made the basis for tenders. The project was awarded to the lowest bidder M/s SKB at bid cost of Rs 892.33 million vide acceptance letter dated 21st February, 2012. Tender process was irregular on the following grounds:

- a) Approval of PC-I/AA was necessary before inviting tenders. The tender process on the basis of previous PC-I became void when it was not approved by the CDWP.

- b) Modified cost of PC-I with revised design parameters should have been put to tender to provide equal opportunity to all bidders for competitive rates. Though M/s SKB gave undertaking to accept the changes due to revised design but the overall bidding process was invalid and uncompetitive because the rates offered by the bidder for asphaltic base course, prime coat, tack coat and wearing course for Rs 64.65 million were presumptive and these items were no more applicable in view of modified design. Hence, the bid evaluation was un-realistic.

Audit further observed that the progress report of the project for the month of June, July and August 2013 indicated that the bridge structure was being executed on the basis of redundant/unapproved design of fifteen span bridges. Therefore, the execution of bridge was not in conformity with the approval of CDWP. This resulted in violation of rules and excess expenditure of Rs 288.37 million.

This resulted into invalid bid amounting to Rs 892.33 million with presumptive rates of Rs 64.65 million and non-conforming execution of bridge structure involving excess expenditure of Rs 288.37 million.

Audit pointed out the irregularities in November 2013. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. The Committee observed that the tendering process was initiated by NHA without approval of PC-I. The design parameters for tendering process were changed subsequently in the modified PC-I. This lead to post-bid changes in the scope of work. The Committee directed to conduct a fact finding inquiry in order to determine misuse of authority and violation of rules at MoC level (General Manager P&CA Wing, NHA to associate) and submit report within one month. DAC further directed NHA to get the relevant record verified regarding CDWP approval of bridge design having 612 meter length with fifteen spans. The compliance of the DAC's directives was not made till the finalization of this report.

Audit stresses that detailed inquiry be conducted to fix responsibility for inviting tenders before approval of PC-I which resulted in uncompetitive bidding and non-conforming execution of bridge structure.

(DP.263, 271)

4.4.3 Grant of additional Mobilization Advance through post-bid amendment - Rs 803.57 million

The Standard Contract Agreement does not provide any scope for change in the conditions of the contract. Clause 51.1 provides scope for variations in quantities only.

NHA allowed/paid additional Mobilization Advance to the contractors beyond the contract provisions in the following three (03) cases. This resulted in undue financial benefit through post-bid amendment of Rs 803.57 million to the contractors as detailed below:

(Rs in million)

DP No.	Name of Work/Project	Amount
DP. 01	Construction of Gwadar-Ratodero Road Project (Audit year 2012-13, Ph-II)	185.06
DP. 03	Construction of Gwadar-Ratodero Road Project	283.13
DP. 150	Widening&Improvement of N-50, Qilla Saifullah-Zhob Section (150 KM), Package-ICB-3B (ADB Loan No. 2540)	335.38
Total		803.57

The violation occurred due to weak oversight mechanism for exercising the internal controls.

Audit pointed out the matter during July to November 2013. The Authority replied that the additional Mobilization Advances were paid to the contractors in accordance with amendments duly approved by the competent authority against Bank Guarantees. The reply was not found satisfactory as payment of additional Mobilization Advance through post-

bid amendment was a violation of canons of financial propriety. Audit held that additional Mobilization Advance in these cases was granted to the contractors through post-bid amendments in the contract agreements, violated the original provisions of the respective contracts and constituted an undue financial aid to the contractors. The increase in the amount of advances was contrary to the public interest.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the DAC observed that the practice of giving Mobilization Advance in excess of the limit specified in the contract agreement is illegal and against the norms of financial discipline/propriety. The Committee directed that all the post-bid amendments incorporated in the contract agreement should be got vetted from the Finance Division. The Committee further directed NHA to recover the interest on the amounts of additional mobilization advances from the contractors immediately at the rates fixed by Finance Division on Cash Development Loans. The Committee further directed that the matter of giving additional mobilization advance be inquired through an IDC and report be submitted within one month. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses that DAC's directives be implemented at the earliest.

4.4.4 Irregular award of additional works/consultancy beyond original scope without open competition - Rs 562.29 million

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

Rule 12(2) of *ibid* rules also provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and other in Urdu.

Rule 42 (c) (iv) of Public Procurement Rules, 2004 provides that a procuring agency shall only engage in direct contracting if the repeat orders do not exceed fifteen percent (15%) of the original agreement. According to Rule 50 of ibid Rules, any violation of these Rules constitutes mis-procurement.

The Inter-Departmental Committee (IDC) of the Public Accounts Committee (PAC) in its meeting dated 17th July, 2001 decided that the management is not empowered to award a new work as additional work to an existing contractor without calling open tenders. It only allows minor adjustments in the already awarded work so as to complete it in all respect.

4.4.4.1 Highway Rehabilitation Project, Lahore-Gujranwala Section (Contract-08) was awarded to M/s Husnain Cotex at the agreement cost of Rs 4,974.97 million. Audit observed that NHA awarded an additional work “Construction of grade-separated interchange at Kala Shah Kaku” to the same contractor without open competition at the additional cost of Rs 385.43 million through variation order No. 08-21.

Audit observed that the irregularity occurred due to total disregard to the prescribed procedure and weak internal controls.

Audit pointed out the irregularity in October 2013. The Authority did not furnish the reply.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. The Committee observed that it was a glaring violation of Public Procurement Rules and PAC directives. Additional work of Interchange at Kala Shah Kaku was awarded without calling tenders. The Committee directed NHA to get the condonation of violation of PPRA rules and fix responsibility against the officers/officials concerned.

(DP.237)

4.4.4.2 Project Management, Flood Emergency Reconstruction Project procured consultancy services under ADB Loan No. 2742-Pak for Detail Design and Construction Supervision of selected sections for Rehabilitation/Reconstruction of flood damaged road sections/bridges on South Package from M/s Associate Consultant Engineers in association with Associated Consultancy Center and Osmani & Company Pvt. Limited for Rs 81.26 million.

Audit observed that after bidding, the additional works valuing Rs 25.11 million for additional design, increase in scope of work on Chakdara Bridge, Vadhoor Nullah and Chakdara Kalam Road was awarded through variation orders No. 1, 2 and 3 beyond the original scope of work without open competition.

Audit pointed out the irregular award of work in November 2013. The Authority replied that already engaged consultant was mobilized to avoid delay in execution of works, to avoid contractors claim and commitment charges for proper supervision of construction work after approval of Member (Operations). The reply of the Authority was not tenable as additional work costing Rs 25.11 million which constituted 32.90% of the original contract cost was awarded to the existing consultant in violation of Public Procurement Rules and PAC directives.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. The Committee directed NHA to conduct a fact finding inquiry into the matter and submit report within 15 days.

(DP.301)

4.4.4.3 Audit noted that contract No. EM-SD-II-5008 for flood emergency works at KM 409~416 on route N-55 was awarded to the contractor M/s Lal Khan Bughti for Rs 19.59 million. Audit observed that Director Maintenance (Punjab-South) got executed work for Rs 4.68 million as per original scope of work and a work of Rs 14.04 million (75%) was got executed outside the original scope. Thus work costing Rs 14.04 million was got executed without open competitive bidding.

Execution of work beyond the original scope of work and without competitive bidding was irregular.

Audit pointed out the irregularity in November 2013. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013 wherein NHA explained that the scope of work was increased due to devastating floods during 2010. The Committee directed NHA to get the site visit report and approval of deviation in the originally approved scope of work verified from Audit within 15 day.

(DP.294)

4.4.4.4 Director Maintenance (Sindh), Karachi awarded contract No. EM-SD-II-5035 at Km 24+300 to Km 25+800 (Flood Stricken-Emergency Maintenance) for repair of damaged drain on Route N-25 to M/s Irshad Ahmed Mengal & Brothers for Rs 35.81 million

Audit observed that out of the total executed work of Rs 28.38 million, an amount of Rs 18.99 million was paid out of the original awarded work (for KM 24+300 to KM 25+800) whereas the remaining work of Rs 9.39 million was executed at KM 22+000 to 23+000 which was not covered under the original scope of work. Saving was utilized towards execution of another work without tendering/beyond original scope of work.

Audit pointed out the irregular execution of work in November 2013. The Authority did not reply to audit observation.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. The Committee directed NHA to conduct a fact finding inquiry into the matter and submit report within 15 days.

(DP.300)

4.4.4.5 NHA awarded a work Construction of two-lane bridge across River Indus at Khushalgarh, District Kohat and its approach roads

(Package-I: Main Bridge (Balancing Span and Road work) to M/s Usmani Associates for Rs 789.55 million.

Audit observed that two additional works of approach road and sub-structure amounting to Rs 118.03 million were awarded to the original contractor without open competitive bidding.

Non-adherence to PPRA rules resulted into irregular award of works amounting to Rs 118.03 million.

Audit pointed out the irregular award of additional work in September 2013. The Authority replied that Para 97, Chapter III of NHA Code provides that Variation Order could be issued where change in scope of work is envisaged. The aggregate value of all variation orders issued against a contract shall not exceed 30% of original contract cost. In the instant case, scope of work was enhanced by 12% of contract cost which was within the limit. The reply was not acceptable as entirely new works were awarded as additional works to favour the contractor in violation of PPRA rules.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. The Committee directed to hold an inquiry by MoC within one month.

(DP.197)

4.4.4.6 Project Management (FERP) procured consultancy services under Asian Development Bank Loan No. 2742-Pak for Design and Construction Supervision of North Package by M/s ECG (Pvt) Limited in association with M/s AA Associates and M/s Techno Consultant International for Rs 100.78 million and paid Invoices No. 05, 06 and design review cost amounting to Rs 2.95 million.

Audit observed that an additional work valuing Rs 10.29 million for Riverine Survey and Model Study of Bridge on M-1 which was entirely a different work on different location from the original scope of

work 'Construction Supervision of North package' was awarded without open competitive bidding.

Non-adherence to PPRA rules deprived the Authority of achieving more competitive rates. This resulted into irregular award of consultancy services for Rs 10.29 million.

Audit pointed out irregular award of work in November 2013. The Authority did not respond to audit observation.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. The Committee directed General Manager (Design), NHA to conduct a fact finding inquiry into the matter and submit report within 15 days.

(DP.299)

The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses that DAC's directive be complied with at the earliest.

4.4.5 Irregular award of consultancy contract - Rs 287.53 million

As per Para 3.4 (Preliminary Examination of Bids) of PEC Procedure for evaluation of bids of March 2009, the evaluation process should begin immediately after bid opening. The purpose of preliminary examination is to identify and reject bids that are incomplete, invalid, or substantially non-responsive to the bidding documents and therefore are not to be considered further. The following checks should be applied:

- (a) **Verification:** If the bidder is a joint venture, the joint venture agreement must be submitted.
- (b) **Eligibility:** Besides any other requirements of the Employer, the bidder must be a PEC licenced constructor. All partners to a joint venture shall also be similarly

registered, i.e. local or foreign and the joint venture shall be registered in Pakistan with PEC. If prequalification has taken place, only bids from prequalified bidders can be considered and the juridical entities of the prequalified bidders may not be modified in the submission of bids.

Audit noted that M/s NESPAK was shortlisted among pre-qualified consultant firms for consultancy contract of M-4 Extension. Audit, however, observed that M/s NESPAK submitted its technical and financial bids as a joint venture with M/s Engineering General Consultants(EGC). Audit observed following irregularities:

- i. No Joint Venture agreement and enlistment with Pakistan Engineering Council as Joint Venture was submitted with the bids by M/s NESPAK-EGC.
- ii. Despite the shortcomings, the bid was evaluated and the consultancy contract for Rs 287.53 million was awarded to the Joint Venture.
- iii. The design contract was also awarded to M/s NESPAK, therefore award of design review and construction supervision to the same consultants was against the best engineering practices as laid down by FIDIC being a matter of conflict of interest.

Audit holds that the award of consultancy contract to M/s NESPAK in association with M/s Engineering General Consultants(EGC) for Rs 287.53 million was against the instructions and guidelines of Pakistan Engineering Council as well as FIDIC.

Audit maintains that the violation occurred due to weak oversight mechanism for exercising the internal controls.

Audit pointed out the irregularity during September 2013. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the Committee directed to hold an inquiry at MoC level within one month.

The compliance of DAC's directives was not reported till the finalization of this report.

Audit recommends that DAC's directive be implemented at the earliest.

(DP. 146)

4.4.6 Irregular award of consultancy contract to M/s NESPAK without tender - Rs 203.98 million and unjustified procurement of project vehicles for consultants - Rs 6.87 million

According to Rules 20 and 21 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. Rule 12(2) of the ibid Rules, provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspaper having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and other in Urdu. According to Rule 50 of ibid Rules, any violation of these Rules constitutes mis-procurement.

4.4.6.1 Audit noted that General Manager KKH /Project Director, NHA, Gilgit awarded consultancy work on account of Assistance Services to M/s NESPAK on the project "Rehabilitation/Improvement/Widening of KKH, Raikot-Khunjerab Section (335 km)" for Rs 203.98 million without open competition and advertisement in the press. This resulted into irregular/unjustified award of work for Rs 203.98 million.

Audit pointed out the irregularity in August 2013. The Authority replied that due to shortage of time the NHA Executive Board approved the hiring of the services of M/s NESPAK on single source basis at the

negotiated price on urgent basis. NHA admitted in reply that services of M/s NESPAK were hired on single source basis without advertisement and competition.

(DP. 95)

4.4.6.2 As per BOQ items No. 1110 and 1111, provision & maintenance of 10 vehicles for US \$ 1.22 million and 30 double cabin pick-ups for US\$ 1.83 million apart from 08 mini buses for US\$ 588,466 were provided and paid to the contractor, M/s CRBC vide bill No. 11 of general items.

Audit noted that four vehicles were separately purchased for M/s NESPAK hired as additional consultant @ Rs 1.40 million per vehicle plus Rs 60,000 for maintenance per vehicle per month without provision in approved PC-I and BOQ. Furthermore, these vehicles were not handed over to NHA. Audit maintains that since additional charge @ 5% on all BOQ items on account of construction supervision & design was provided and paid to the original contractor M/s CRBC, therefore, purchase of four vehicles for M/s NESPAK without prior approval of Finance Division, Government of Pakistan and without provision in PC-I/BOQ was unjustified and cost of Rs 6.87 million was liable to be recovered from the consultants.

Audit pointed out the unjustified procurement of vehicles in August 2013. The Authority replied that four double cabin vehicles were purchased by M/s NESPAK as approved by the Executive Board. The additional and original services of M/s NESPAK had been incorporated in revised PC-I. The reply was not tenable. Role of M/s NESPAK as consultant on KKH project was not covered under PC-I/contract agreement, therefore, purchase of vehicles for this purpose was irregular.

(DP. 93)

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein Audit contended that hiring of the consultancy services of M/s NESPAK for supervision and monitoring of the work in addition to the responsibility of the Engineering, procurement and construction contractor (EPCC) violated the approval of ECNEC.

DAC observed that no provision existed in PC-I for separate consultancy services. Therefore, procurement of vehicles for this purpose was irregular. The Committee directed to inquire the matter for fixing responsibility through a committee comprising of MoC, Member (Operations) and General Manager, P&CA Wing, NHA Headquarters within one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

4.4.7 Irregular award of work on single quotation, without open competition - Rs 156.86 million

According to Rule 12(2) of the Public Procurement Rules 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and other in Urdu.

In terms of Ministry of Defence's letter No. F-47/D-13(Coord)-111/FWO/85 dated 3rd December, 1985, no preferential treatment may be accorded to M/s Frontier Works Organization (FWO). All government works/contracts be awarded on competition under the normal rules for reasons of financial propriety.

Audit observed that General Manager (Maintenance), NAs, NHA, Abbottabad, awarded maintenance contract to M/s FWO on term & length basis without calling open tenders in violation of cited rules. The absence of open competition deprived the entity of the advantage of obtaining competitive rates and denied a fair opportunity to other prospective bidders for participation in the bidding process. This resulted in irregular award of work for Rs 156.86 million.

Audit pointed out the irregularity in July 2013. The Authority replied that KKH (N-35) was a strategic route and situated in extremely hard

terrain. It was very difficult for civil contractors to mobilize in emergencies on short notice. M/s FWO having complete mobilization, skills and communication network on the route was the only option available. Therefore, NHA awarded all works of emergency nature on KKH to M/s FWO on single source basis. The reply was not tenable. Award of work to M/s FWO on single quotation basis was a violation of PPRA Rules 2004, which resulted in irregular award of work.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the Committee directed that all such works in which contracts were awarded to M/s FWO/NLC without open bidding, should be referred to the Federal Cabinet for necessary approval. The Committee further directed that clear-cut policy guidelines should be got approved from the quarters concerned for regulating award of works to M/s FWO/NLC on pretext of law and order, security and national interest.

The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses early compliance of DAC's directive.

(DP. 86)

4.4.8 Unauthorized expenditure without Technical Sanction, calling of tenders and without approval from the competent authority - Rs 13.54 million

As per Rule 09 of General Financial Rules (Volume-I), as a general rule no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

As per Para 42(i) of Chapter 2 of NHA Code Volume-I, no work, project or service shall be executed without administrative approval and

technical sanction having first been obtained from the authority appropriate in each case and without funds being made available to meet expenditure on it.

As per preamble to Chapter Three of NHA Code (Volume-I), the Public Procurement Rules, 2004 notified by Ministry of Finance, Government of Pakistan on 9th June, 2004, shall be applicable for procurement of goods, works and services and shall become part of the NHA Code. An open and transparent tendering procedure shall be adopted by the Authority to achieve the most economical and competitive rates in respect of its works, supplies, services and purchases. Normally, all works shall be awarded through open tenders, after due publicity of the Invitation to Tender.

The Contract No.RM-PS-10-11-05 at Km 636+000- 639+000 on N-5 was awarded to M/s A.K & Sons on 15th January, 2010 for an agreement amount of Rs 13.54 million with completion period of 210 days. The T.S. Estimate and award of work was approved by Member (Operations), NHA, Islamabad.

As per record, the Provincial Government executed the work and therefore, the work was not required at site.

Audit observed that the General Manager (Punjab-South) awarded a work of similar nature at the same rates and cost but on another reach at KM 620+000-636+000 to the same contractor and payment was made through re-appropriation order without approval from the Member (Operations).

Audit maintains that the award of work for Rs 13.54 million on a revised location without T.S. Estimate, calling of fresh tenders and approval of the competent authority was unauthorized.

Audit pointed out the irregularity in August 2013. The Authority replied that the stretch KM 620-636 which was adjacent to original location was in worst condition. As the contract was awarded and keeping

in view of deteriorated condition of road it was shifted by General Manager (Punjab-South) in the best interest of road and public fund utilized for safety of public. The reply was not accepted because the General Manager (Punjab-South), NHA was not competent to change the awarded work without T.S. Estimate, calling tenders and approval of the competent authority.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the Committee directed Chairman NHA to hold an inquiry for fixing responsibility against the person(s) at fault within one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses that DAC's directive be complied with at the earliest.

(DP. 104)

4.4.9 Non-obtaining of insurance policies of works - Rs 29,879.74 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. In case of failure of the Contractor to keep enforced any of the insurances required, the Employer was to effect and keep enforced the insurances by paying premium and recovery from the payments due to the Contractor.

NHA did not obtain insurance policies for works, equipment, plant, vehicles, etc. amounting to Rs 29,879.74 million from the contractors in the four below-mentioned cases (09 works).

(Rs in million)

DP. No.	Name of Project/Formation	Amount
DP. 23	Kalat-Quetta-Chaman (N-25), (Two packages ICB-II and IV)	3,331.89
DP. 34	Widening /Improvement of Bosan Road, NHA Multan	530.63
DP. 106	General Manager Punjab (South), NHA, Multan(04 works)	200.05
DP. 167	General Manager (M-1), NHA Burhan (01 work)	36.15
DP. 184	Design Review and Construction Supervision of 4-Lane Motorway M-4, Faisalabad-Khanewal 184 Kilometers	570.18
DP. 208	Construction of Gilani Road from Khad Factory to Pull Khadal, Multan	21.42
DP. 254	Gwadar-Turbat-Hoshab Section (200 Km) of Gwadar-Ratodero Road (650 Km) M-8	6,843.09
DP. 260	Sorab-Basima-Nag-Panjgur-Hoshab Road Project (N-85)	17,454.00
DP. 269	Construction of bridge at River Ravi, Syedwala	892.33
Total		29,879.74

The absence of insurance arrangements put the workmanship and equipment at risk and increased the vulnerability of NHA to incur a huge liability in case of an incident.

Audit maintains that this violation of cited contract clause occurred due to weak internal controls.

Audit pointed out the irregularity during July-November 2013. The Authority replied that the contractors were directed to submit the insurance policies as per conditions of the contract.

The matter was discussed in the DAC meetings held on 26th and 27th November, 2013 and 26th and 27th December, 2013 wherein Committee directed to obtain insurance policies, effect recovery of

premium for uninsured period and get the record verified from Audit. With regard to DP. 23, DAC further directed NHA to get all the vehicles insured. In case of failure, the uninsured vehicles be shifted to NHA Headquarters and only insured vehicles be kept in field to avoid loss of assets due to theft/damage. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses that DAC's directives be implemented at the earliest.

Internal Control Weaknesses

4.4.10 Overpayments of price escalation - Rs 3,719.75 million

Clause 70.1 (b) of the contract agreement (FIDIC) provides that variations or day-works are not subject to adjustment. As per Clause 70.1(a) of Condition of Particular Application Part-IIB, the amount payable to the Contractor and valued at base rates and prices shall be adjusted in respect of the rise or fall in the cost of labour, materials and other inputs to the works, as specified in Appendix-C to tender, by the addition or subtraction of the amounts determined by the formula described in this Clause. The basic prices of specified materials are to be fixed by the Engineer. Current increase or decrease in prices shall be those prevailing 28 days prior to the last day of the period to which a particular monthly statement was related.

Adjustment in costs to the monthly statements, price adjustment factor is to be applied to the amount for the payment of the work carried out in the subject month determined in accordance with para 60.1. Current indices or prices shall be the price prevailing on the day 28 days prior to the last day of the period to which a particular monthly statement is related. As clarified by Pakistan Engineering Council in Standard Procedure and Formula for Price Adjustment, in case the billed amount is for more than one month, the amount of the bill shall be segregated for actual work done in each month.

Part-1, Procedure C (5) of Pakistan Engineering Council's Standard Procedure and Formula for price adjustment of March 2009 states that except labour and POL, if any other adjustable item(s) is/are not used in a particular billing period then the ratio of current date price and base date price for that particular adjustable item(s) shall be considered as one.

As per Part-I (Procedure), B: Parameters (Weightage of expected items) of Pakistan Engineering Council's Standard Procedure and Formula for price adjustment of March 2009, Each of the cost elements, having cost impact of five (05) percent or higher can be selected for adjustment. Price Adjustment in foreign currency was not in purview of this document which, if applicable, was to be finalized with mutual agreement among the parties prior to the award of Contract. While computing Price Adjustment un-skilled labour was the representative cost element for all types of labour, etc.

As per instructions to bidders/Appendix C para C.4(i), PEC Standard Form of Bidding Document only contracts having duration of six months or more should be liable to price adjustment.

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

According to para A(2) of PEC's standard procedure & formula for price adjustment, the Price Adjustment shall be applicable only for the construction contracts having contract price exceeding financial limit of PEC Contractors Registration Category C-5 as amended from time to time. Contracts having value equal to or less than this limit will be considered as fixed price contracts. Further as per Re-categorization of financial limits, PCP requirements of PEC, financial limit of C-5 category contractors was Rs 50.00 million.

4.4.10.1 Audit observed that in the following two (02) cases, NHA calculated and paid price escalation on work done against IPCs covering period more than one month. Current rates of specified materials were taken those prevailing 28 days prior to last month of IPC. This resulted in irregular payment of price escalation for Rs 2,874.35 million as below:

(Rs in million)

DP No.	Name of Work/Project	Amount
DP.02	Construction of Gwadar- Ratodero Road Project	2,766.87
DP.42	Rehabilitation of Shangla Top – Alpuri Road	107.48
Total		2,874.35

Audit pointed out the irregularity during May and July 2013. The Authority replied that the value of work done was taken for calculation of price escalation as per provisions of contract. Audit did not agree as the incorrect and excessive payment of price escalation resulted in a cumulative overpayment which caused an undue burden on the exchequer.

Audit holds that the violation occurred owing to weak oversight mechanism for exercising the internal controls.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein NHA admitted the irregularity and agreed that the price escalation would be recalculated by segregating value of work done on the basis of monthly IPCs in the light of audit observation. The Committee directed NHA to adjust the price escalation, effect due recovery and get it verified from Audit within one month. The Committee also directed NHA to fix responsibility against the responsible for violation of Pakistan Engineering Council guidelines and Contract provisions. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses that DAC's directive be implemented at the earliest.

4.4.10.2 During audit it was found that in the following four (04) cases, NHA calculated and paid price escalation on work done without taking into consideration the actual consumption of specified materials in the

works. Audit further observed that escalation was allowed on those materials which were not consumed, contrary to the clarification of Pakistan Engineering Council cited above as criteria. This resulted in an overpayment of Rs 52.58 million to the contractors as detailed below:

(Rs in million)

DP No.	Name of Work/Project	Amount
DP.07	Construction Supervision for Rehabilitation / Up-gradation of Jalalpur – Pirwala Road, Multan (Audit year 2012-13, Ph-II)	9.69
DP.14	Construction of Jalkhad – Chillas of MNJC Road (N-15)	4.58
DP.190	Construction of 2 Lane Bridge Over River Indus at Khushalgarh	1.17
DP.259	Sorab-Basima-Nag-Panjgur-Hoshab Road Project N-85, Section IV-C and IV-D	37.14
Total		52.58

Audit pointed out the matter during July to November 2013. The Authority replied that the contract documents nowhere specify that the price adjustment on any item which was not used during a specified period was not to be paid or the ratio of current rate and base rates was to be taken as 1.00. The reply was not accepted because no price adjustment was admissible against the material not consumed in the respective running bill/IPC as per PEC formula for price adjustment of March 2009.

Audit maintains that incorrect and excessive payment of price escalation resulted in a cumulative overpayment. The subject overpayment caused an undue burden on the exchequer. The violation occurred owing to weak oversight mechanism for exercising the internal controls.

The matter was discussed in the DAC meetings held on 26th and 27th November, 2013 and 26th and 27th December, 2013 wherein the DAC took a serious note that despite its directions in the DAC meeting held in January 2013 while discussing issue regarding price adjustment on material not consumed in the respective billing month, the P&CA Wing, NHA had not obtained clarification from Pakistan Engineering Council.

The Committee directed to issue displeasure to General Manager, P&CA Wing and directed to get the required clarification within one month. Failing, recoveries pointed out by Audit in light of instructions of Pakistan Engineering Council (PEC) be effected without delay. The compliance of DAC's directive was not reported till the finalization of this report.

Audit requires that DAC's directive be implemented at the earliest.

4.4.10.3 During audit it was found that in the following five (05) cases, NHA calculated and paid price escalation by taking cost elements having cost impact less than five percent. The violation of the cited rule resulted into an overpayment of Rs 92.06 million to the contractors as detailed below:

(Rs in million)

DP No.	Name of Work/Project	Amount
DP.16	Construction of 2-Lane Bridge over River Chenab at head Muhammad Wala, Multan (Audit year 2012-13, Ph-II)	46.07
DP.161	Construction of Road from Gharo to Ketti Bunder (Package-1) Gharo to Mirpur Sakro	9.39
DP.210	Dualization/Strengthening of N-5 (929 to 937+000) Kumharanwala Chowk to Bahawalpur Chowk	4.63
DP.245	Highway Rehabilitaion Project (N-5)(Two Packages)	31.00
DP.307	Construction of 12 Lane Gujranwala Toll Plaza at KM 1311+000 on N-5	0.97
Total		92.06

Audit maintains that incorrect and excessive payment of price escalation resulted in a cumulative overpayment. The subject overpayment caused an undue burden on the exchequer.

The violation occurred owing to weak oversight mechanism for exercising the internal controls.

The matter was discussed in the DAC meetings held on 26th and 27th November, 2013 and 26th and 27th December, 2013 wherein NHA explained that payment was made as per contract agreement. Audit contended that price escalation was paid for the cost elements having weightage less than 5% in violation of standard procedure of PEC of March 2009. Since the contract provision was contradictory to the standard procedure, therefore, it had no legal value and no payment was to be made on this account. The Committee directed NHA to effect recoveries in all such cases within one month and get it verified from Audit. DAC further directed NHA to refer all such cases to PEC for clarification. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses that DAC's directive be implemented at the earliest.

4.4.10.4 Audit observed that in the following three (03) cases, NHA calculated and paid price escalation on the skilled labour which was not admissible as per PEC clarification cited above. This resulted into an overpayment of Rs 56.59 million to the contractors as detailed below:

(Rs in million)

DP No.	Name of Work/Project	Amount
DP.17	Construction of 2-Lane Bridge over River Chenab at Head Muhammad Wala, Multan	5.38
DP.107	Larkana-Naudero-Lakhi Road	48.65
DP.156	Widening&Improvement of N-50, Qilla Saifullah-Zhob Section (150 KM), Package-ICB-3B(ADB Loan No. 2540)	2.56
Total		56.59

Audit maintains that incorrect and excessive payment of price escalation resulted in a cumulative overpayment which caused an undue burden on the exchequer.

The violation occurred owing to weak oversight mechanism for exercising the internal controls.

Audit pointed out the overpayment during July to November 2013. The Authority replied that the payment was allowed as per the terms and conditions of the contract agreement which provides payment of escalation on skilled labour. The reply was not tenable because:

- (i) Price adjustment was not payable on skilled labour in accordance with the PEC procedure & formula for price adjustment, as un-skilled labour was the representative of the skilled labour as well.
- (ii) Price escalation on skilled labour was included on the basis of Planning Commission letter dated November 2, 2006 which was later on withdrawn vide letter dated December 9, 2006 which was inadvertently issued without approval of competent authority.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the DAC observed that payment of price escalation on skilled labour was against the clarification of Pakistan Engineering Council. The Committee directed NHA to recover the inadmissible payment and get it verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses that DAC's directive be implemented at the earliest.

4.4.10.5 Audit found that in the following two (02) cases NHA calculated and paid price escalation of Rs 152.96 million by adding value of temporary works and general items in the value of work done.

(Rs in million)

DP No.	Name of Work/Project	Amount
DP.151	Project Widening&Improvement of N-50, Qilla Saifullah – Zhob Section (150 KM), Package-ICB-3B(ADB Loan No. 2540)	68.67
DP.188	Faisalabad-Khanewal Motorway M-4	84.29
Total		152.96

Audit observed that cost of temporary works and general items (which were not valued at the rates 28 days prior to bid opening date) was

included in the price escalation against the provisions of the contract. This resulted in an overpayment of Rs 152.96 million to the contractor.

The matter was discussed in the DAC meetings held on 26th and 27th November, 2013 and 26th and 27th December, 2013 wherein the Committee directed NHA to effect due recovery and get it verified from Audit within 07 days. The Committee also directed NHA to get the calculations of Factor C verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses that DAC's directive be implemented at the earliest.

4.4.10.6 General Manager, Punjab (South) Region, NHA, Multan paid price escalation amounting to Rs 23.04 million to the contractors against two contracts namely "No.RH-PS-09-20-11 at Km 972-1000 on NBC N-5 (Rs 10.42 million)" and "No.PF-PS-09-20-10 at Km 972-1000 on SBC N-5 (Rs 12.62 million)".

Audit observed that the price escalation of Rs 23.04 million was paid to the contractors against the contracts for duration of 04 months. This resulted in inadmissible payment of price escalation amounting to Rs 23.04 million to the contractors.

Audit maintains that allowing price escalation on contracts of duration of 04 months was in violation of Pakistan Engineering Council instructions/Standard Form of Bidding Document.

Audit pointed out the matter during August 2013. The Authority replied that due to re-designing of the structure and financial crunch, the contractors could not start/complete the works within 04 months and the chairman NHA principally approved time extension up to 30th June, 2013. The reply was not accepted because no price adjustment was admissible against the contracts having duration less than six months as per PEC Standard Form of Bidding Document.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the DAC observed that the works under observation were for the period less than 06 months duration and no price escalation was admissible as per Pakistan Engineering Council instructions. The Committee directed to effect recovery of inadmissible price escalation. The Committee also directed Member (Operations) NHA Headquarters to review the matter for actual/due recovery and submit a report to Audit and MoC within 15 days. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses that DAC's directive be implemented at the earliest.
(DP. 97)

4.4.10.7 Audit found that NHA calculated and paid price escalation of Rs 388.19 million by increasing factor "C" during execution of work through inadmissible amendment to the Contracts as detailed below:

(Rs in million)

DP No.	Name of Work/Project	Amount
DP.203	Lowari Tunnel & Access Roads Project (LTP)	25.19
DP.256	Gwadar, Turbat, Hoshab Section (200 Km) of Gwadar – Ratodero Road (650 Km) M-8	363.00
Total		388.19

Audit pointed out the overpayment in September-October 2013. NHA replied against DP.203 that original factor C at 10% for high speed diesel was kept intact during the original contract period of 3 years up to October 2008. After expiry of original contract period the factor was no longer applicable and the same was revised up to 18% applicable after October 2008. The reply was not accepted because new scope of work under revised PC-I was assigned to the same contractor on the same terms and conditions and at the same base rates as on 2005. Therefore, the factor C for HSD should not have been changed. Against DP. 256 NHA replied that recovery was being processed.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. With regard to DP.203, the DAC observed that the

revision in Factor-C was unjustified. However, the Committee directed NHA to get original as well as revised calculation of Factor-C, revised PC-I and NHA Executive Board approval verified from Audit within 7 days failing which the recovery be effected under intimation to Ministry and Audit. In the other case (DP.256), NHA informed that the recovery of Rs 363 million has been processed. The Committee directed NHA to complete recovery action and get it verified from Audit within 15 days. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses that DAC's directives be implemented at the earliest.

4.4.10.8 NHA allowed price escalation of Rs 43.41 million on Tree Plantation Contracts not falling under the category of construction contracts and having value less than Rs 50 million .

Audit further observed that NHA allowed price escalation by taking variable portion as 100% which was not to be taken for more than 65% as per Pakistan Engineering Council Formula for Price Adjustment.

This resulted into inadmissible payment of price escalation amounting to Rs 43.41 million.

Audit pointed out the irregularity in October 2013. The Authority replied that price escalation was paid as per contract provisions. The reply was not accepted because price escalation was not admissible as per Pakistan Engineering Council Formula for Price Adjustment.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. The Committee observed that payment of price escalation against tree plantation contract was against Pakistan Engineering Council instructions. The Committee directed NHA to recover the inadmissible price escalation payments made to the contractors and get the recovery verified from Audit within 15 days. DAC also directed to hold inquiry for fixing responsibility for the inclusion of

escalation clause in tree plantation agreement. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses that DAC's directive be implemented at the earliest.
(DP. 243, 244)

4.4.10.9 As per Table III-15 (Chapter Three-Tendering process), NHA Code, Chairman NHA is empowered to approve the Extension of Time with the financial concurrence of Member (Finance).

Audit noted that the case of extension in time for the below mentioned works was concurred by the Member (Finance) without any financial effect, escalation or any other claim.

Audit observed that the contractors were allowed price escalation of Rs 36.57 million during the extended period.

(Rs in million)

Contract No.	Name of Contractor	Amount
RH-PN-08-05-01	M/s Zuraiz Engineers Pvt Ltd	11.30
RH-PN-08-05-02	M/s Zuraiz Engineers Pvt Ltd	11.25
EM-PN-09-05-02	M/s Eastern Construction Co	14.02
Total		36.57

Weak financial controls caused undue payment of price escalation during the extended period.

Audit pointed out unjustified payment in November 2013. The Authority replied that the projects could not be completed in original time period and therefore, extension in time was granted by the Chairman NHA. The reply of the Authority was not accepted because extension of time was granted by the Chairman after concurrence of Member (Finance) without any financial effect, therefore, payment of price escalation during the extended time was not admissible.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013 wherein the Committee directed NHA to submit

revised reply and get the relevant record regarding concurrence of Member (Finance), verified from Audit within 15 days. The Authority's representative attended audit office on 31st December, 2013, but no new record and justification was provided for verification. Audit held that in view of concurrence of Member (Finance) NHA while recommending EOT, price escalation was disallowed. But after cutting/overwriting, the approval was shown as granted.

Audit stresses recovery of the inadmissible price escalation besides appropriate action against the responsible.

(DP. 304)

4.4.11 Non-recovery on account of non-execution of work on submerged portion of KKH - Rs 2,130.26 million

The contract of the project, "Rehabilitation/Improvement/Widening of KKH, Raikot-Khunjerab Section (335 km)", NHA, Gilgit was awarded to M/s China Road & Bridge Corporation (CRBC) by the Govt. of Pakistan through NHA vide contract signed on 24th November, 2006 on Turn Key Basis at a cost of US \$ 491 million.

Audit noted that a separate PC-I for the work realignment of KKH at Barrier Lake Attaabad Hunza Gilgit-Baltistan for 17 Km New and 7 Km Rehabilitation was approved by the NHA in January 2011 and awarded the work at contract cost of US \$ 275 million to the same contractor.

Audit observed that proportionate cost of 24 Km portion of KKH submerged in Attaabad Lake was not adjusted from the payment made to the contractor M/s CRBC for the work rehabilitation of KKH on percentage basis. Non-adjustment of proportionate cost of submerged portion of the KKH resulted into non-recovery of Rs 2,130.26 million.

Audit pointed out the non-recovery in August 2013. The Authority replied that a joint survey was conducted with the contractor, M/s CRBC and it was concluded that total work done in submerged area was 45.18% which was paid in accordance with the contract and the remaining 54.81%

work in submerged area would be deducted from coming IPCs of the contractor.

The matter was also discussed in the DAC meeting held on 26th and 27th November, 2013 wherein NHA admitted recovery. The Committee directed to effect due recovery with interest and get it verified from Audit. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses early recovery.

(DP. 89)

4.4.12 Unauthorized/Irregular payment of claims through Variation Orders - Rs 1,108.91 million

According to Para 101 of NHA Code, 2005 (Volume-I) when it is found that a variation/change or order or amendment is necessitated owing to a defect in design, estimates or drawing etc., the engineer concerned/consultant who prepared the design, estimates or the drawing shall be called upon to explain reasons for preparation of a defective design. Issuance of variation orders in such a situation shall require reasons to be recorded clearly in writing. Necessary procedure specifying the action to be taken in different cases of this nature shall be issued by the Member/Director General (Admn) in consultation with Member (Planning)/Member (Operations)/(Construction).

According to Para 104 of NHA Code, 2005 (Volume-I) issuance of all variation orders/amendments shall require financial concurrence before submission of the proposal to the Chairman NHA/Member (Operations)/(Construction) or General Manager (Region)/(Project) respectively for final approval.

Audit noted that Project Director, Lowari Tunnel & Access Roads Project (LTP), NHA paid a sum of Rs 1,108.91 million on account of various claims through Variation Orders No. 1 to 5 without fulfillment of codal formalities and reconciliation of Dispute Review Expert (DRE) and

financial concurrence of Finance Wing, NHA. Hasty action was taken by the NHA management without getting rate analysis and explanation from the Design Consultant for frequent changes in design. This resulted in unjustified/in-competitive expenditure for Rs 1,108.91 million.

Audit pointed out the unauthorized payment in September 2013. The authority did not furnish reply.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. NHA explained that variation orders were not the product of claims/disputes. They were necessitated due to technical requirement of site. The Committee directed to provide detail of Variation Orders along with their approvals. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses that DAC's directive be complied with at the earliest.

(DP.200)

4.4.13 Loss due to award of additional work at higher rate - Rs 773.15 million

According to Rule-10(i) and (ii) of GFR (Vol-I), every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. The expenditure should not be prima facie more than the occasion demands.

Audit noted that NHA awarded additional work for Re-alignment of KKH, at Barrier Lake Attaabad, Hunza, Gilgit Baltistan (17 Km New and 7 Km Rehabilitation) costing US\$ 275.06 million on lump sum basis on 18th December, 2012 to the existing contractor M/s CRBC to whom improvement of KKH, 335 Km from Raikot to Khunjerab was awarded in November 2006.

Audit observed that rates for items of works provided and allowed to the contractor in December 2010 were much higher than NHA Composite Schedule of Rates 2009 (more than double) and also higher from the rate of main contract accepted for the same location. Acceptance of much higher rates than prevailing rates resulted into loss of Rs 773.15 million.

Audit maintains that award of work at higher rates was due to weak financial controls.

Audit pointed out the loss in August-September 2013. The Authority submitted an interim reply.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the Committee directed Member (Aided Projects) NHA to look into the matter and submit revised reply and get the relevant record verified from Audit within 15 days. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses compliance of DAC's directive.

(DP. 77)

4.4.14 Non-recovery of Secured Advance from the contractors - Rs 301.21 million

Contract clause 60.3 of agreement provides that, with respect to materials and plant brought by the contractor to the site for incorporation in the permanent work. The contractor shall receive a credit in the month in which these materials and plant are brought to the site and be charged a debit in the month which they are incorporated in the permanent works.

Audit observed that the Project Director, Kalat-Quetta-Chaman Road, Quetta did not recover the Secured Advance from the contractors of ICB-II and ICB-IV amounting to Rs 301.21 million despite lapse of more than five years.

Audit holds that non-recovery of secured advance from the contractors is indicative of weak financial controls causing blockage of public money.

Audit pointed out the non-recovery of secured advance in July 2013. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein Audit contended that Secured Advance was allowed but recovery was not made and the contract was closed under clause 66. NHA explained that matter was subjudice and recovery action was pending. The Committee directed NHA to hold an inquiry for fixing responsibility, pursuance of court case, recovery of the amount involved and its verification from Audit. It was further directed that the copy of court order be shared with Ministry of Communications and Audit. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP. 20)

4.4.15 Non-revalidation of Bank Guarantees/performance bonds - Rs 164.07 million

Clause 10.1 of conditions of contract states that the contractor shall provide performance security to the employer in the prescribed form. The said security shall be furnished or caused to be furnished by the contractor within 28 days after the receipt of the Letter of Acceptance. The performance security shall be of an amount equal to 10 percent of the contract price stated in the Letter of Acceptance. Such security shall at the option of the bidder be in the form of either (a) Bank Guarantee from any Schedule Bank in Pakistan or (b) bank guarantee from a bank located outside Pakistan duly counter-guaranteed by a Schedule Bank in Pakistan or (c) an insurance company having at least AA rating from PACRA/JCR.

Audit observed that NHA awarded two works at Khori-Quba Saeed Khan Section Khuzdar-Ratodaro Road, 143 Km to different

contractors for Rs 1,640.70 million in 2004. Bank Guarantees/performance bonds submitted by the contractors were valid for 24 months. The works of the project were still under progress beyond stipulated date of completion. Bank guarantees/performance bonds had expired and the same were not got revalidated. This resulted into non-revalidation of Bank Guarantees/performance bonds for Rs 164.07 million.

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

Audit pointed out the non-revalidation of performance bonds in October 2013. The department did not furnish reply.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. The Committee directed for revalidation of the Bank Guarantees within one month. The compliance of DAC's directive was not made till the finalization of this report.

Audit requires that responsibility be fixed for violation and action be taken against persons responsible besides revalidation of bank guarantees.

(DP. 231)

4.4.16 Non-extension of Performance Guarantee of the work - Rs 97.68 million

According to clause 10.4 of agreement, "within twenty eight (28) calendar days of receipt of letter of acceptance, the contractor shall furnish performance guarantee to the Employer, of proper execution and maintenance of the works". The amount of performance security shall be ten (10) percent of the accepted contract amount stated in letter of acceptance in the form of an insurance bond from approved insurance company or bank guarantee on the form as provided in these documents. The amount of this guarantee shall be in currencies and in proportions of the contract price. The bank guarantee shall be irrevocable, non-recourse and in the form and from the bank acceptable to the Employer as per

Employer's approved list of banks, which if not available with the bid documents, can be obtained from the Employer.

Performance guarantee may be issued by an insurance company provided the company has a strong financial and performance record, has reinsurance arrangements with the reputed re-insurance companies and the said guarantee is acceptable to the management of the Public Sector Organization as the Employer.

It was noted during the audit of the accounts record of the Project Director of Construction of Jalkhad-Chilas of Mansehra-Naran-Jalkhad-Chilas Road (N-15) that the works were started on 10th October, 2004 with completion date of 31st December, 2008 but the same were not completed till date. The contractor was responsible to submit Performance Guarantee of Rs 97.68 million against the contract price of Rs 976.76 million but the contractor did not submit the Performance Guarantee. Non-obtaining of Performance Guarantee of Rs 97.68 million put the Government works at risk on one hand and on the other hand extended undue financial favour to the contractor by saving the inbuilt cost of the premium for Guarantee.

Audit holds that the violation occurred due to weak oversight mechanism for exercising the internal controls.

Audit pointed out the irregularity during March 2013. The project management did not furnish reply.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the Committee directed NHA that the matter of non-furnishing of Performance Guarantee by FWO be referred to Ministry of Communications for taking appropriate action and FWO be asked to furnish required Guarantees as per contract provisions. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses early compliance of DAC's directive.

(DP. 13)

4.4.17 Unjustified payment/overpayment beyond contract cost - Rs 62.29 million

According to clause 6.1 of the consultancy agreement for construction supervision of Improvement of Inner City Ring Road Project, the ceiling amount is Rs 86.25 million as per Appendix-E. Overall cost of consultancy service will be capped at the given figure of Rs 86.25 million.

Audit noted that the consultant had been paid up to 41st invoice for Rs 148.54 million which was Rs 62.29 million beyond the contract cost. Audit observed that completion period of the project was unnecessarily extended for more than 02 years and a huge expenditure of Rs 148.54 million was incurred on consultancy which was Rs 62.29 million beyond the original agreement cost. This resulted in unjustified payment/overpayment of Rs 62.29 million on account of consultancy works.

Weak supervisory and financial controls resulted in irregular payment.

Audit pointed out the matter in July 2013. The Authority did not furnish the reply.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein Audit contended that the consultancy cost was capped under clause 6.1 of consultancy contract. Since contract was awarded as single source, therefore, the capping was to be kept intact but NHA Executive Board approved revised cost for Rs 141.11 million besides scrapping of capping clause 6.1. Payment had since been made for Rs 148.54 million, the Committee directed NHA to get the condonation of amendment in contract from Finance Division within one month. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses early compliance of DAC's directive.

(DP. 27)

4.4.18 Less/slow utilization of loan resulting in accrual of commitment charges of US \$ 0.47 million (Rs 47.0 million)

Article-II, Section 2.01 of Loan Agreement No. 2742-Pak (Flood Emergency Reconstruction Project) signed between Government of Pakistan and ADB on 14th April, 2011 stipulates that ADB would lend the Borrower an amount of US\$ 600 million.

Total allocation in respect of NHA as derived from attachment to Schedule 3 of the Loan Agreement, was as under:

Description	US\$ million
Civil Works	224.38
Equipment & Vehicles	0.55
Consultancy Services	16.72
Incremental and Management Cost	3.69
Contingencies	36.52
Total	281.86
Interest & Commitment Charges (Proportionate)	3.34
Grand Total	285.20

As per Section 2.03 of the Loan Agreement, the Borrower shall pay to ADB a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the loan (less withdrawn from time to time commencing 60 days after signing of the contract).

As per Schedule 1 to the Loan Agreement, the project is expected to be completed by 31st March, 2014. Loan closing date is 30th September, 2014.

PC-I of the project was approved in principle by ECNEC in May 2011 for Rs 23,566 million. Financial phasing as per PC-I is summarized as under:

PC-I (December 2010) Considered by CDWP and ECNEC		
Financial Year	Amount	% of Project Cost
2010-11	4,360.00	19%
2011-12	12,381.00	53%
2012-13	6,825.00	28%
Total	23,566.00	100%

As per ADB Confirmation Document a sum of Rs 2,506.47 million (US\$ 26.45 million) was withdrawn up to 30th June, 2013 against committed amount of US\$ 281.86 million leaving un-disbursed balance of US\$ 255.41 million. The loan amount was to be withdrawn over a period of 41.5 months, i.e. from the signing of agreement, 14th April, 2011 to closing date 30th September, 2014. As such planned average withdrawal was US\$ 6.79 million per month. A period of 26.5 months had been elapsed since April 2011 which meant that US\$ 179.99 million should have been withdrawn up to 30th June, 2013 while only US\$ 26.45 million were withdrawn. It is worth mentioning that as per phasing of capital cost in PC-I, Rs 23,566 million were provided in first three years (up to 30th June, 2013) and therefore, progressive utilization of loan should have been US\$ 235 million (@ average Rs 100 per US \$). This indicated that the loan could not be utilized effectively as per planned phasing, which resulted in accrual of Commitment Charges of US\$ 0.47 million (Rs 47.0 million) upon un-disbursed loan as detailed below:

Effective date of commitment charges	13.06.2011
Closing date of loan	30.09.2014
Loan amount	US \$ 281.86 million
Amount to be withdrawn up to 30.06.2013 (26.5 months x US\$ 6.792 per month (26.5 months elapsed, i.e. 14.04.2011 to 30.06.2013)	US\$ 179.99 million
Amount actually withdrawn up to June 2013	US\$ 26.45 million
Short withdrawal of loan	US\$ 153.54 million
Commitment Charges @ 0.15% per annum (24.5 months from 13.06.2011 to 30.06.2012 after allowing 60 days grace period) (US\$ 153.54 million x 0.15% x 24.5/12)	US \$ 0.47 million

In Pak Rupees = \$ 0.47 million x Rs 100	Rs 47.0 million
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Audit further observed that progress towards award of major works was very slow. As evident from the record, an amount of Rs 258.68 million on account of maintenance works had been paid which were covered under retroactive financing/reimbursement in RMA, direct payment to contractor and initial deposit and accordingly Rs 2,506.47 million (US \$ 26.45 million) released by ADB up to 30th June 2013. As per draft Financial Statements provided by NHA, a sum of Rs 2,506.47 million had been disbursed up to 30th June, 2013 that constitutes 11% of overall PC-I cost of Rs 23,566 million against planned 100%. Thus a sum of Rs 21,059.53 million (23,566 - 2,506.47) was yet to be expended. As analysis of major works indicated that some works were awarded in month of August 2012 but only Mobilization Advance had been paid up to 30th June, 2013. This indicated that the progress of award of works and disbursement was lagging far behind which reflected poor contract management.

Audit pointed out less utilization and poor performance in November 2013. The Authority replied that due to change in the bidding and contract document, new procedures implemented by the ADB caused undue delay in utilization of loan. The Authority suggested that in future, Economic Affairs Division (EAD) may negotiate with lending agency. Commitment charges clause was required to be deliberated at length and instead of recovering commitment charges on unutilized amount from date of effectiveness it should be from date of procurement of contract. The reply of the Authority was not tenable as there was delay in procurement of contracts. Had the Authority awarded the work in time, then loan could have been utilized to minimize the commitment charges.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. NHA explained that PC-I prepared in December 2010 was based on the damages to roads assessed by NHA. As per ADB guidelines, procurement cycle takes one year to complete. Accordingly ADB was requested to consider the effective date of loan as June 2012 i.e. after completion of procurement cycle. The ADB, however, did not agree

and loan became effective from 1st June, 2011. The Committee directed NHA to submit a revised and comprehensive reply by incorporating all details argued in discussion during DAC meeting. The Committee further directed the MoC to take up the matter with Finance Division and Economic Affairs Division and submit a report to Audit. The compliance of DAC's directives was not reported till the finalization of this report.

Audit recommends that DAC's directives be implemented at the earliest.

(DP.298)

4.4.19 Loss due to allowing unjustified premium on market rate items - Rs 35.70 million

As per General Financial Rule-10, every public officer is expected to exercise same vigilance in respect of expenditure from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

4.4.19.1 The Engineer's Estimates of four works contained a non-scheduled item "Steel expansion joint Mono Block type for 65mm movement (Imported) (Item 406 cv, CSR 2011, Peshawar District)" @ Rs 47,190 per running meter for a quantity of 114 meters. The Engineer's Estimates were approved by Member (Operations), NHA on 19th April, 2012 for Rs 5.51 million i.e., Rs 47,190 per running meter on the basis of quotation for Imported Expansion Joints (Freysinet) given by M/s Reinforced Earth - Pvt. Ltd dated 14th November, 2011.

Audit observed that these works were awarded 14.93% in one case and in three cases 21% above the Engineer's Estimates prepared on market rates.

Audit holds that higher rates were accepted through limited competition (only from prequalified firms) on market rate item. The Contractors were overpaid an amount of Rs 10.72 million due to higher rates.

(DP. 38)

4.4.19.2 General Manager (Punjab North), NHA, Lahore, prepared engineering estimates based on NHA CSR and market based items and awarded six (6) works by accepting premium ranging from 13.58 % to 24% on scheduled items as well as on market based items. Since the item rates were based on current market prices plus contractor's profit and overhead, therefore, further premium tendered by the contractor was not justified. This resulted into a loss of Rs 22.02 million.

Audit further observed that a work 'Emergency Maintenance Contract No. EM-PS-10-50-14 at KM 70-71 (N-70)-Realignment of Deck Ghazi Ghatt Bridge, N-70' was awarded to a contractor for Rs 21.00 million at 24.25% above the estimated cost of Rs 16.90 million.

Audit noted that overhead & contractor's profit @ 25% was added at the time of preparation of rate analysis on the market based items. Subsequently, the contractor also quoted premium of 24.25% above on the estimated cost of the work. This resulted into a loss of Rs 2.96 million.

Audit holds that canons of financial propriety were not followed and undue financial benefit was extended to the contractor by allowing premium which caused extra burden on the exchequer amounting to Rs 24.98 million.

(DP. 291, 314, 316)

Audit pointed out the issue during July-November 2013. The Authority replied that as per PPRA and PEC rules no rebate/negotiation was permissible after opening of tender. The competitive rates in the bidding process were paid to the contractors. The reply was not acceptable because through prequalification, the wide publicity was avoided and the contracts were awarded to selected group of contractors at higher rates for item analyzed on current market rates.

The matter was discussed in the DAC meetings held on 26th and 27th November, 2013 and 26th and 27th December, 2013 wherein NHA took a stance that the competitive rates after open tenders were paid to the

contractors. Audit contended that percentage/premium above the market rate items, which already included contractor's profit and overheads, was not justified and against the principle of propriety. The Committee directed NHA to recover the amount of premium paid on non-scheduled/market rate items and get it verified from Audit within 7 days. The Committee further directed to constitute an IDC for devising a policy regarding uniform rate of premium on CSR items in the Engineer's Estimates and discontinuation of practice of payment of premium on market rate items within one month. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses that DAC's directives be implemented at the earliest.

4.4.20 Unjustified abnormal expenditure on account of POL/Repair maintenance charges - Rs 35.08 million

Paras 4.3 and 4.12 of Chapter 4 of NHA Motor Vehicles Use Policy, 2000 provide that in order to regulate use of NHA vehicles a monthly quota of fuel for each month has been fixed for each category of official as given in Annexure-B to this Chapter. This fixation of quota shall ensure control over expenditure. All entitled officers shall use NHA vehicle within the prescribed monthly fuel from limit fixed by the Competent Authority. Only in exceptional cases, fuel consumption in excess of the quota shall be allowed. Such excess use of vehicle shall have to be properly justified for necessary sanction by the Member (Administration). The periodic services, minor repairs and major repairs shall be provided for proper maintenance and upkeep of vehicles.

General Manager (M-1), NHA, Burhan, incurred an expenditure of Rs 26.97 million on purchase of Petroleum, Oil & Lubricants (POL) and Rs 8.11 million on repair maintenance of vehicles during the financial year 2012-13.

Audit observed that in accordance with NHA Motor Vehicle Policy most of the vehicles were got repaired extra-ordinarily ranging

from Rs 80,000 to Rs 300,000 which showed that the vehicles were not maintained periodically with minor repairs and utilizing the vehicles uneconomically and inefficiently.

Audit observed that quota base allocation of each vehicle and its consumption was not maintained to ascertain and monitor the limit of POL of each vehicle to adjudge that the vehicles were in economical use.

Audit holds that expenditure on account of POL and maintenance of vehicles charges was on very higher side and relevant quota was not being adhered to.

Audit pointed out unjustified expenditure in September 2013. The Authority replied that the amount in question was paid for the purchase of POL of vehicles, generators and vehicles transferred from M-1 project to Head Office, Islamabad (as per NHA Policy). The detail of POL of above mentioned categories would be communicated to Audit. The reply was not acceptable because the Authority furnished an interim reply about the consumption of POL and repair maintenance of vehicles. NHA Policy regarding charging of expenditure of Headquarters and other projects and use of POL in generators was also not provided. The record regarding utilization of POL as promised by the Authority was not provided to Audit for necessary verification. The main project Islamabad-Peshawar Motorway (M-1) and its major allied works were substantially completed in the year 2007 but the expenditure on POL was being charged and being increased abnormally.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013, wherein the Committee directed Member (Admn) NHA to hold an inquiry against Deputy Director (Admn) M-1 for non-submission of detail of the vehicles being charged to M-1, and to examine and review the matter and submit a report to Audit and MoC within one month. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses that DAC's directives be implemented at the earliest.

(DP. 165, 175)

4.4.21 Award of contracts for Expansion Joints at higher rates involving overpayment - Rs 31.82 million

As per General Financial Rule-10, every public officer is expected to exercise same vigilance in respect of expenditure from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

In the NHA Schedule of Rates-2011 (Peshawar District), Item 406 (c) (v), the rate for the item "Steel Expansion Joint Mono Block type for 65 mm Movement (Imported)" was provided @ Rs 90,543.65 per meter. The rate was based on the quotation for Imported Expansion Joints (Freyssinet) given by M/s Reinforced Earth – Pvt. Ltd. Audit observed that higher rates were analysed/calculated and provided in the Schedule of Rates, 2011 because as per the quotation for Imported Expansion Joints (Freyssinet) given by M/s Reinforced Earth – Pvt. Ltd dated 14th November, 2011, the firm quoted rate of Rs 39,000 per running meter. The rate was, therefore, to be determined as Rs 48,750 (Rs 39,000+25%).

Audit observed that General Manager, Khyber Pakhtunkhwa, Peshawar awarded five works of Expansion Joints to different Contractors on the basis of higher rates of Schedule of Rates-2011. The works were awarded on the basis of limited competition as tenders were called from prequalified contractors only in violation of Public Procurement Rules.

This resulted into payment of higher rates for Rs 31.82 million to the contractors during the year 2012-13.

Audit holds that overpayment/irregularity occurred due to weak financial controls and defective contract administration.

Audit pointed out the issue in July 2013. The Authority replied that the rate of Item No. 406(c)(v) in Engineer's Estimates was extracted from CSR-2011 being an authentic document which serves as a basic Engineer's Estimate reference document for NHA and after completing all codal formalities it was finally approved by the NHA Executive Board. The contracts were awarded to the lowest bidders through open bidding. The reply was not acceptable because the rates already available with Operation Wing NHA for such type of Expansion Joints which were on much lesser side should have been included in the Engineer's Estimates to avoid wastage of public exchequer. Higher rates were knowingly included in the tenders to favour the contractors which caused loss to the public exchequer.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the DAC constituted an IDC to inquire all such cases within one month. The Committee also directed NHA to recover the amount involved and get it verified from Audit within 15 days. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP. 40)

4.4.22 Irregular payment to project support staff - Rs 22.91 million

As per attachment No. 1 to the consultancy contract for Design Review and Construction Supervision of 4-Lane Motorway M-4 (Package-IV), Khanewal-Multan Extension 57 Kilometers awarded to M/s NESPAK in Association with M/s Engineering General Consultants(EGC), the consultant was required to get approval of CVs of support staff from Employer before mobilizing them.

As per Clause 6.2 (e) of consultancy contract, any rates specified for personnel not yet appointed shall be provisional and shall be subject to revision with the written approval of the client, once the applicable salaries and allowances are known.

A scrutiny of consultant's invoices with reference to consultancy services revealed that the consultants had been paid Rs 22.94 million on account of "Out of pocket" expenses against remuneration to Project Support/Non-technical staff.

Audit observed the following irregularities in this regard:

1. No approval of Curriculum Vitae and monthly rates of these personnel was obtained by the consultants.
2. No evidence of payments at the rates claimed i.e. appointment letters, copies of pay slips, etc. was supplied by the consultants to NHA.

This resulted in irregular payment to the Project Support Staff for Rs 22.94 million.

Audit pointed out the irregularity during September 2013. The Authority replied that the staff appointed against out of pocket expenses was paid according to the charge rate specified in Appendix-D of consultancy agreement. The clarification from Procurement & Contract Administration Section had been sought for fixing of rates in accordance with clause 6.2(e) even in the presence of fixed charge rates. On clarification of matter, the measures would be taken accordingly under intimation to Audit. Regarding the approval of staff, it was replied that staff was got approved by the General Manager (M-4). The reply was not accepted because as replied the clarification of rates was now being sought after audit observation. The monthly rates of pay provided in the agreement were adjustable keeping in view the expertise/experience/qualification of the staff deputed by the consultant at site. No such exercise was made and payments were made to the contractor.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the Committee directed to hold an inquiry through MoC within one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP. 145)

4.4.23 Unauthorized expenditure on land acquisition - Rs 21.17 million

As per Rule 09 of General Financial Rules (Volume-I), "as a general rule no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year".

As per Prime Minister's Directive issued vide No. JS(P)Dev/DS(SP-I)/11 dated 23rd November, 2011, the Administrative Approval/Expenditure sanction and release of funds was approved on account of land acquisition for Tataypur Overhead Bridge for Rs 30 million.

During scrutiny of accounts record of works being executed under Peoples Works Program-II by General Manager, Punjab (South), NHA, Multan, Audit noticed that advance payments were made to the Land Acquisition Collector, NHA, Multan amounting to Rs 21.17 million on various dates as under:

Date	Amount (Rs)
29.06.2012	902,903
27.07.2012	20,000,000
18.09.2012	271,860
Total	21,174,763

Audit observed that:

- i. the payment was made against compensation for structures/Built-up property on the road from Tataypur to Loother whereas the land acquisition cost of Rs 30 million

as approved in the PM Directive was for land acquisition for Tatypur Overhead Bridge.

- ii. Vouched account of the advance payment was also not obtained.
- iii. Reconciliation of disbursements was also not carried out.

The payment in contravention to the objectives as approved in the Prime Minister's Directive resulted into unauthorized expenditure of Rs 21.17 million.

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

Audit pointed out the irregularity in August 2013. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the DAC constituted an IDC to inquire the matter of unauthorized utilization of Peoples Works Programme funds within one month. The compliance of DAC's directives was not reported till the finalization of this report.

Audit recommends that DAC's directive be implemented at the earliest.

(DP. 99)

4.4.24 Excess expenditure due to defective work - Rs 19.50 million

According to GFR-10(i), every public servant is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit observed that the Project Director, Makran Coastal Highway Project (Ormara-Pasni Section, Sub Section-III) processed the claim of the contractor M/s Sardar Mohammad Ashraf De Baloch (Pvt.) Ltd amounting

to Rs 19.50 million for payment on account of additional works on the chainage 143+803 to 144+381 recorded in MB 1841 page 2 to 8, whereas, same work on the said chainage had already been executed through original agreement.

Audit holds that processing of claim for payment of additional work on the chainage on which the work was already executed may result in excess expenditure of Rs 19.50 million.

Audit pointed out the likelihood of excess expenditure in August 2013. The authority did not furnish reply.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the DAC observed that minutes of meeting with Member (Motorway) NHA dated 11th November, 2005 showed that damage occurred due to defective designing by the consultant. NHA paid additional amount of Rs 19.50 million for rehabilitation purpose. The Committee directed to hold an inquiry at Ministry level for fixing responsibility on the Consultant for defective design and effecting recovery within one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP. 114)

4.4.25 Unauthorized creation of liability without availability of funds - Rs 18.46 million

As per Rule 09 of General Financial Rules (Volume-I), as a general rule no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

Rule 93 of General Financial Rules (Volume-I) states that in order to ensure that a department undertaking a work on behalf of another department does not exceed the sanctioned estimates without the authority of the employing department. The department responsible for providing the funds should intimate to the department undertaking the work the sanctioned grant within which the expenditure is to be incurred. The department incurring the expenditure shall be responsible not only for seeing that the allotment placed at its disposal is not exceeded but also that any anticipated savings are notified and surrendered in time. In cases where an excess is anticipated, the department incurring the expenditure shall be responsible for obtaining the additional allotment in proper time through the employing department.

As per para 7.12(d) (5) of CPWA Code, a competent authority may not accept any contract which involve liabilities in excess of the amount of the expenditure sanctioned. As per para 7.12(d) (2), a competent authority may not accept any contract until an assurance has been received, either at the time of communication of expenditure or subsequently, from the authority competent to provide the necessary funds that they shall be allotted before the liability matures and the budget funds for the financial year concerned are placed at the disposal of the Department.

As per Para 90 of Chapter 2 of NHA Code, Deposit works, shall be undertaken only after full estimated cost of the work is deposited with the authority in the designated accounts in advance or vice versa where Authority's work is allotted elsewhere. The depositor must also undertake in writing that any anticipated variations in the cost of work shall also be deposited by him/it as soon as the same are determinable.

A scrutiny of accounts record of works being executed under Peoples Works Programme-II by General Manager, Punjab (South) Region, NHA, Multan revealed that the works were awarded at higher cost than the Administrative Approval and receipt of funds. The works were awarded at a cost of Rs 350.35 million against Administrative Approval Cost/receipt of funds for Rs 331.89 million. Audit observed that liability

of Rs 18.46 million was created without revised administrative approval and receipt of funds.

Audit holds that irregularity occurred due to weak financial controls and contract administration.

Audit pointed out the irregularity in August 2013. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the DAC constituted an IDC to inquire the matter of unauthorized utilization of Peoples Works Programme funds within one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP. 100)

4.4.26 Unauthorized expenditure without approval from the competent authority - Rs 16.98 million

As per Paras 70 and 71 of NHA Code Volume-I, 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. 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. Inclusion of non-BOQ item during execution of a contract requires the approval of Chairman NHA as per Table III-13 NHA Code Volume-I.

During scrutiny of record of General Manager Punjab (South), NHA, Multan for the year 2012-13, Audit noted that the approval for

administrative, technical and financial sanction of five (05) different works was granted by Member (Operations), NHA. Audit observed that material deviations from the approved scope of work were made during execution and non-BOQ items were also incorporated. The aggregate value of these variations was more than 40% involving excessive expenditure of Rs 16.98 million. The expenditure on these variations was incurred and deviations were approved by General Manager, Punjab-South, NHA without referring the cases to Chairman NHA and Member (Operations), NHA as required under NHA Code.

Audit holds that irregularity occurred due to weak financial controls and contract administration.

Audit pointed out the irregularity in August 2013. The Authority replied that the General Manager (Punjab-South) as per requirement of site approved the variation order as per powers delegated at Table III-13 chapter-3 of NHA Code Volume-I, falling in his administrative limit approved all variation orders i.e. less than Rs 20 million each. The reply was not accepted because General Manager was not competent to approve material deviation/change in specifications of work approved by Member (Operations) NHA as per NHA Code referred above, approval of Member (Operations) NHA was required to be obtained who accorded sanction to the Technical Estimate to the work which was not obtained. The Table III-13 was mis-interpreted in reply. The limit of General Manager has been restricted to Rs 20 million when with 3% variation the value of work exceeds his monetary limit of Rs 20 million. NHA contention that the General Manager could approve variations up to Rs 20 million even if the original contract amount was Rs 5 million, was not correct.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein the Committee directed Chairman NHA to hold an inquiry for fixing responsibility against the person(s) at fault within one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP. 103)

4.4.27 Overpayment on account of contract supervisory works - Rs 14.82 million

As per contract agreement dated 18th December, 2010 executed with M/s CRBC for Re-alignment of KKH, and Barrier Lake Attaabad, Hunza, Gilgit Baltistan (17 Km new and 7 Km Rehabilitation) for US\$ 275.06 million, a sum of US\$ 4.17 million were provided for design work and supervisory services @ 5% of the estimated cost to be done by the original contract.

Audit noted that NHA engaged/hired consultancy services of NESPAK separately for project monitoring and supervision without provision in PC-I / agreement through variation order No. 01 (Additional Services).

Audit observed that design and supervision of the work was the sole responsibility of the contractor M/s CRBC for which additional charges @ 5% were provided and paid to the contractor. Payment to the consultant M/s NESPAK for construction supervision/ assistance through variation order No. 1, resulted into an overpayment of Rs 14.82 million.

Audit pointed out the overpayment in August-September 2013. The Authority replied that as per BOQ 5 % work separately added in the sub-total of BOQ for the design and supervisory services but M/s NESPAK was deputed for monitoring and supervision of design and quality of work after approval of Executive Board. As admitted in reply that Design and Supervision by the contractor M/s CRBC was separately provided in the contract agreement. As per contract agreement, preparation of design and supervision of payment was to be managed/ arranged by the M/s CRBC for which additional charges were separately provided and paid to the contractor. Hiring of M/s NESPAK as supervisory/monitoring consultant was unauthorized and unjustified.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein Audit contended that hiring of consultancy services of M/s NESPAK for supervision and monitoring of the work in

addition to the responsibility of the Engineering, procurement and construction contractor (EPCC) was beyond the approval of ECNEC. The Committee directed to inquire the matter for fixing responsibility by a committee comprising MoC, Member (Operations) and General Manager (P&CA Wing), NHA within one month. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP. 78)

4.4.28 Unjustified secured advance on perishable material - Rs 7.86 million

Para 228 of Central Public Works Accounts Code provides that the secured advance should be granted on the material of non-perishable nature.

Audit observed that the Project Director, Kalat-Quetta-Chaman Road, Quetta allowed secured advance amounting to Rs 7.86 million on High Speed Diesel and Stone Dust through IPC-11A in respect of package-ICB-IV, whereas, secured advance was not justified on the said items having perishable nature.

Audit holds that grant of secured advance on HSD and Stone Dust amounting to Rs 7.86 million was unjustified/ irregular.

Audit pointed out the irregularity in July 2013. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held on 26th and 27th November, 2013 wherein Audit contended that Secured Advance was given on HSD and stone dust which were perishable in nature. The items were not part of permanent works. Recovery was not made and the contract was closed under clause 66. The Committee directed NHA to hold an inquiry for fixing responsibility and recovery of the amount involved with interest on Cash Development Loan rates and its

verification from Audit within one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP. 19)

4.4.29 Overpayment on account of preparation of Geotechnical Reports - Rs 5.26 million

NHA General Specifications provides no separate payment for preparation of test reports. The ibid specifications further explain under item No. 407.4.2 that such prices and payments shall be considered full compensation for furnishing all materials, preparing standard penetration and all other relevant laboratory tests, labour, equipment tools, fuel, welding splicing, caging, providing covers, etc.

Audit observed that the Project Director, Sorab-Basima-Nag-Panjgur-Hoshab Road Project (N-85) made separate payment of Rs 5.26 million on account of preparation of Geotechnical Reports, whereas, all the tests were carried out by the same contractor, hence, preparation of reports was the responsibility of the contractor and no separate payment was admissible.

Audit holds that separate payment for preparation of reports resulted into an overpayment of Rs 5.26 million.

Audit pointed out the overpayment in November 2013. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. NHA explained that Geotechnical reports were prepared by the contractor and the contractor was paid for this activity as per agreed rates in the BOQ/contract agreement. Audit contended that preparation of test reports was the responsibility of the contractor without extra cost as per contract provision. The Committee directed to conduct inquiry at MoC level for fixing responsibility and recovery of the amount involved within

one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses that DAC's directive be complied with at the earliest.

(DP.258)

4.4.30 Overpayment due to non-deduction of excavated material - Rs 4.38 million

Item 108.4.1 (i) of NHA General Specifications, 1998, provides that measurement of "Formation of Embankment from borrow" shall be made as under:

Formation from Borrow = Total Embankment Quantity (minus) Roadway excavation Quantity (minus) structural excavation Quantity.

Project Director, Ratodero-Shahdaskot-Quba Saeed Khan Road awarded a work, 'Reconstruction of Ratodero-Shahdaskot-Quba Saeed Khan Road from Km 48 to 61 (M-8)' under ADB Loan No. 2742-Pak to M/s Umer Jan & Co and M/s Muhammad Ramzan & Co (Joint Venture) for Rs 450.42 million. The cost of the project was subsequently revised as Rs 405.71 million.

Audit noted that an item of work '107a structural excavation in common material' was executed for a quantity of 12,507 cu.m @ Rs 200 for Rs 2.50 million and another item '108c formation of embankment from borrow excavation in common material' was executed for a quantity of 27,753 cu.m @ Rs 350 for Rs 9.71 million. Audit observed that common material from structural excavation was not deducted from the pay item of 'formation of embankment from borrow excavation in common material' as required under NHA General Specifications.

Non-deduction of available excavated material resulted into an overpayment of Rs 4.38 million.

Audit pointed out the overpayment in November 2013. The Authority replied that the item of work was paid after deduction of structural excavation. The reply was not tenable as culverts gaps were deducted instead of quantity obtained from structural excavation.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. The Committee directed the Authority to effect due recovery within 7 days and get it verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends that recovery be made from the contractor and got verified from Audit.

(DP.287)

4.4.31 Excess payment due to separate payment of an item - Rs 2.41 million

As per Para 6 of the preamble of the BOQ 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 work.

Audit noted that tenders for the work "Construction of bridge at River Ravi Syedwala," were called in November 2011. In the BOQ the item "Load Test Pile" was not given and rates thereof were not quoted by the bidder. As this item was necessary for execution and provided in the drawings, therefore its cost was deemed to have been covered in the other related items of the bid.

Audit observed that while issuing acceptance letter dated 21st February, 2012 the description of the item No. 702-A of Bill No. 07 was changed as "Provide employer/Engineer office and Residence and pile load test". The expenditure on account of Employer/Engineer's office and residence was to be met from the provisional sum. However, IPC No. 01 indicated that the item Pile Load Test was executed and paid for Rs 2.41 million under item No. 702-A which was not covered under the ambit of provisional sum.

This resulted into excess payment of Rs 2.41 million.

Audit pointed out the excess payment in November 2013. The Authority did not furnish reply.

The matter was discussed in the DAC meeting held on 26th and 27th December, 2013. The Committee directed the Authority to recover the excess paid amount as it was not provided in BOQ as a separate item. The compliance of the DAC's directive was not made till the finalization of this report.

Audit recommends that compliance of DAC's directive be made at the earliest.

(DP.266)

Special Study of Revenue Targets and Their Achievements and Cash Development/Foreign Loans of National Highway Authority for the Financial Years 2009-10, 2010-11 and 2011-12

A special study of revenue targets and their achievements of NHA for financial years 2009-10, 2010-11 and 2011-12 was conducted by Directorate General Audit Works (Federal) in March-April 2013.

Audit coverage included the assessment and collection of the revenue. Revenues for the financial years 2009-10, 2010-11 and 2011-12 were subject to review to see whether accounting records are accurate and complete, and the amounts deposited by the revenue collecting contractors are in accordance with the terms of Agreements. NHA collected revenue amounting to Rs 36,288.41 million against estimates of Rs 37,790 million during three years.

Audit observations were issued during audit in March-April 2013 but were not responded by the management despite repeated requests. The matter was also brought into the notice of PAO in September 2013 with request to convene a DAC meeting. The matter of non-submission replies was also highlighted in the DAC meeting held on 26th & 27th December 2013 to discuss regularity Audit Report for 2013-14. NHA explained that the assignment of Revenue collection and its accountal has now been withdrawn from Member (Operations) and entrusted to Member (Finance), NHA. General Manager (Revenue), NHA further explained that the replies to the audit observations on the subject were under preparation. The Committee took serious view of non-submission of replies by NHA despite lapse of a period of more than six months and directed that the replies be submitted to Audit under intimation to Ministry within 03 days.

Neither any response was received nor the paras could be discussed in DAC meeting.

Year-wise detail of Operating Income

Operating income for the financial years 2009-10, 2010-11, 2011-12 is as under:

2009-10

(Rs in million)

S. No.	Description	Gross Revenue	Operational Charges	Net Revenue
1.	Toll Collection	9,248.03	946.63	8,301.40
2.	Weigh Stations Income	609.93	238.76	371.17
3.	Right of Way	551.72	0	551.72
4.	Police Fine (N-5)	1,311.61	209.19	1,102.42
5.	Other Miscellaneous	142.26	0	142.26
Total		11,863.55	1,394.58	10,468.97
Less 50% share of Police Fine (NH&MP)				551.21
Net revenue				9,917.76

2010-11

(Rs in million)

S. No.	Description	Gross Revenue	Operational Charges	Net Revenue
1.	Toll Collection	11,261.88	848.80	10,413.08
2.	Weigh Stations Income	730.24	235.76	494.48
3.	Right of Way	265.54	0	265.54
4.	Police Fine (N-5)	1,239.59	201.98	1,037.61
5.	Other Miscellaneous	110.92	0	110.92
Total		13,608.17	1,286.54	12,321.63
Less 50% share of Police Fine (NH&MP)				518.81
Net revenue				11,802.82

2011-12**(Rs in million)**

S. No.	Description	Gross Revenue	Operational Charges	Net Revenue
1.	Toll Collection	13,286.01	930.58	12,355.43
2.	Weigh Stations Income	1,005.73	204.85	800.88
3.	Right of Way	452.44	0	452.44
4.	Police Fine (N-5)	1,653.95	293.11	1,360.84
5.	Other Miscellaneous	278.66	0	278.66
Total		16,676.79	1,428.54	15,248.25
Less 50% share of Police Fine (NH&MP)				680.42
Net revenue				14,567.83

Province-wise contribution towards toll generation for the year 2011-12 is tabulated below:

S. No.	Province	No. of Toll Plazas	Toll Income (Rs in million)	% contribution	% Road network
1.	Punjab	34	6,410	48%	23%
2.	Sindh	18	2,693	20%	18%
3.	Khyber Pakhtunkhwa	7	458	3%	16%
4.	Balochistan	12	202	2%	39%
5.	Motorways (including e-toll)	28	3,523	27%	4%
Total		99	13,286		

Analysis of variances between the budgeted and actual figures of operating income is given in the table below:

(Rs in million)

Year	Estimated Revenue	Actual Revenue	(Shortfall)/ Excess	Achievement %
2009-10	11,240.00	9,917.76	(1,322.24)	88%
2010-11	13,400.00	11,802.82	(1,597.18)	88%
2011-12	13,150.00	14,567.83	1,417.83	111%
Total	37,790.00	36,288.41	(1,501.59)	96%

Revenue targets are not being prepared keeping in view the revenue potential as per assets. Rather no asset inventories are being prepared. Revenue estimates of the preceding financial year are being prepared taking into account actual revenue realized till the time of preparation of Annual Maintenance Plan, by including average revenue of balance months and by adding certain percentage as a thumb rule. Revenue Estimates, therefore, cannot be termed as realistic and achievements of revenue targets also cannot be taken as satisfactory.

Cash Development Loan

Position of Cash Development Loan (loans obtained from Federal Government including foreign loans through Public Sector Development Programme) for 2009-10, 2010-11 and 2011-12 is as under:

2009-10

(Rs in million)

Description	Allocation	Actual Expenditure	Variation Excess/ (Saving)	Variation in %
PSDP (including foreign aid)	45,706.09	44,810.52	(895.57)	(1.96)

2010-11**(Rs in million)**

Type of Funds	Allocation	Releases	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
PSDP (Local)	37,418.37	18,112.00	21,810.03	3,698.03	20.42
PSDP (Foreign)	7,218.67	6,239.84	6,239.84	-	-
Total	44,637.04	24,351.84	28,049.87	3,698.03	15.19

2011-12**(Rs in million)**

Type of Funds	Allocation	Releases	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
PSDP (Local)	33,631.92	27,029.11	27,554.11	525.00	1.94
PSDP (Foreign)	6,268.35	28,984.07	28,984.07	0	0
Total	39,900.27	56,013.18	56,538.18	525.00	0.94

AUDIT PARAS

Performance

4.4.32 Non-recovery of outstanding dues on account of right of way charges and toll charges - Rs 742.73 million

4.4.32.1 As per Rule 3(2) of NHA Roads Maintenance Account Rules, 2003, all revenues from road users accruing to the NHA, from the tolls on roads and bridges, net of collection costs, shall be expeditiously transferred into the Roads Maintenance Account.

As per Paras 15.2.3 (Section-II) and 3.4 (Section-III) read with Para 7.1 (Article VII) of Request for Proposals for Operation and Management of Toll Plazas, the toll revenue shall be deposited as guaranteed revenue in NHA designated account by Operation & Management Contractor on monthly basis by 5th of each month.

As per Para 3.8(ii) read with Para 7.4 (Article VII) Section-III of Request for Proposals for Operation and Management of Toll Plazas, if the fixed guaranteed monthly advance revenue is not deposited in NHA designated account by the 5th of each month a penalty of Rs 100,000 per day shall automatically become effective and finally if the said amount is not deposited by 10th of each month, the contract shall automatically stand terminated and cash security amount deposited with NHA shall automatically forfeited. The cash security amount shall be equal to the revenue of one month as the bid amount of the contractor translated into daily revenue.

A test check of case files of Toll collection at 10 toll plazas indicated that toll revenue was not recovered from the toll contractors during 2011-12. No action was found taken against the defaulters under agreement as the relevant case files were silent in this regard. This resulted into non-recovery of toll revenue of Rs 524.63 million and non-taking of penal action.

Detail of outstanding toll revenue is as under:

S. No.	Toll Plaza	Amount (Rs in million)
1	Bahawalpur	98.00
2	Saeedabad	78.17
3	Sussai	52.84
4	D.I. Khan-II	8.15
5	D.I. Khan-I	35.79
6	Petaro	15.83
7	Karachi (M-9)	57.50
8	NHA Bypass Karachi (M-9)	113.97
9	Karachi Northern Bypass	60.00
10	Chund Bridge, Jhang	4.38
Total		524.63

Audit pointed out the non-recovery in April 2013. The Authority did not respond to the audit observation.

Audit stresses recovery of toll charges besides action as stipulated in O&M Contracts.

(Obs. No. 10)

4.4.32.2 As per Rule 10 of Chapter III (General Regulations, Provisions) of Regulatory Framework and Standard Operating Procedures for Preservation and Commercialization of Right of Way (NHA Code Volume-II, 2005), Deputy Director (Maintenance) or Corridor Management Contractors shall ensure to collect the annual fees/ground rental charges from the owners of commercial entities/amenities and different Government/Semi Government agencies owning the utilities within the due date. In case of non-payment, within fifteen (15) days of the due date, issue the notices for payment of annual lease or ground rental charges or fee and will endorse a copy to RAMD, Islamabad and Regional General Managers.

As per Rule 11 of SOP *ibid*, in case the owner of any commercial entity/amenity and different Government/Semi Government agencies

owning the utilities fail to pay the lease or ground or approach rental charges or fee in due course of time and fail to comply with the instructions of the authority through Deputy Director (Maintenance) or CMC, the owners shall be charged surcharge at the rates given as under:

- | | | |
|----|--------------------------|---|
| a) | 1 month after due date. | Surcharge of 10% of lease or ground rental charges or fee |
| b) | 2 months after due date. | Surcharge of 20% of lease or ground rental charges or fee |
| c) | 3 months after due date. | Surcharge of 30% of lease or ground rental charges or fee |

As per Rule 02 of Chapter-VII of the SOP ibid, the Government/non-governmental agencies will pay annual lease rent to the Authority in advance for five (05) years or on yearly basis or as prescribed by the Authority. The agency has to deposit yearly advance rental charges by 31st July every year. The Authority reserves the right to remove the utility from its Right of Way (ROW), if their annual advance payment is not received from due date as described in Chapter III, Regulation 11.

A test check of case files of NoC for laying Optical Fiber Cables, pipe laying, etc. in NHA Right of Way indicated that ROW Charges had not been recovered from various companies for a period ranging from 3 to 6 years. No action was found taken against the defaulter as the relevant case files were silent in this regard. This resulted into non-recovery of Rs 218.10 million (143.58+74.52).

Audit pointed out the non-recovery in April 2013. The Authority did not respond to the audit observation.

Audit stresses recovery of ROW charges along with surcharge for delayed payment.

(Obs. No. 1, 19)

4.4.33 Loss of revenue due to non-establishment of toll plazas - Rs 5,783 million

As per Rule 5 (1) of Road Maintenance Account Rules, the Road Asset Management Directorate shall regularly review the level of tolls, and other levies being channeled into the Roads Maintenance Account and recommend adjustments to the Chairman, to match revenues with expenditures needed to fully address the network-level maintenance needs of the NHA. (2) Toll levels shall be adjusted over time to reflect the extent of road use, damage caused to network and level of service provided.

As per Para 5.3 of Standard Operating Procedures for Road Maintenance Account, to achieve objectives, RAMD will use Road Asset Management System (RAMS) as a tool to provide timely information to the decision and policy makers and highway managers as to how could NHA stretch the available resources and mobilize additional resources, if needed.

As per Para 6.2 of the ibid SOP, NHA shall collect RMA revenues from the designated sources mentioned in Rule 3(2) & (3) of the NHA Roads Maintenance Account Rules, 2003 i.e. toll on roads and bridges and charges from commercial use of Right of Way.

4.4.33.1 The purpose and function of the NHA is to plan, promote, organize and implement programmes for construction, development operations, repair and maintenance of National Highways and strategic roads specially entrusted to it. NHA receives funds from Government of Pakistan as Cash Development Loan (CDL) through PSDP (local as well as Foreign loan). Government arranges loans to meet its development needs. Huge commitment charges and interest is entailed with the loans which Government has to pay to the lenders along with principal amounts. The CDL is repayable by NHA to Government.

Audit is of the view that there was mismanagement at the part of NHA towards discharge of its functions and other duties as referred above. PC-I of each project contains a cost-benefit analysis, recurring annual

maintenance cost and projected toll income after completion of the project. NHA not only failed in mobilizing additional/new opportunities of revenue rather it also failed in materializing the available opportunities. There was no database indicating completed projects requiring establishment of toll plazas and commercialization of its Right of Way, Bus bays, Service Areas, etc.

From the NHA website (Development projects achievement data), it was noticed that 12 projects were completed during the years 2000 to 2008. It was, however, observed in toll revenue income statement provided by NHA that no toll plazas had been established on these completed project locations. Audit holds that due to non-establishment of toll plazas NHA suffered a loss of Rs 5,400 million (approximately) besides the following implications:

1. NHA had not maintained financial self-sufficiency as it depends upon loans from the Federal Government and had been unable to repay the PSDP funds received as loan.
2. Under-funded road maintenance resulted in failure in implementation of Annual Maintenance Plan as major part of RMA funds could hardly meet the liabilities of previous year's road maintenance operations.

Calculation of loss of revenue is as under:

(Rs in million)

S. No.	Name of Project	Date of completion	No. of years after completion	Approximate Toll income per year	Loss of revenue
1	Khuzdar-Shahdaskot	30.09.2000	12	50.00	600.00
2	Thal-Parachinar	01.07.2001	11	50.00	550.00
3	Torkham-Jalalabad	30.09.2006	6	100.00	600.00
4	Qila Saifullah-Multan (Khajuri-Bewata)	30.04.2006	6	50.00	300.00
5	Nuttal-Sibbi	30.04.2006	6	50.00	300.00
6	Surab-Kalat	30.04.2001	11	50.00	550.00

S. No.	Name of Project	Date of completion	No. of years after completion	Approximate Toll income per year	Loss of revenue
7	Uthal-Bela	30.06.2000	12	50.00	600.00
8	Ratodero-Shadadkot	30.12.2002	10	50.00	500.00
9	Mansehra-Naran	30.12.2002	10	50.00	500.00
10	Naran-Jalkhand	30.12.2002	10	50.00	500.00
11	Muslimbagh-Khanuzai	2008	4	50.00	200.00
12	Khanuzai-Qila Saifullah	2008	4	50.00	200.00
Total					5,400.00

Audit pointed out the loss in April 2013. The Authority did not respond to the audit observation.

Audit recommends that appropriate corrective measures be taken to realize the prospect revenue.

(Obs. No. 11)

4.33.2 Audit observed that as per Project Benefits provided in PC-I of Bridge across the River Indus connecting Larkana and Khairpur Districts, cash inflows (toll revenue) were analysed as Rs 186 million and Rs 197 million during first two years, i.e. 2011-12 and 2012-13, respectively, after completion of the project. Bridge construction was completed on 29th December, 2009. Audit, however, observed that no revenue had been yielded from the said project so far. This indicated that NHA management had not mobilized/channeled revenue opportunity in effective manner to meet maintenance needs of NHA road network.

Weak contract management and financial management resulted into loss of revenue of Rs 383 million.

Audit pointed out the loss in April 2013. The Authority did not respond to the audit observation.

Audit emphasizes that all such cases may be identified and appropriate measures be taken to improve the financial resources of the Authority.

(Obs. No. 6)

4.4.34 Loss of revenue due to defective Land Lease Policy - Rs 476.14 million

Para 3 (viii) of Regulatory Framework and Standard Operating Procedures for Road Maintenance Account (Lease of Government Land for Installation of Filling/CNG Stations), states that the financial offer shall be in the form of annual ground rental charges for a period of thirty (30) years which shall be in excess of 5% (minimum) of the assessed and notified value of land by the District Revenue Officer. These charges shall be paid annually in advance or 3 years in advance or as prescribed by the authority in the Lease Agreement from the date of assessment and shall be subject to increase. The rate of increase for the annual ground rental charges shall be the same as that of the increase in the value of land notified by the District Revenue Officer from time to time during the currency of lease period and shall be adjusted on annual basis or after each 03 years period or as prescribed by the authority in the Lease Agreement.

As per Para 3 (ix), the lease charges shall be assessed on minimum 5% of the land value assessed and notified by District Revenue Officers or any other prescribed authority for this purpose.

As per Para 1(1)(viii) of Chapter-V (Lease of Government Land for the Erection of Hotels/Motels, Restaurants, Kiosks, Khokhas and other Amenities) the financial offer shall be in the form of annual ground rental charges for a period of thirty (30) years which shall be in excess of 5% (minimum) of the assessed and notified value of land by the District Revenue Officer in case of immovable property and 2½% (minimum) in case of movable property.

As per Rule 13 (1)(b) &(e) Lease of Government Land for the Erection of Filling/CNG Stations) of National Highways and Strategic

Roads (Control) Rules 1998, as amended in 2002, Ground rental charges @ 7% (minimum) or prescribed by the Authority (with the approval of Board), of the land value assessed and notified by District Revenue Officers or any other prescribed authority for this purpose, in the lease year shall be taken as ground rental for land. The lease agreement shall be for thirty (30) years (maximum) or for the period prescribed by the authority. The ground rental charges will be fixed and will be appreciated after every three (03) years @ 7% or as prescribed by the authority in its Regulatory Framework and SOPs for the purpose of revision of ground rental charges.

As per rule 14 (Lease of Government Land for Establishment of Movable Property like Nurseries, kiosks, Khokhas, Vendor Stalls etc.) Ground rental charges @ 2½ (minimum) or prescribed by the Authority (with the approval of Board), of the land value assessed and notified by District Revenue Officers or any other prescribed authority for this purpose, in the lease year shall be taken as ground rental for land. The lease agreement shall be for five (05) years (maximum) or for the period prescribed by the Authority. The ground rental charges will be fixed and will be appreciated after every three (03) years @ 2½% or as prescribed by the Authority in its Regulatory Framework and SOPs for the purpose of revision of ground rental charges.

During scrutiny of case file of lease of NHA land for CNG stations, hotels, etc. Audit observed that:

1. Ground rental charges were being determined on the basis of rates assessed by District Revenue Officer (DRO). Audit is of the view that land value assessed by DRO on the basis of current property deeds, was normally on lower side due to certain hidden interests of the property owners/purchasers. There had been no mechanism in NHA to assess market value of its property before leasing to the interested parties. The market value of the land is apparently quite higher than the DRO rates. Thus lease on market value could fetch more revenue to NHA. It is worth mentioning that while acquiring

land, in most of cases NHA has to resort to pay compensation to affectees on market value of land on the plea that value assessed by DRO was less than prevailing in the market. Audit observed that market rate of Rs 22,000 per sq. yard was assessed by NHA in certain cases whereas in the same cases DRO assessed the rate as Rs 1,600 per sq. yard. Due to non-application of market rates, NHA sustained a loss of Rs 380.41 million in two cases over the period of lease for thirty years.

2. Audit further observed that DRO's assessment of land value had not been placed in relevant files on the basis of which the ground rental charges were being determined. In absence of detailed assessment/basis of rates, the reasonability of rates with reference to commercial use of the NHA land could not be ascertained.
3. National Highways and Strategic Roads (Control) Rules and Standard Operating Procedures clearly provide for enhancement of Ground rental charges @7% after every three years. Audit observed that no such enhancement in ground rental charges was being applied and NHA was being deprived of its legitimate revenue. Audit further held that 7% enhancement after every 3 years was not adequate as routine rent was enhanced in public sector @ 10% annually. Audit observed a loss of Rs 95.73 million in three cases examined as a test check.

Audit pointed out the loss in April 2013. The Authority did not respond to the audit observation.

Audit recommends to take appropriate corrective action in the light of approved rules/procedures to ensure timely and correct realization of public revenue.

(Obs. No. 17)

4.4.35 Non-repayment of Cash Development Loan along with interest (PSDP) - Rs 512,776.37 million and Re-lent loans - Rs 212,875.71 million

As per Para 27 of NHA Code Volume-I, the Authority is empowered by the NHA Act to raise funds, both local and foreign, through borrowings, floating of bonds, sharing or leasing of its assets, levy and collection of tolls, license fees or through any other means. As per Para 28, Construction and Operation Wings shall provide to the Finance Wing estimates of the expected income from existing and proposed new sources for matching against the expenditure needs envisaged in the expenditure budgets. In case there is a shortfall in the expected income, those responsible for initiating proposals for raising funds would be called upon to explore ways and means for generation of additional funds. Government sources can, thereafter, be tapped for grant or loan to offset the amount still short of the requirement. The Authority shall approach the government to provide funds to meet the shortfall in the manner prescribed by the government in this respect.

As per Para 26 of Chapter-2 of NHA Code (Volume-I), the information regarding debt servicing shall be provided, directly to the Budget Section for incorporation in the Development Budget, by the project accounts authorities so long as the work on the project in question is in progress. After closing of the project, all information including the amounts of interest and repayment periodically due, shall be provided by the “Debt Servicing Cell” to be created within the Budget Section of the Finance Wing, to whom the record of all those projects where a loan is involved in any form, shall be transferred on completion. The information required for incorporation in the budget shall be provided to the Budget Section in the month of September every year in the format prescribed by them.

NHA receives funds from Federal Government through PSDP as Cash Development Loan and relent/foreign loans on sovereign guarantee of the Federal Government repayable to the Federal Government/lending agencies. As per terms of development loan, the loan is 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 (reference Finance Division sanction for placement of funds No. F.5(1)-CF.II/2012-2132 dated 19th December, 2012). Similarly, re-lent loans from international agencies, i.e. World Bank, International Bank for Reconstruction & Development (IBRD), Asian Development Bank, Japan Bank for International Cooperation, China Exim Bank, etc. are repayable along with commitment charges and interest at various rates as per loan agreements (ranging from 11% to 17%).

Audit observed that:

- NHA had been receiving cash development loan since its establishment in 1991 and a sum of Rs 325,945.21 million had been received up to June 2012. An interest of Rs 186,831.16 million had been accrued up to November 2012 as per statement provided by NHA.
- Moreover, a sum of Rs 134,905.94 million as principal amount of foreign loans had been withdrawn by NHA from loan accounts and interest amounting to Rs 77,969.78 million was also repayable up to 30th June, 2012.
- Not a single penny had been repaid by NHA on account of principal and interest amount having total liabilities of Rs 512,776.37 million against Cash Development Loan and Rs 212,875.71 million against foreign re-lent loans.
- No provision was being made in the annual budget for debt servicing which was a violation of NHA Code.
- It is worth mentioning here that even maintenance needs were not being met by NHA from its Road Maintenance Account as evident from draft Annual Maintenance Plan 2011-12 where most of the funds available were utilized to clear the liabilities/commitments of previous years for Rs 7,520.44 million. During 2012-13, Rs 26,000 million were assessed to

meet the maintenance needs/requirement of national highways. However, keeping in view the availability of resources Annual Maintenance Plan for Rs 17,314 million was prepared. Out of which a sum of Rs 1,538 million was kept to clear previous years' liabilities. An analysis of maintenance needs and resource generation prepared on the basis of information contained in Annual Maintenance Plans is as under:

(Rs in million)

Year	Maintenance Requirement/ Assessment	Estimated Resources incl. GoP maintenance grant	Estimated revenue receipts ROW, Toll	Annual Maintenance Plan	Provision for Liabilities to be cleared	Shortfall of resources needs
2009-10	13,000	13,000	11,240	13,000	-	-
2010-11	25,091	20,066	13,400	19,759	2,000	5,332
2011-12	13,314	23,964	13,040	13,314	7,520	-
2012-13	26,000	17,314	15,000	17,000	1,538	9,000

This state of affairs indicated that NHA failed to explore ways and means for generation of additional funds for smooth operations and to meet requirements.

Audit holds that non-repayment of cash development loans/re-lent loans not only puts strains on financial resources of the Government but also affects the development priorities adversely besides credentials of the Authority. It also reflected overall poor performance of NHA as an Authority.

Audit pointed out the issue in April 2013. The Authority did not respond to the audit observation.

Audit stresses that appropriate measures be taken.

(Obs. No. 22)

Internal Control Weaknesses

4.4.36 Unauthentic receipt of Rs 60.16 million and less recovery of Right of Way (ROW) rental and restoration charges - Rs 98.49 million

As per Para 6(1) of Chapter-VII of Regulatory Framework and Standard Operating Procedures for Preservation and Commercialization of Right of Way, the Government /non-government agency shall submit an application to the office of General Manager (Operations)/(Region) or Corridor Management Contractor (CMC) for NOC to lay utilities lines, etc along with Layout plan and the details such as geometric layout, topographic details, cross sectional details, technical information, duly verified by concerned representative of company and Deputy Director(Maintenance). As per Para 13, on completion of work the utility department will submit As-built drawing in triplicate and completion certificate to the Deputy Director (Maintenance) or CMC.

The rates shall be changed with the approval of the Board. These rates will also be applicable to the existing utilities in ROW. All payment will be made in favour of NHA RM Account, Islamabad through bank draft/pay order.

As per Typical Offer Letter for grant of NOC (Appendix-X as provided in NHA Code Volume –II) “Reinstatement charges amounting to Rs..... as per estimate attached shall be deposited in favor of NHA RM Account, Islamabad. Departmental charges @ 45% of the estimate amounting to Rs to be deposited in favor of NHA RM Account, Islamabad.”

4.4.36.1 During test check of case files regarding grant of NOC for laying optical fiber, Audit observed that M/s Link Direct was granted an NOC for laying of Optical Fiber Cable between Dhadar-Quetta Lachi Section on 20th December, 2011 for a period of five years from 8th December, 2011 to 7th December, 2016. M/s Link Direct paid Rs 37.21 million.

Audit scrutiny of the above case file indicated that:

1. M/s Link Direct applied for NOC for laying of Optical Fiber Cable along National Highway Dhadar-Quetta Section from KM 257 to 385 in February 2007. The Deputy Director Maintenance Sibi issued Offer Letter for processing of NOC to M/s Link Direct on 16th March, 2007. The estimate of restoration charges for Rs 46.06 million was prepared and amount was demanded by NHA from the Company. As the NOC was approved in December 2011, the estimate was required to be revised as per current market/NHA Scheduled rates and recovery was to be made from the licensee accordingly. Audit observed that recovery of road restoration charges was made for Rs 20.71 million instead of updating the charges at enhanced rates. Recoverable dues on this account were Rs 92.12 million (By taking approximate 100% increase on estimate of Rs 46.06 million prepared in the year 2007 with the rates in the year 2011). This resulted in less recovery of Rs 71.41 million (92.12- 20.71).
2. Layout Plan, As-built Drawing and certificate of completion of work with completion cost were not available on record.
3. The amount of Rs 37.21 million was received by NHA through cheques instead of Demand Drafts/Pay Orders in violation of provisions of NHA Code referred above. The account of receipt in the RM Account of NHA was also not forthcoming from the record. The receipt of Rs 37.21 million was, therefore, held unauthentic.
4. As per Deputy Director Maintenance Sibi-I, Offer Letter referred above, the amount demanded on the rates of 2007 under the head rental charges was Rs 23.53 million. As per revised rates of 2009 the recovery of Rs 32.60 million was due. As per revised rates an amount of Rs 14.70 million was paid by M/s Link Direct instead of required 32.60 million. This resulted in less recovery of rental charges for Rs 17.90 million.

Audit maintains that violations of NHA Code and less recovery was due to weak implementation of financial controls.

(Obs. No. 14)

4.4.36.2 During test check of case files regarding grant of NOC for laying optical fiber, Audit observed that M/s Multinet Pakistan was granted an NOC for laying of Optical Fiber Cable between Peshawar Lachi Section on 1st March, 2008 for a period of one year from 28th February, 2008 to 27th February, 2009 and following charges were received:

S. No.	Description	Amount (Rs)
1.	Restoration Charges	22,948,567
2.	Special rent for crossing Bridges	2,300,000
3.	NOC Registration Fee	50,000
4.	Line Rental Charges	980,000
5.	Supervisory charges	180,000
Total		26,458,567

Audit scrutiny of the above case file indicated that:

1. The estimate of restoration charges for Rs 22.95 million was prepared by NHA in July 2006 whereas NOC was granted in March 2008. The estimate was required to be revised as per current market/NHA Schedule of Rates and recovery was to be made from the licensee accordingly. Audit observed that recovery of road restoration charges at original estimated rates resulted in less recovery of Rs 9.18 million (40% of Rs 22.95 million).
2. As per Deputy Director Maintenance Peshawar letter dated 16th June, 2007 the demand draft was returned and M/s Multinet was asked to deposit the amount of restoration charges in the name of General Manager, Khyber Pakhtunkhwa, NHA instead of RMA NHA. Audit holds that the action was against the provisions of NHA Code. No further record regarding receipt of the amount and credit into NHA Receipt Account was

forthcoming. The receipt of Rs 22.95 million was, therefore, held unauthentic.

3. As-built drawing and certificate of completion of work with completion cost were not available on record.

Audit pointed out the irregularity/less recovery in April 2013. The Authority did not respond to the audit observation.

Audit requires verification of deposit of restoration charges and recovery of restoration charges at the revised estimated rates of March 2008 besides appropriate action against the responsible persons.

(Obs. No. 15)

4.4.37 Unauthorized/irregular processing of receipt vouchers worth billions of rupees

As per Chapter 08 of NHA Financial Manual, receipt voucher will be prepared to record the receipts and collections in the relevant cash and bank accounts.

Audit observed that the receipt vouchers were not being checked by the Deputy Director (Accounts) and being accounted for without approval of Director Revenue.

Audit pointed out the irregularity in April 2013. The Authority did not respond to the audit observation.

Audit stresses for adoption of appropriate measures to streamline the accounting of revenue.

(Obs. No. 13)

4.4.38 Non-execution of agreement with licensees

As per Rule 6 of Chapter IV of Regulatory framework and Standard Operating Procedures for Preservation and Commercialization of Right of Way (NHA Code Volume-II, 2005), the RAMD shall issue the No Objection Certificate and sign the lease or license agreement with

intimation to General Manager, Regional or Corridor Management Contractor.

Audit observed that licence agreement for approach rental charges had not been executed with the users of Right of Way for approaches. Audit held that non-execution of licence agreement for use of Right of Way for approaches was against the public interest as absence of clear terms and conditions for use of ROW for approaches could cause legal implications in case of default by the ROW users and impediment in implementation of any future plans by the Authority. This also deprived the Government of its revenue in the shape of stamp duty.

Audit pointed out the irregularity in April 2013. The Authority did not respond to the audit observation.

Audit stresses for execution of agreements with the licensees.

(Obs. No. 2)

4.4.39 Improper maintenance of record

4.4.39.1 During audit it was observed that the case files of NOC/Approach rent charges were not being maintained properly in Operation Wing of NHA. Some files were examined on test basis and it was observed that reminders for recovery of dues were not being issued and noting and correspondence sides of these files were silent after issuance of NOC. The receipts and record i.e. Copies of Bank Drafts, Forwarding letters, Calculations of recoverables/due and realized, late payment surcharge, comments, notices of default, after issuance of NOC were not being made part of the files.

(Obs. No. 12)

4.4.39.2 As per Rule 07 of Chapter III (General Regulations, Provisions) of Regulatory Framework and Standard Operating Procedures for Preservation and Commercial Use of Right of Way (NHA Code Volume-II, 2005), a detailed asset inventory of roads, bridges and all facilities/amenities shall be developed either directly by NHA or jointly

with Corridor Management Contractor as the case may be. Rule 11 of NHA Road Maintenance Accounts Rules provides that Finance Wing of NHA shall maintain the Road Maintenance accounts using International Accounting Standards and Revenue & Accounts Section shall be responsible for keeping proper books of accounts (cash & bank books, ledgers, asset registers, etc).

During scrutiny of record, Audit observed the following:

1. Asset Registers were not being maintained.
2. Bank Books, Journal Book, General Ledgers, Subsidiary Ledgers were not being maintained.
3. Trial Balance did not show detailed classification of rental income.
4. Detailed asset inventory of roads, bridges and all facilities/amenities along with value thereof had not been developed/maintained.
5. The inventories list showing all the amenities like filling/CNG stations, hotels/restaurants, khokhas, kiosks, nurseries, orchards, motels, hoardings/advertisement boards, PTCL cables like OFC, Co-axial cables and other communication Cables/networks, sui gas, high transmission and local distribution networks, etc had not been maintained.
6. Head-wise register of lease or ground rental charges had not been maintained.

In absence of above record the accuracy and correctness of transactions could not be ascertained. Financial Management of RMA, therefore, could not be considered satisfactory. In the absence of detailed classification of rental income, the income under CNG/Filling stations, Amenities on Right of Way, their total inventory, outstanding dues against each were not being reported.

Audit held that improper financial management was causing revenue pilferage.

Audit pointed out the irregularity in April 2013. The Authority replied in December 2013 that assets registers, proper books of accounts, detailed account of rental income and ROW inventory had been maintained. The reply was not acceptable as the record being maintained by NHA did not contain detailed classification of rental income, the income under CNG/Filling stations, amenities on Right of Way, their total inventory, outstanding dues against each. Details of all tangible fixed assets duly reconciled with control accounts maintained in the General Ledger were not provided in support of reply.

Audit stresses for adoption of appropriate measures to streamline the accounting of revenue.

(Obs. No. 4, 8)

4.4.40 Non-conducting Internal Audit of RMA

As per Para 11 (h) (ii) of Chapter 11 of NHA Code (Volume-I), Contract-based revenue collection arrangements shall be pursued to the extent possible and such arrangements shall include an effective internal control system and regular internal audit for verifying amounts collected and for resolving any dispute between the NHA and its collecting agents and any other concerned party.

During audit of the RMA, Audit observed that internal audit of RMA had not been conducted for last three years i.e. 2009-10, 2010-11 and 2011-12. Audit held that non-conducting internal audit was indicative of the fact that effective internal control system for verification of revenue collected was not in place.

Audit pointed out the issue in April 2013. The Authority did not respond to the audit observation.

Audit stresses for regular internal audit.

(Obs. No. 23)

4.4.41 Non-mutation of Right of Way land on national highways in the name of NHA

As per Para 10 of Chapter I of Regulatory Framework and Standard Operating Procedures for Preservation and Commercialization of Right of Way (NHA Code Volume-II, 2005), National Highway Authority Act 1991 as amended in 2001, Section 10(2) (vii), (viii), (ix), (xiii) and (xv) empowers NHA to benefit from the commercial use of roads and bridges entrusted to it. Traditionally NHA has been collecting tolls on some of the road bridges, while the Provincial Communication and Works departments continued to collect tolls on bridges on the existing carriageways and collection of approach rental/lease charges from petrol pumps etc. up to 30th July, 1999. On 20th July, 1999 the Federal Government directed the Provincial Governments that the rights to collect all tolls on the national highways wherever presently being exercised by the Provincial Governments, will henceforth stand transferred to the Federal Government/NHA of the Ministry of Communications under Section 10(2)(vii) of NHA Act, 1991.

Section 10(2)(xv) of NHA Act, 1991 as amended in 2001, authorizes the NHA, to takeover Right of Way (ROW) of the roads declared as National Highways with the consent of provinces and approval of the Federal Cabinet and Provinces shall simultaneously effect the mutation free of cost and without any liability or condition. Pursuant to Federal Cabinet decision made in its meeting held 3rd October, 2001, the government of Punjab has agreed on 19th January, 2002 to transfer the Right of Way (ROW) of national highways as per following terms and conditions:

“The Government of the Punjab shall effect mutation in the name of NHA, free of cost and without encumbrance as laid down in the NHA Act, 1991. From the date of such mutation, NHA shall be entitled to exercise all such rights and privileges as are being exercised by Communication and Works Department, Govt. of the Punjab. In exercise of such rights and privileges, the NHA shall not be required to seek any prior approval of the government of Punjab. In the event, there being any difficulty in exercise of such

rights the Government of Punjab shall take such acts and measures as may be suggested by NHA”.

The mutation of land within ROW shall be effected on the same principle as given above in other provinces i.e. Khyber Pakhtunkhwa, Balochistan, Sindh, and Northern Areas (Gilgit-Baltistan).

Based on a principle that when NHA is responsible for development and maintenance of the national highway network, it was imperative that all the benefits accruing from the national highways commercial use should belong to the NHA. Under the NHA Act 1991, NHA levied tolls on 71 locations on national highways and motorways and commenced the commercial use of ROW by collecting ground rental charges from newly established Filling/CNG stations and other amenities from 20th July 1999.

The policy guidelines for tolls and commercial use of ROW were approved by NHA Executive Board in its 92nd meeting dated 15th March, 2000 as an interim measures till the final approval and constituted a committee to finalize the policy for Tolling & Preservation/Commercial use of ROW.

On the recommendations of above referred committee, the National Highways and Strategic Roads (Control) Rules 1998 as amended in 2002 were approved in 104th NHA Executive Board meeting held on 29th May, 2002 to enable NHA to implement its policy for Preservation/Commercial use of ROW regarding establishment of filling/CNG stations, hotels/motels, restaurants, nurseries, factories, shops, khokhas, kiosks, hoarding boards, utility lines etc. besides strict control on ribbon development and removal of encroachments.

Audit observed that exercise of mutation of national highway/NHA land had not been carried out in the light of NHA Act as no record showing the status of mutation was provided to Audit.

Audit held that non-mutation of land not only put the NHA asset on risk but also impeded legal action against the defaulters of NHA revenues and encroachers of state land.

Audit pointed out the issue in April 2013. The Authority did not respond to the audit observation.

Audit recommends that appropriate corrective action be taken.

(Obs. No. 3)

4.4.42 Unauthorized withdrawal of RMA funds for bridge financing - Rs 4,534.48 million

As per Rule 09(3) of NHA Road Maintenance Account Rules, 2003, the Roads Maintenance Account resources shall not be withdrawn to bridge finance non-eligible expenditures or be allocated or re-appropriated for the development projects and capital works.

A scrutiny of Trial Balance of RMA for the year 2011-12 disclosed that an amount of Rs 4,534.48 million was transferred from RMA to Development Projects as bridge financing. Audit held that transfer of funds from RMA to Development Projects in violation of laid down rules was due to weak implementation of financial controls. Utilization of funds meant purely for maintenance of existing road network for the purpose of new project was not only a violation of rules but also leaves the road network on the mercy of circumstances for deterioration due to non-availability of funds for maintenance.

Audit pointed out the irregularity in April 2013. The Authority did not respond to the audit observation.

Audit recommends to take early corrective action besides appropriate action against the responsables.

(Obs. No. 9)

4.4.43 Improper working of Road Asset Management Division, NHA

During audit of Operation Wing NHA Audit observed the following:

1. No Director Revenue was working in the Operation Wing, NHA as provided in NHA code. The functions of accountal of receipts, maintenance of cash books, bank statements, etc. were

being performed through General Manager Finance as a part time arrangement. Director Revenue is responsible as per NHA Code to ensure that operations of RMA are in conformity with existing policies and regulations and funds were withdrawn for financing eligible expenditures only. Processing payments cleared from RAMD, keep record of disbursements, RMA cash and bankbooks, bridges and asset registers and maintain records of all disbursements from RMA. In the absence of Director Revenue and three Deputy Directors the financial management of Operation Wing was suffering badly. No asset registers were being prepared. Track record of receipts of each licensee was not available.

2. Handling the accident data collection, accident report compilation and analysis of the accident data. Apply and develop the methodology on identifying and analyzing of accident black spots and, based on the analysis, plan and design safety improvements to be considered for inclusion in the Annual Maintenance Plan. Arrange and organize detailed additional safety surveys as necessary in order to investigate and confirm reasons for accidents were important functions of Operation Wing which were not being performed.
3. Handling data analysis and report generation, data backup in the form of CDs & zip tapes for keeping the existing pavement management system operational besides operating and updating the existing data bank of NHA and data representation in the form of AutoCAD's maps and other computer software was not being done.
4. Against sanctioned strength of 43 officers, only 13 officers are posted in Operation Wing and out of which 05 are on contract. This state of affairs clearly showed the level of interest of the Authority towards improvement of its revenue stream.
5. There was no mechanism, statistics, assessment of preparing estimated revenue receipts in the Annual Maintenance Plan of National Highway Authority.

From the above, it was established that the internal controls of Operation Wing were not in line with the provisions of NHA Code and this is why NHA was not able to discover and achieve its revenue targets. RMA deficit was increasing. NHA had not been able to repay its obligatory loan and interest accrued thereupon despite having tremendous revenue opportunities/sources.

Audit pointed out the matter in April 2013. The Authority did not respond to the audit observation.

Audit stresses for early implementation of NHA Code regarding RAMD.

(Obs. No. 16)

4.4.44 Mis-management in auditor's contract execution and conducting Technical Audit

As per Para 2.1(d) of Appendix-B of NHA Code Volume II the GM (Operation) shall ensure execution of Technical and Financial audit for Road Maintenance Account.

Audit observed that Technical Audit of Road Maintenance Account (RMA) had not been carried out from 2009-10 onwards. Financial Audit Reports for the years 2009-10, 2010-11 and 2011-12 disclosed that the Auditors gave "Qualified Opinion" on the Accounts on the issue of non-availability of adequate records of free hold land, non-availability of under-laying records in respect of toll income, income from weigh stations, police fines and rental income as well as non-disclosure of contingencies and commitments.

The terms of reference of auditors as per NHA Code also included to visit selected toll collection sites and ascertain the effectiveness of internal control procedures adopted by the contractors for collecting the toll, banking the amounts, reporting, and quality of staff employed; Obtain independent written confirmation from all revenue collecting contractors regarding the total amount collected by them and net amount deposited in the RMA during the financial year and report any un-reconciled item.

These important aspects had not been catered for while assigning/ appointment of auditors. Moreover, the auditor's opinion/observations/ recommendations had neither been responded nor implemented so far.

From the above, it was clear that the provisions of NHA Code had not been implemented in letter and spirit. The violation was due to weakness of financial and managerial controls.

Audit pointed out the matter in April 2013. The Authority did not respond to the audit observation.

Audit requires early preparation of record and its production to Audit for verification, implementation of provisions of NHA Code besides appropriate action against the responsables.

(Obs. No. 18)

4.4.45 Unauthorized opening and maintenance of Road Maintenance Account

As per Para 6.1 of Chapter 6 of Standard Operating Procedures for Road Maintenance Account (NHA Code Volume-II, 2005), a dedicated account titled as "Road Maintenance Account (RMA)" shall be opened, maintained and operated by NHA Head Office at Islamabad in a scheduled bank. Regional Headquarters of NHA shall maintain a separate/dedicated RMA sub-accounts, in a branch of the same scheduled bank of Pakistan at their respective Regional Headquarter locations.

During scrutiny of record of RAMD, NHA HQ, Audit observed that four bank accounts in various branches of three banks i.e. UBL, MCB and ABL had been opened for Road Maintenance Account revenue.

Audit observed that:

1. As per NHA Code, one bank account was required to be opened for the operations of RMA, whereas NHA had opened four bank accounts at Headquarters.
2. As per NHA Code, Regional Offices were also required to open a bank account with the same bank as at Headquarters,

whereas Regional Offices were maintaining different bank account with different banks which was a violation of SOP for RMA. In this way, revenue at regional level passes from unnecessary channels before its final credit into RMA at NHA Headquarters.

3. There were instances where money was transferred from saving account (UBL) to current account in June and thereafter again transferred to saving account without any necessity/justification resulting in losing the profit.

Audit was of the view that multiple bank accounts for one operation have multiple implications e.g. difficulty in reconciliation, enhanced record keeping, decision making for distribution of transactions between different accounts, less returns on deposits due to split of deposits, etc. Audit held that opening of more than one bank account for the operations of Road Maintenance Account was a violation of NHA Code.

Audit pointed out the irregularity in April 2013. The Authority did not respond to the audit observation.

Audit recommends that appropriate corrective action be taken to make NHA viable through effective revenue management.

(Obs. No. 7)

CHAPTER 5

PAKISTAN PUBLIC WORKS DEPARTMENT AND ESTATE OFFICE (MINISTRY OF HOUSING & WORKS)

5.1 Introduction

Pakistan Public Works Department

Pakistan Public Works Department (Pak. PWD) is an attached Department of the Ministry of Housing and Works. The Department is responsible for construction and maintenance works (Buildings and Roads) of the Federal Government. It is headed by a Director General. The Director General is assisted by a Chief Administrative Officer who deals with administrative matters. There are four Chief Engineers for North, South, West and Central Zones in the country. They are assisted by Superintending Engineers and Executive Engineers / Assistant Executive Engineers. The matters relating to planning are looked after by the Chief Engineer (Planning). The accounts of the Pak. PWD are departmentalized. The budget and accounts matters are dealt with by the Director, Budget and Accounts. Appropriation Account and Finance Accounts are prepared annually by Director, Budget and Accounts. Divisional office is the basic accounting unit of the Department and is headed by Executive Engineer. All payments relating to work done and supplies are made in the Divisional office.

Detailed estimates are prepared at the sub-divisional level and technically sanctioned by the Executive Engineers, Superintending Engineers or the Chief Engineers according to their competency. Pre-audit is carried out by the Divisional Accounts Officer on behalf of the Director, Budget and Accounts who is responsible for maintaining the Accounts of the Department. Divisional Accounts Officer is also co-signatory of the cheques with the Executive Engineer.

Estate Office

Estate Offices situated at Islamabad, Lahore, Karachi, Quetta and Peshawar are under the administrative control of the Ministry of Housing & 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. 47 relates to Estate Offices.

5.2 Comments on Budget and Accounts (Variance Analysis)

Three Federal Grants 46-Civil Works, 48-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 2012-13 in respect of Pakistan Public Works Department:

(Rs in million)

Type of Funds/Grants	Final Grant	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development				
46-Civil Works	2,904.89	2,910.50	5.61	0.19
48-Federal Lodges	59.84	66.95	7.11	11.88
Sub-Total	2,964.73	2,977.45	12.72	0.43
Development				
146-Capital Outlay on Civil Works	11,924.93	6,375.71	(5,549.22)	(46.53)
Grand Total	14,889.66	9,353.16	(5,536.50)	(37.18)

The total budget allocation for the year 2012-13 in non-development and development grants was Rs 14,889.66 million against which an expenditure of Rs 9,353.16 million was incurred. There was a saving of Rs 5,536.50 million representing 37.18% of total budget

allocation. The main reason for saving was less utilization/grant and withholding of development funds. Furthermore, Supplementary Grant of Rs 67.64 million and surrender of Rs 432.19 million were made after cut-off date in violation of para 95 of General Financial Rules Vol-1 and para 2 (ii) & (iii) of Finance Division (Expenditure Wing) letter No.F-5(3) exp-III/2009 dated 10th April, 2010 and an amount of Rs 3,974.14 million was surrendered before cut-off date but was not taken into Appropriation Accounts which resulted in overstatement of the grants and decrease in savings.

People's Works Programme

(Rs in million)

Type of Funds/Grants	Final Grant	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Peoples Works Programme-I	1,590.96	1,503.82	(87.14)	(5.48)
Peoples Works Programme-II	20,946.49	14,919.80	(6,026.69)	(28.77)
Total	22,537.45	16,423.62	(6113.83)	(27.13)

The total budget allocation for the year 2012-13 in People's Works Programme was Rs 22,537.45 million against which an expenditure of Rs 16,423.62 million was incurred. There was a saving of Rs 6,113.83 million representing 27.13% of total budget allocation.

During audit it was found that:

- In Grant No. 46-Civil Works, original allocation for the Financial Year 2012-13 was Rs 2,410.65 million. The department had taken a supplementary grant of Rs 494.23 million which was 20.50 % of the original grant. The final grant came to Rs 2,904.89 million against which actual expenditure incurred was Rs 2,910.50 million. There was an excess of Rs 5.61 million which was 0.19% of the final grant. Incurring of extra expenditure tantamount to unauthorized expenditure and

was a violation of Para 5(b) of System of Financial Control and Budgeting.

- In Grant No. 48-Federal Lodges, original/final allocation for the Financial Year 2012-13 was Rs 59.84 million against which actual expenditure incurred was Rs 66.95 million. There was an excess of Rs 7.11 million representing 11.88% of the final grant.
- In Grant No. 146-Capital Outlay on civil works, original allocation was Rs 2,808.87 million during Financial Year 2012-13. There was a supplementary grant of Rs 9,116.06 million. The Final Grant/Appropriation came to Rs 11,924.93 million against which an expenditure of Rs 6,375.91 million was incurred which constituted the 53.47% of the final grant. There was a saving of Rs 5,549.02 million that was 46.53% of the Final Grant.
- The budget allocation for the year 2012-13 in Peoples Works Programme-1 was Rs 1,590.96 million against which an expenditure of Rs 1,503.82 million was incurred. There was a saving of Rs 87.14 million representing 5.48% of total budget allocation.
- The budget allocation for the year 2012-13 in People's Works Programme-II was Rs 20,946.49 million against which an expenditure of Rs 14,919.79 million was incurred. There was a saving of Rs 6,026.69 million representing 28.77% of total budget allocation.
- Further, in some cases budgetary grant of People's Works Programme-II (PWP-II) and PSDP of other Ministries kept in PLA-III (Non-Lapsable) whereas according to PLA scheme these grants were required to be kept in PLA-I (Lapsable). This was a violation of PLA scheme.
- Pak. PWD paid an amount of Rs 5,975.22 million to M/s NLC through cheques. Later on the cheques amounting to Rs 3,675.00 million were not cleared by the Federal Treasury

Office on the direction of the Department. The amount was paid on the basis of an MOU with M/s NLC without any formal contract agreement/execution and measurement of work. Funds within Government organizations are required to be transferred through Technical Supplementary Grant. No appropriated funds can be transferred to an organization having no accounting ID in the Government. The booking of expenditure in Pak. PWD accounts without any actual measurement of work done merely to transfer the funds from Pak. PWD to M/s NLC caused overstatement in the expenditure of Pak. PWD by Rs 2,300.92 million.

- Above variance analysis showed that department incurred excess expenditure than the available grants on non-development expenditure and on the other side development grants were utilized lesser than the available budget resulting in delay in transfer of inherent benefits to the public.

Receipt and collection of Non-Tax Receipts

(Rs in million)

Head of Account	Actual Receipts 2011-12	Actual Receipts 2012-13
Other Miscellaneous	303.83	487.79
Rent of the Building	39.78	70.95
Total	343.61	558.74

During audit it was found that:

- As per original budget for 2012-13, miscellaneous receipts were estimated for Rs 343.32 million against which Rs 487.79 million was collected by Director Budget and Accounts (DBA), Pak. PWD, representing 42.08% higher than the budgeted receipt. Similarly building rent recovery of Rs 44.95 million was estimated in the budget 2012-13 against which an amount of Rs 70.95 million was collected by the DBA which was 57.84 % higher than the budgeted receipt. Above state of

affair indicated that targets of receipts collection were not determined properly.

- The Finance Account prepared by the Department does not have the details of departmental charges leviable @ 8% of works outlay. During the year 2012-13 Department has shown a receipt of Rs 58,496 million and a payment of Rs 49,923 million on account of Deposit Works. The departmental charges for Rs 3,994 million were not accounted for in the accounts.

Estate Office

Budget allocation and expenditure of Estate Offices for the year 2012-13 is tabulated below:

(Rs in million)

Original Grant	Re-appropriation	Final Grant	Expenditure	Excess
180.50	(76.58)	103.92	109.16	5.24

Original budget allocation for the year 2012-13 was Rs 180.50 million. Funds of Rs 76.58 million were re-appropriated from the grant and the final grant was reduced to Rs 103.92 million. Against this an expenditure of Rs 109.16 million was incurred resulting into excess expenditure of Rs 5.24 million which is 5.04 % of final grant.

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

Compliance position of PAC's directives on Audit Reports relating to Pakistan Public Works Department/Estate Offices as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
1985-86	06	06	01	05	16.67
1986-87	02	02	01	01	50.0
1987-88	09	09	01	08	11.11
	1 SAR	1 SAR	-	1 SAR	-
1988-89	1 PAR	1 PAR	01	-	100
1989-90	37	37	15	22	40.54
1990-91	17	17	15	2	88.24
	1 PAR	1 PAR	-	1 PAR	-
1991-92	63	63	15	48	23.81
	1 PAR	1 PAR	-	1 PAR	-
1992-93	50	50	45	05	88.23
	1 PAR	1 PAR	-	1 PAR	-
1993-94	64	64	31	33	48.44
1994-95	24	24	15	09	62.5
1995-96	24	24	15	09	62.5
1996-97	69	69	23	46	33.33
1997-98	176	176	128	48	72.72
	1 SAR	35	33	02	94.29
1999-2000	106	106	66	40	62.26
2000-01	60	60	47	13	78.33
2001-02	32	32	28	04	87.5
2004-05	18	18	07	11	38.89
2005-06	38	38	19	19	50.00
2006-07	45	45	16	29	35.55
2008-09	29	29	22	07	75.86

Note: Audit Reports for 1998-99, 2002-03, 2003-04, 2007-08, 2009-10, 2010-11, 2011-12 and 2013-14 have not been discussed by PAC till the finalization of this report. SAR stands for Special Audit Report and PAR for Performance Audit Report.

5.4 AUDIT PARAS

Fraud/Misappropriations

5.4.1 Violation of the Honourable Supreme Court of Pakistan Order/Judgment - Rs 131.46 million

According to orders of the Honourable Supreme Court of Pakistan in a Constitutional Petition No. 20 of 2013 (Action against distribution of development funds by Ex-Prime Minister of Pakistan namely Raja Pervez Ashraf) dated 19th April, 2013, the Accountant General Pakistan Revenues (AGPR) was to ensure that pending decision of the filed petition, no further funds shall be released to the executing agencies under the PWP-II and compliance to this effect will be submitted by the AGPR to the Honourable Supreme Court within three days.

The executing agencies to whom the works have been assigned under the PWP-II were also required not to execute the schemes any further subsequent to passing of the orders by the Honourable Supreme Court of Pakistan in the said case.

5.4.1.1 Audit noted that Executive Engineer Central Civil Division-IV, Pak. PWD Islamabad issued eleven (11) cheques amounting to Rs 127.07 million to eight (8) different contractors on 19th April, 2013 on account of work done against twelve (12) schemes of PWP-II for the year 2012-13 (**Annexure-B**) in violation of the orders/judgment passed by the Honourable Supreme Court of Pakistan on 19th April, 2013.

Audit observed that these cheques were cancelled by the Executive Engineer on 6th May, 2013. The successor Executive Engineer, however, withdrew the cancellation of cheques on 31st May, 2013. The entire process of issuance of cheques in violation of the Honourable Supreme Court of Pakistan's orders, cancellation and subsequent re-validation was manipulative and tantamounts to collusive and corrupt actions on part of the department.

(Para 1 (SAR), CCD-IV, Islamabad)

5.4.1.2 Audit noted that Executive Engineer, CCD, Larkana issued twenty-nine (29) cheques numbering B-864521-864548 & 864550 on 19th April, 2013 valuing Rs 33.08 million to various contractors on account of work done against several schemes of PWP-II for the year 2012-13.

Audit observed that out of 29 cheques, 26 cheques amounting to Rs 28.69 million were cancelled by the Divisional Officer while three (03) cheques for Rs 4.39 million were not cancelled.

Issuance of cheques in violation of the Honourable Supreme Court of Pakistan's orders and cancellation of 26 out of 29 was manipulative and tantamounts to collusive and corrupt practices on part of the departmental officers.

The matter was discussed in the DAC meeting held on 3rd October, 2013. The Director General, Pak. PWD informed that accused Executive Engineers had been suspended and the matter was under investigation in FIA. It was further shared by D.G. Pak. PWD with the DAC that on 19th April, 2013, Mr. Khalid Qureshi Executive Engineer was not even an authorized signatory. The Principal Accounting Officer expressed his displeasure on delay in finalization of departmental proceedings against the accused in the Ministry and directed that the same be finalized immediately which would be reviewed in next DAC meeting.

The compliance of DAC's directive was not conveyed to Audit till the finalization of this report. Audit stance had further been strengthened as one of the contractors M/s Allied Aids had returned an uncashed cheque amounting to Rs 24,300,879 bearing No. B853594 dated 19th April, 2013 to Director General, National Accountability Bureau (NAB), Rawalpindi on 14th October, 2013 after the start of inquiry proceedings by NAB. This proved that the payment was made against a work which was not physically executed.

Audit stresses that a detailed inquiry be conducted to identify the culprits and fix responsibility.

(DP. 111)

5.4.2 Bid tampering to enhance the offered rates - Rs 74.35 million

Rule 31(1) of Public Procurement Rules, 2004 provides that no bidder shall be allowed to alter or modify his bid after the bids have been opened, however, the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid

5.4.2.1 Audit noted that Executive Engineer CCD-IV, Pak. PWD Islamabad opened a tender for a work construction of PCC Road, Dhatta Kot, Union Council Dalwal to Karyala, District Chakwal in which rates quoted originally by the first lowest bidder M/s Basco Construction for earth & concrete work was 4.95% above the estimated cost put to tender. The bid was subsequently tampered and enhanced to 14.95% above the tendered estimate (NIT). It is further added that the bid amount was not quoted by the bidder in words. After enhancement of bid percentage from 4.95% to 14.95%, the amount was written in words later using a different pen/ink. Enhancement of rates resulted into irregular award of work on the basis of defective, manipulated and tampered tendering. It was also noted that 5% rate above the tendered estimates was quoted by the same contractor for another work of similar nature on the same date which was opened by the same Executive Engineer. Bid tampering resulted in loss to the public exchequer for Rs 59.57 million.

Audit holds that bid tampering and manipulation of the award process was a serious violation caused by non-adherence to Public Procurement Rules and non-observing of internal controls.

The matter was discussed in the DAC meeting held on 3rd October, 2013. The Director General Pak. PWD, while endorsing the stance of Audit, admitted the irregularity. The PAO directed D.G. Pak. PWD that if the irregularity was established, the accused be suspended immediately. The Chair further directed D.G. Pak. PWD to look into the matter, fix responsibility and take action within 15 days with a report to the Ministry as well as Audit. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses compliance of the DAC's directive.

(Para 4(SAR), CCD-IV, Islamabad)

5.4.2.2 Audit noted that Executive Engineer CCD-II, Pak. PWD, Lahore awarded a work "Construction of Metalled Road Kot Radha Kishan Road (Pajian bypass) to Gohar Jageer Via Khuddian and Usmanwala District Kasur Phase-I" (RD 00 to 8500) and Phase-II (RD 8500 to 190+000) at a bid cost of Rs 301.63 million and Rs 221.71 million vide Acceptance Letter dated 9th October, 2009.

Audit observed that the lowest bidder quoted rate of Rs 3,000 per %sft. for the item "Surface Dressing in three coats with bitumen 80/100 approved grade" against the estimated quantity of 1,530,000 sft and 1,927,800 sft. Consequently the total of the line item was Rs 45.90 million and Rs 57.83 million. The unit rate of Rs 3,000 %sft was tampered and over written as Rs 3,600 and total was re-entered as Rs 55.08 million and Rs 69.40 million with different ink. The amount of total bid was also altered from Rs 176.86 million to Rs 179.94 million and from Rs 180.19 million to Rs 182.55 million. Record further indicated that the rate for the said item was kept Rs 3,000 per % sft in the other component of a branch road of the said scheme. 14th running bill and 6th running bill of the phases showed that quantity of Surface Dressing was executed for 535,200 sft and Rs 1.93 million paid with tampered rate of Rs 3,600 %sft instead of the original rate of Rs 3,000 per %sft. The excess rate of Rs 600 per %sft resulted in extra payment of Rs 3.21 million and Rs 11.57 million.

Audit holds that bid tampering and manipulation of award process was a serious violation caused by non-adherence to Public Procurement Rules and ineffective internal controls.

Audit pointed out irregularity in October 2013. The Department did not reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses investigation into the matter for fixing responsibility and recovery of loss, sustained by the Government as a result of tampering of bid rates.

(DP. 183)

5.4.3 Embezzlement of public money for non-existent and unexecuted works - Rs 84.13 million

According to Rule 23 of General Financial Rules (Volume-I), every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence at 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.

5.4.3.1 Audit noted that the Superintending Engineer, Central Civil Circle, Pak. PWD, Faisalabad inspected three sites in Depalpur, District Okara. Examination of Inspection Notes of the inspection team revealed that these works did not exist at site. Audit was of the opinion that these funds were embezzled by the Assistant Executive Engineer working as Executive Engineer (on current charge). A perusal of the incumbency statement for the period of July 2012 to April 2013 indicated that the Assistant Executive Engineer was holding the current charge of Executive Engineer of PCD, Sahiwal and holding the charge of Assistant Executive Engineer of 02 Sub-divisions during the period 26th October, 2011 to 22nd October, 2012.

Due to holding of multiple (field and supervisory) charges by the same officer and complete failure of internal controls the public money was embezzled to the tune of Rs 5.88 million.

The matter was discussed in the DAC meeting held on 3rd October, 2013. The Director General Pak. PWD admitted the embezzlement by the Divisional Officers and informed the DAC that the accused officer had been suspended and charge sheets have been served. The PAO directed

that disciplinary proceedings be finalized immediately for review in the next DAC meeting. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses that DAC's directive be implemented at the earliest.
(Para 7(SAR), CCD Sahiwal)

5.4.3.2 Audit noted that Executive Engineer, CCD-I, Lahore made payments of Rs 19.64 million for four works for 2011-12 (**Annexure-C**). Chief Engineer Central Zone, Lahore reported in his Inspection Note dated 18th November, 2012 that these works had not been found executed at site. Payment was made on fictitious measurements. This resulted in embezzlement of Rs 19.64 million.

Weak supervisory controls caused fictitious measurement and misappropriation of public money.

The matter was discussed in the DAC meeting held on 3rd October, 2013. The Director General Pak. PWD admitted the embezzlement by the concerned officers and informed that disciplinary action against Executive Engineer, Assistant Executive Engineer and Sub Engineer concerned had been initiated after suspending the accused. The PAO directed that the proceedings be finalized at the earliest to review the same in the next DAC meeting. The Chair further directed D.G. Pak. PWD to come up with latest status of relevant disciplinary cases in the next meeting. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses that DAC's directive be implemented at the earliest.
(Para 21 (SAR) CCD-I, Lahore)

5.4.3.3 The Executive Engineer, CCD, Jhang awarded schemes of PWP-II for 2012-13 to different contractors in which an item of work "Surface dressing in 3 coats with bitumen" was measured in the first week of March 2013 and paid on 14th March, 2013 to contractors for 2 schemes. This item was not executed at site as was evident from the Superintending Engineer

Central Civil Circle, Faisalabad Inspection Note dated 23rd April, 2013. Fictitious measurements resulted in embezzlement of public money amounting to Rs 2.91 million.

Weak supervisory controls caused fictitious measurement and misappropriation of public money.

The matter was discussed in the DAC meeting held on 3rd October, 2013. The Director General Pak. PWD admitted the irregularity by the concerned officers and informed that the defaulting officers/officials had been issued a stern warning for allowing advance payment without execution of works. The PAO directed D.G. Pak. PWD to conduct inquiry and fix responsibility against the responsible and intimate the compliance in the next DAC meeting. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses that DAC's directive be implemented at the earliest.
(Para 19 (SAR) CCD Jhang)

5.4.3.4 Audit noted that Executive Engineer, CCD Faisalabad made payment for sign boards, soil (earth), bricks and brick soling but the same were not executed at site. The Superintending Engineer pointed out these glaring discrepancies during his inspection. Fictitious measurement resulted into embezzlement of public money amounting to Rs 0.92 million (**Annexure-D**).

The matter was discussed in the DAC meeting held on 3rd October, 2013. The Director General Pak. PWD informed that a detailed inquiry was in process and the loss so sustained would be recovered from the person responsible. The PAO directed D.G. Pak. PWD to conduct inquiry and fix responsibility against the responsible and intimate the compliance in next DAC meeting. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses that DAC's directive be implemented at the earliest.
(Para 15, 16 (SAR) CCD, Faisalabad)

5.4.3.5 Audit noted that Executive Engineer CCD, Multan awarded the work “Construction of metalled road, tuff pavers and culverts in various streets in UC-57, Jehangirabad, District Multan to a contractor at a cost of Rs 19.35 million.

Audit observed that during physical verification of record and site conducted by the Superintending Engineer, the earth embankment was found to be measured for 2 feet average thickness whereas at site embankment was hardly 9” thick. The work of soling was shown measured and paid for Rs 14.17 million against agreement provision of Rs 2.72 million. Soling was measured in excess of actual execution and old bricks were used for edging besides changing scope of work without approval of competent authority. This resulted into unauthentic measurement of work of Rs 19.35 million.

Audit pointed out irregularity in October 2013. The department did not reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses to recover the losses from the person (s) at fault and fixing of responsibility.

(DP. 377)

5.4.3.6 Audit noted that the Executive Engineer, CCD, Multan awarded the work, “Construction of Flood Protection Bund Shujaabad Branch (NA-151)” at agreement cost of Rs 13.01 million with starting date of 11th January, 2013 to be completed in three months.

Audit observed that the item of work “Making earthen embankment from borrow, etc.” was measured for 171,000 cft including compaction in 9” layers on 1st January, 2013 and was paid on 30th January, 2013. This was unjustified because earth was measured for 171,000 cft in one day which was not possible. This was substantiated from inspection notes of Superintending Engineer wherein the executed quantity of earth was reported as 35,000 cft. Thus the earth was excessively measured and

paid for by a quantity of 136,000 cft. Further, the construction of Flood Bund was undertaken without proper site survey.

Weak supervisory controls and contract management resulted in unauthentic payment of Rs 5.41 million.

Audit pointed out the unauthentic payment in October 2013. The department did not reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses to make good the loss from the person (s) at fault besides fixing responsibility.

(DP. 379)

5.4.3.7 Audit noted that Executive Engineer CCD-I, Pak. PWD, Lahore made payment to contractor for Rs 5.00 million and Rs 5.71 million in 1st & final bills for phase-I&II of a scheme “Construction of Boundary Wall, Swimming Pool and Car Parking at Convention Centre Manga Mandi”.

Audit observed that approval of TS Estimates, opening of tenders and award of work was done on the same date which created doubts about the transparency of the process. Phase-I was awarded on 8th May, 2012. Measurements indicated that entire work of Rs 5.00 million comprising boundary wall, swimming pool and car parking was completed on 15th May, 2012 just within five days. Phase-II was awarded on 1st June, 2012 and completed on 12th June, 2012. Total funds Rs 5.71 million were utilized within ten days. These methods of measurement and execution of work adopted by Executive Engineer rendered the work doubtful. Further, the work was done on private land instead of government owned land. Hence, the funds of Rs 13.77 million apparently served the interest of individuals rather than the public interest. Audit further observed that agreements in both the cases were not approved and signed contrary to the instructions of CE’s letter dated 1st June, 2012.

Thus all payments were made without agreements, contradictory to the Rule-44 of PPRA-2004 and CE's instructions dated 8th May, 2012 and 1st June, 2012. Even all dues including security deposits had been paid to the contractor but approval of formal agreements was not available on record.

Audit pointed out the irregularity in September 2013. The department replied that the matter was reported to the Chief Engineer (CZ) Pak. PWD, Lahore on 12th July, 2013 for action against the embezzlement. The same was awaited from the higher authorities. The reply was not satisfactory because criminal proceedings should have been initiated immediately on account of embezzlement of public funds for recovery and appropriate action was against the officials concerned.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses to recover the loss from the person (s) at fault besides fixing responsibility.

(DP. 94)

5.4.3.8 Audit noted that Executive Engineer PCD, Batkhela got executed various items for 1st Running Bill. It was further observed that while making payments the quantities were enhanced by inserting one hundred in already recorded figures of RDs. The length of 55 feet was enhanced to 155 (100+55) Rft. Tampering with the original entries in the measurement book resulted in fraudulent payment of Rs 8.66 million.

Weak supervisory controls caused tampering of record and fraudulent payment.

Audit pointed out fraudulent payment in July 2013. The department did not reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses to recover the loss from the person (s) at fault besides fixing responsibility.

(DP. 39)

5.4.3.9 Audit noted that Executive Engineer, CCD Gujranwala made payments for two works which were already completed by the same contractor through Provincial Highway Department. Award of work and allowing payment for already completed schemes/works resulted into bogus award of work for Rs 7.59 million and double payment of Rs 5.85 million.

Preparation of faulty/bogus estimates for works already executed at site by the Provincial Government and allowing payment for a duplicate work without getting NOC from provincial agencies tantamounts to misappropriation of public money.

Audit pointed out the matter in September 2013. The department replied that the case was under investigation with Anti-Corruption Gujranwala and FIA. The contractor had filed a suit in the court of law.

Audit held that public money was embezzled due to willful negligence by operational and supervisory officers, compromised oversight mechanism and non-performance of mandatory test checks and site inspections.

No DAC meeting could be convened despite best efforts by Audit.

Audit recommends to recover the loss from the person (s) at fault besides fixing responsibility.

(DP. 275)

5.4.4 Payment against already executed work - Rs 8.07 million

Para 6.09 of Pak. PWD Code states that a proper detailed estimate must be prepared for the sanction of the competent authority for each individual work proposed to be carried out. This sanction is known as the Technical Sanction to the estimate and must be obtained before the construction of work was commenced. It guarantees that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data. According to Ministry of Housing and Works, Government of Pakistan letter No.AA/2012-13/PWP-II/PP-55/AEA dated

14th November, 2012 regarding development schemes under Peoples Works Programme-II (PWP-II), Admin Approval of development schemes approved by the Departmental Development Working Party (DDWP) was accorded subject to production of operation and maintenance certificate and non-duplication certificate (that schemes of similar nature have not been/will not be undertaken under any other federal or provincial program in the same locality).

Audit noted that Executive Engineer Central Civil Division, Pak. PWD, Jhang awarded schemes of PWP-II for 2012-13 to contractors and as per Inspection Note of the Superintending Engineer 2 ½ feet depth and 25 feet width earth embankment was paid to the contractors on the soling of existing TST whereas the soling was already available at site which was not recorded and taken on the estimate. It showed that bogus estimates were prepared and got approved and payments for earth embankment was made to the contractors of these schemes.

Separate execution of earth work for already available earth was bogus which resulted in a bogus payment of Rs 8.07 million.

Weak supervisory controls caused bogus payment.

The matter was discussed in the DAC meeting held on 3rd October, 2013. The Director General Pak. PWD informed that detailed inspection was in process and recovery would be made accordingly. The PAO directed D.G. Pak. PWD to hold an inquiry into the matter and intimate the findings in the next DAC meeting. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(Para 22 (SAR) CCD Jhang)

5.4.5 Loss due to fictitious measurements - Rs 5.35 million and overpayment - Rs 1.48 million

As per instructions No. 6 & 8 contained in flyleaf of the Measurement Book, Sub-Divisional Officer is responsible for 50% test check of the measurements and Executive Engineer/Divisional Officer

shall apply 10% check of the measurement recorded in the MB and shall accept the responsibility of the bill as a whole. According to Para-209 (d) of CPWA Code all payment for work done or supplies are made on the basis of quantities recorded in the MB. It is incumbent upon the person taking measurements to record the quantities clearly and accurately. He would also work out and enter in the MB the figure for the contents or area column.

5.4.5.1 Audit noted that Executive Engineer, CCD Faisalabad (in two cases) paid items i.e. excavation, sub-base, base course, providing laying hot mix bituminous, concrete, etc. Inspection Notes of Superintending Engineer revealed that only carpeting was required at some places on the existing/functional road but the contractor was allowed and paid excavation from 12" to 15", sub-base up to 6" and base course up to 4". Similarly the contractor was required to execute 2-1/2" thick carpeting whereas at the site the thickness was only executed from 1/2" to 2". It was also noted that no mandatory test checks were exercised by the Executive Engineers.

Weak supervisory controls caused fictitious and bogus measurements resulting into an overpayment of Rs 5.35 million (**Annexure-E**).

The matter was discussed in the DAC meeting held on 3rd October, 2013. The Director General Pak. PWD conceded that the irregularity was committed and recovery would be effected from responsible individual (s). The PAO directed D.G. Pak. PWD to take disciplinary action against the person(s) responsible and effect recovery from them immediately. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(Para 13, 14 (SAR) CCD, Faisalabad)

5.4.5.2 Tenders for work "Construction of Metalled Road from Manawala Safdarabad Road to Shahkot" was approved by Chief Engineer at a cost of

Rs 9.29 million vide letter dated 21st November, 2012 under PWP-I. In this letter Chief Engineer directed that no excess over quantities given in BOQ shall be allowed and no extra/substitute item should be executed. Further the Superintending Engineer/Executive Engineer should verify that there is no duplication of execution/measurement by any other agency. Divisional Officer/Divisional Accounts Officer will ensure saving of 3% contingencies and no expenditure was allowed to be incurred out of 2% maintenance charges.

Audit noted that Executive Engineer CCD-I, Pak. PWD, Lahore awarded above work to M/s Pak Hajwari Construction Co. on 22nd November, 2012 with three months time allowed for completion. The scheme was technically sanctioned vide letter dated 10th October, 2012 for Rs 9.91 million which included 5% contingencies amounting to Rs 471,787. 1st running bill amounting to Rs 9.75 million was paid to the contractor on 7th December, 2012 whereas the work was awarded on 22nd November, 2012. Measurement Book showed that payment of Rs 9.75 million was made on 7th December, 2012 against bid amount of Rs 9.28 million. Thus the whole process involving embankment, sub base, base along with required compaction followed by bituminous treatment and payment thereof was supposedly completed within 12 days for a work which was planned to be completed in 03 months. No date was recorded on measurements of work done by Executive Engineer and Sub Divisional Officer. Superintending Engineer/Executive Engineer was required to verify the actual work done at site to avoid duplication of measurements. No site inspection was conducted by the Supervisory Officer while the payment was authorized on the basis of unauthentic measurements. In the original Notice Inviting Tender (NIT) Rs 9.43 million, tenders were called for a metalled road, while the work of culvert was excluded. Measurement Book showed that measurements for culvert were made and payment of Rs 525,190 was made against extra items. Exclusion of culvert from NIT and thereafter payment on the basis of uncompetitive rates was irregular. Further no extra items were allowed by the Chief Engineer. This resulted in excess payment of Rs 525,190.

Audit further observed that the payment was made for Rs 9.75 million against T.S amount of Rs 9.91 million (including contingencies Rs 471,787) which indicated that contingencies for Rs 319,287 (9,755,039 - 9,435,746) were also utilized against the instructions. Total length of road was 6,600 Rft (2.17 Km). The work was executed for 6,800 Rft (2.236 Km). Further, average height of earth filling approved in PC-I was 1.965" whereas average height actually measured was 2.12". This resulted into an overpayment of Rs 1.48 million.

Weak supervisory controls caused the violation.

Audit pointed out the irregularity in September 2013. The department replied that the contract agreement was signed by the contractor and approved by the competent authority. The work was awarded to contractor on 22nd November, 2012 and 6,800 Rft metalled road with Triple Surface Treatment was completed on 7th December, 2012. The contractor utilized his full resources, like maximum labour, machinery, etc. and made it possible for the convenience of the people. The Sub-Engineer recorded the measurements and SDO exercised 50% test check, whereas the payment was made by the Executive Engineer to the contractor after satisfactory completion of work and the quantities paid confirming the site condition. The quantities of culverts were included in the estimate submitted for accord of technical sanction. The competent authority i.e. the Chief Engineer (CZ), Pak. PWD, Lahore deleted the relevant items of culverts from the estimate keeping in view the scope & specification in Administrative Approval. During execution of said work, it revealed that culverts were essentially required at certain places, therefore, accordingly executed as per site requirement. The extra items statement would be produced to Audit if approved by the competent authority. The contingent provision was also utilized on the same site in the interest of the work. The account of contractor would be finalized on receipt of Inspection Report from the Committee constituted by the Chief Engineer (CZ), Pak. PWD, Lahore. The reply was not satisfactory because no detail of the machinery used by the contractor for completion of work within 10 days and lab test reports were provided. Further, the portion of culverts was specifically deleted from the NIT by the Chief Engineer. Its

execution by the Executive Engineer was a gross violation of the orders of the higher authorities which warranted disciplinary action.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses to recover the loss from the person (s) at fault besides fixing responsibility.

(DP. 103)

5.4.6 Bogus appointment of 20 Work Charged Staff in Pak. PWD

According to Para 4.01 (i) of Chapter-IV (Duties of officers of the Pakistan Public Works Department), the Director General shall be responsible to the Works Division, Government of Pakistan for the efficient administration and general professional control of the Public Works Department. He shall also carry out, periodically adequate inspection for efficient administration, technical and financial control. The administrative control of the entire Pakistan Public Works Department shall rest with the Director General. The powers to transfer all officers of the department except the Chief Engineers shall rest with him. He shall be the Chief Professional Advisor in all matters connected therewith.

Audit observed that according to the Director (B&A) Pak. PWD's letter dated 20th August, 2013, twenty (20) officials who were not on the strength of CCD-II Islamabad were shown transferred from the Division to CCD-VIII and Central E&M-II Pak. PWD Islamabad on the fake office orders of the Chief Engineer (North) Islamabad. Work charged staff was shown recruited in the Divisions under the control of Chief Engineer (North), Pak. PWD. Audit further observed that the concerned Divisions accepted their joining and released their salaries without verifying their existence in CCD-II, Pak. PWD, Islamabad.

Audit maintains that bogus appointments were made due to complete failure of internal controls.

Audit pointed out the fake appointments in August 2013. The department did not reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses to make recover the loss from the person (s) at fault besides fixing responsibility.

(DP. 30)

Irregularity and Non-compliance

5.4.7 Non-transparent tendering process - Rs 26,692.72 million

As per Rule 20 of Public Procurement Rules 2004, each procuring agency shall use open competitive bidding process as the principal method of procurement of goods, services and works. To ensure fair competition, Rule 25 requires procuring agencies to fix bid security not more than 5% of bid amount to be provided by the bidders with their tenders in the form prescribed. Rule-28(2) *ibid* states that all bids shall be opened in the presence of bidders or their representatives. All bidders in attendance shall sign an attendance sheet. Rule 2(f) defines corrupt and fraudulent practices, *inter-alia* as misrepresentation of facts in order to influence a procurement process or the execution of contract, collusive practices among bidders designed to establish bid prices at artificial, non-competitive levels. Rule 12(2) requires that procurement opportunities over Rupees 2 million should be advertised on the Authority's website and in at least two national dailies, one in English and other in Urdu. Response time shall, under no circumstances be less than fifteen working days for national competitive bidding process as per Rule 13 *ibid*.

5.4.7.1 Audit noted that the divisions/formations of Pak. PWD initiated 7,706 schemes amounting to Rs 26,692.72 million spread all over the country under Prime Minister directives issued by PM Secretariat. Examination of record revealed that:

- a) In 261 schemes costing Rs 4,539.80 million, the due process as prescribed under PPRA Rules, was not followed. These works were awarded to a selected group of contractors without open tenders (**Annexure-F**).

Non-competitive bidding process provided opportunity to these contractors to collude and quote higher percentages on the scheduled rates of 2012 which resulted in excess payment of Rs 42.99 million (Para 6, CCD-VIII, Islamabad).

- b) In CCD Bahawalpur, 1,326 schemes costing Rs 3,726.87 million were awarded to various contractors for execution. Examination of Tender Opening Register revealed that pages in the register were deliberately left blank. It was also noted that only date of tender opening and name of work were written without mentioning names of bidders. This defective practice casts serious doubts on transparency, fair play and genuineness of the tendering process. (DP 410 & SAR)
- c) In case of 5,188 schemes worth Rs 12,797.80 million, the numbers of participants in the bidding process were exactly three. It was also noted that bid security (2% of the NIT cost) in case of the lowest bidder matched the NIT amount whereas in case of other bidders, the bid security amount did not match with the NIT amount (**Annexure-G**). Call deposits were found retained with the Divisions and not deposited in treasury for period up to four months (**Annexure-H**). These practices are indicative of scripted, collusive and manipulative practices. The tendering process was not competitive which facilitated the contractors to offer the rates at their whims. In various cases the offered percentage of premium was more than 10% of the scheduled rates of 2012 (**Annexure-I**).
- d) In 928 cases amounting to Rs 5,622.47 million, tenders were not advertised in newspapers with nation-wide circulation as laid down under PPRA Rules (**Annexure-J**). It is further added that Islamabad High Court in a similar case remarked that advertisement for tenders in newspapers with less circulation, such as daily Al-Sharq and Tribune,

do not serve the purpose of wide publicity in national dailies as per PPRA Rules.

- e) Executive Engineer, Electrical & Mechanical Division No. II, Karachi Pak. PWD called tender in newspapers on 27th February, 2013 which was opened on 11th March, 2013 for the award of three schemes “Construction of new tax payer Facilitation centre at Ghotki (Sub Head - Providing and installing 20 KVA Diesel Engine Generating set)” under Peoples Works Programme. It was observed that tenders were opened two days before the completion of response time i.e. 15 days from the date of advertisement in newspapers and expenditure was incurred on schemes worth Rs 2.16 million in violation of Public Procurement Rules, 2004 through scripted, collusive and manipulative practice, causing mis-procurement of contracts worth Rs 5.77 million.

Audit pointed out the irregularity in September 2013. The department replied that the Maxim Advertising Co. (Pvt) Ltd, agreed to publish the tender notices on 25th February, 2013, but they failed to comply with the instructions for which necessary explanation could be obtained by them. In future necessary care in the matter would be strictly observed. The irregularity admitted by the department which may be condoned from competent authority i.e. PPRA.

(DP. 231)

The matter was also discussed in the DAC meeting held on 24th October, 2013. Audit informed the Committee that tender process initiated for schemes was inconsistent with the Public Procurement Rules like prequalification for small works to avoid open bidding, advertisement in local newspapers, participation of bidders not more than three, etc. Retention of CDRs for a long time to utilize the same in the subsequent bidding process leaving some of the tender register pages blank are sufficient evidences establishing collusive practices. During verification of record of CCD-I Lahore, it was found that call deposits amounting to Rs 2.55 million were retained in the Divisional Office for a period of six

months and after the audit observation the same was deposited in Treasury in June 2013. The Committee directed D.G. Pak. PWD to look into the matter of irregular pre-qualification of contractors, strictly follow Supreme Court's order regarding inspection and payment of executed schemes and take disciplinary action against the responsible for violation of codal formalities and PPRA Rules. In the cases where violation is established, criminal proceedings should be initiated against the persons at fault. The Director General, Pak. PWD was directed to ensure compliance of the DAC's directive. The Committee also directed that the relevant record regarding transmission of call deposits in the treasuries be verified within 15 days and action taken against those who committed the irregularity of retaining the Call Deposits.

The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

5.4.8 Unauthorized execution of Development Schemes under PWP-II without obtaining non-duplication certificate from Provincial/District Governments - Rs 15,638.48 million

According to Administrative Approval accorded by the President of Islamic Republic of Pakistan and conveyed by the Ministry of Housing & Works, Government of Pakistan, an amount of Rs 21,099.16 million was approved for execution of 6,465 number development schemes against 453 PM Directives under PWP-II in various Constituencies subject to provision of non-duplication certificate from District/Provincial authorities that schemes of similar nature have not been undertaken under any other federal or provincial programme in the same locality and production of operation and maintenance certificate.

Para 3.35 of Project Management Guidelines issued by the Planning Commission, Government of Pakistan provides that for regular operation and maintenance of projects after completion stage, it should be handed over to the agency responsible for maintenance and operation.

Timely efforts are required to be made for the handing over of the project and provision of maintenance cost to the authority concerned. This exercise should be initiated six months prior to the expected completion date.

The Administrative Approval issued by Ministry of Housing & Works for execution of schemes under PWP-II categorically stipulates that this approval shall be subject to production of operation and maintenance certificate and non-duplication certificate (that schemes of similar nature have not been/will not be undertaken under any provincial/district government programme).

Audit noted that 37 Divisions of Pak. PWD completed 3,833 PWP-II schemes/works in various constituencies but neither non-duplication certificates from Provincial/District Governments were obtained to avoid duplication and overlapping of the schemes being executed in their jurisdiction, nor any efforts were made for transfer of completed schemes along with 2% maintenance costs to these governments. In order to ensure that Pak. PWD has taken the required steps, Audit requested the Director General Pak. PWD along with Secretary Housing & Works to provide the requisite documentary evidences substantiating efforts at the part of the department for obtaining the mandatory non-duplication/overlapping certificate from Provincial and District Governments and handing over of the completed schemes. Similarly, the Chief Secretaries of Khyber Pakhtunkhwa, Punjab, Balochistan and Sindh were also requested to provide information regarding execution and payment out of the provincial and district budget against the schemes which were funded by the Federal Government under PWP-II. The responses from Pak. PWD and Provincial Governments are still awaited.

On the basis of the information on record and non-observance of due process and diligence for obtaining mandatory non-duplication certificate from provincial and district government, Audit holds the execution of the Development Schemes and expenditure against PWP-II to the tune of Rs 15,638.48 million was unauthorized (**Annexure-K**). Further, non-handing over of completed schemes would affect the

condition of these schemes due to non-maintenance in time which would involve allocation of additional resources in future. The retention of 2% contingent provision might cause irregular utilization of these funds on unidentified objects.

Audit is of the opinion that irregularity occurred due to non-compliance of direction conveyed in Administrative Approvals by the competent authority before commencement of award and execution process.

The matter was discussed in the DAC meeting held on 24th October, 2013. The Department admitted the irregularity stating that the development schemes were executed without obtaining non-duplication certificate from Local/Provincial agencies in violation of DDWP instructions. However, during inspection of works, this aspect would be fully kept in view and defaulters would be proceeded as per law. Audit informed the Committee that non-duplication certificates from Municipal Corporation and District Council Peshawar pertaining to NA-2 & NA-3 only were produced by CCD-III, Peshawar which were verified by Audit. Taking serious view of the non-observance of the formalities before execution of works, the Principal Accounting Officer directed that the non-duplication certificates should be obtained within two weeks and verified by Audit. In case of failure action would be taken against the persons responsible. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

5.4.9 Invitation of tenders prior to accord of technical sanctions by competent authority - Rs 21,751.86 million

Para 7.12 (a) of Central Public Works Department Code provides that tenders must be invited by the divisional officer concerned from registered prequalified contractors, firms and suppliers in the most open and public manner possible after the estimate has been technically sanctioned and the contract documents have been approved by an

authority not lower than that empowered to accept the tender. Para 89 of CPWA Code provides that where work is to be given out on a contract, tenders must be invited in the most open and public manner after the estimates have been technically sanctioned. Para 89 (d) (3) of ibid Code also provides that no minor local government or officer may accept any contract which relates to a work not yet technically sanctioned.

Audit noted that tenders for the schemes amounting to Rs 21,751.86 million were called without getting the estimates technically (feasibility, soil survey, drawing, x-section, design, specifications, rates and quantities) sanctioned from the competent authority in order to ensure structural soundness of the proposals before calling of tenders. In this regard it is further added that technical sanctions are used as a benchmark for evaluating the compatibility, soundness and competitiveness of the bids.

The estimates under observation were approved without completing the mandatory due process under the rules and the bids were called, evaluated, accepted and works were awarded before processing the case for accord of technical sanction. Meaning thereby that a key internal control measure was set aside and bids submitted by the contractors were used as a base for accord of technical sanctions which is a serious violation of the laid down rules.

Audit is of the opinion that by not following the mandatory due process under the rules, the Executive Engineers and supervisory officers have colluded in award of works on favourable terms to the contractors and also undermined the departmental internal control mechanism. Calling tenders without Technical sanctioned estimates resulted into irregular tendering and award of works for Rs 21,751.86 million (**Annexure-L**).

The matter was discussed in the DAC meeting held on 24th October, 2013. The Department explained that in pursuance of orders of the Honourable Supreme Court of Pakistan dated 22nd July, 2013. Inquiry Committees have been constituted to check each and every scheme to check transparency or any violation of provision of PPRA Rules and Pak.

PWD Code and action has been initiated against the persons at fault. The Committee directed to determine the loss and take action against the persons responsible for ignoring the codal requirements before tendering process. The Committee further directed that codal formalities regarding approval of Technical sanctioned estimates before acceptance of tenders be strictly complied with and Technical sanction be got verified. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses for early compliance of the DAC's directive.

5.4.10 Unauthorized payments without acceptance of contract agreements - Rs 9,625.55 million

Para 7.12 (c) of Pakistan Public Works Department Code, 1982 provides that the agreement with the contractors selected must be in writing and should be precisely and definitely expressed; it should state the quantity and quality of the work to be done, the specifications to be complied with, the time within which the work is to be completed, the conditions to be observed, the security to be lodged, and the terms upon which the payments will be made and penalties exacted, with any provisions necessary for safeguarding the property entrusted to the contractor.

Condition 11 of the Acceptance Letters of the works provide that the payment of 2nd running bill should not be made to the contractors, unless the competent authority has duly accepted the agreement as required under conditions of Acceptance Letters.

Audit observed that in various Pak. PWD Divisions (**Annexure-M**), payments to the contractors on account of development works were made beyond 2nd running bills without acceptance/signing of contract agreements by the competent authority, i.e. Superintending Engineers / Chief Engineers. Therefore the payment of Rs 9,625.55 million, without formal acceptance of the contract agreements by the authorized officers, is considered to be unauthentic/unauthorized.

Audit maintains that violation of cited rules occurred due to non-adherence to the rules/ regulations and weak internal controls.

Audit pointed out the irregularity during the period of May to October 2013. The department replied that in 6 cases (DP. 96, 222, 268, 336, 370 & 393) the agreements were signed by the contractor and were submitted to the competent authority for accord of approval, but were returned with some observations. The reply was not tenable because payment was made without legal binding and without fulfillment of requisite codal formalities. In remaining 5 cases (DP. 161, 43, 112, 199 & 198) the department did not submit reply.

The matter pertaining to the paras of Special Audit Report on PWP-II was discussed in the DAC meeting held on 24th October, 2013. The Department admitted the irregularity stating that in 99% cases contract agreements had not been accepted/approved by the competent authority. Full payments had been released and no one was willing to take responsibility. It was further explained that as per orders of Supreme Court of Pakistan dated 22nd July, 2013, transparency of tendering procedure in each scheme and actual quantum of work with reference to specification would be examined. The Committee took serious view of all the payments which were made without contract agreements as all such payments have no legitimate cover. The PAO directed D.G. Pak. PWD to look into all the pending contract agreements and get those accepted/signed after due verification and fulfilling codal formalities for further action. The Committee further directed that appropriate action be taken against the violators of law including absconders for making payment without agreements besides regularization of the cases by approval of contract agreements as per rules. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses early compliance of the DAC's directives and its application on other identical cases also.

5.4.11 Non-obtaining of performance security for Rs 326.76 million, non-insurance of works/equipment - Rs 5,696.89 million and extending undue benefit to the contractors - Rs 56.97 million

As per clause 10.1 (Performance Security) of Pakistan Engineering Council standard bidding documents, the contractor shall provide Performance Security equal to 10% of the contract price to the Employer in the prescribed form within 28 days after the receipt of the Letter of Acceptance.

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%.

Audit noted that seventeen (17) Divisions of Pak. PWD executed 70 PWP-II schemes/works worth Rs 3,267.58 million. During examination of record it was observed that the contractors did not furnish the required performance securities for Rs 326.76 million.

Audit further observed that nineteen (19) Divisions of Pak. PWD executed 239 PWP-II schemes/works worth Rs 5,696.89 million (**Annexure-N**) but the contractors did not obtain and furnish mandatory insurance of the assigned works in accordance with contractual deliverables.

By not ensuring compliance with contractual terms and conditions the Executive Engineers extended undue benefit and favour to the contractors at public expense and compromised public interest, as all the incidental costs and insurance premium were inbuilt in the bid price. This resulted in undue favour to the contractors at public expense for Rs 56.97 million (@ 1% of Rs 5,696.89 million).

Audit pointed out the non-insurance coverage in July to November, 2013. The department replied in one case (DP. 341) that the contractor submitted performance security within twenty eight days i.e. 18th March, 2012 and therefore, insurance coverage was not required. The reply was not tenable because justification given by the department was against the contract conditions which tantamount to undue financial aid to the contractor. In the remaining eighteen cases (DP. 1, 2, 13, 21, 40, 69, 76, 85, 116, 137, 138, 215, 217, 249, 287, 296, 323 & 420) the department did not submit reply.

Absence of performance guarantees/insurance arrangements put the workmanship and equipment at risk and increased the vulnerability of the Department to incur huge liabilities in case of any accident, mishap or default. The violation occurred due to compromised oversight mechanism and weak internal controls.

The matter pertaining to the paras of Special Audit Report on PWP-II was discussed in the DAC meeting held on 24th October, 2013. The Executive Engineer PCD-II, Islamabad, CCD-V Karachi, CCD Sargodha, CCD-IX Karachi and CCD-I Karachi explained that the insurance coverage of the schemes were obtained and got verified from Audit. Audit contended that the confirmation of insurance, proof of AA rating, contract agreements, completion certificates and defect liability certificates were not produced. The Director General Pak. PWD admitted the irregularity. The Committee directed the Department to effect recovery of uninsured period and the difference of the premium between AA and A rated insurance companies. DAC further directed DG Pak. PWD to ensure that clause of agreements regarding obtaining of Performance Security from AA rated companies (as circulated by Pakistan Engineering Council) is implemented in letter and spirit. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses for early compliance of the DAC's directives and its application on other identical cases also.

5.4.12 Utilization of PWP-II (PSDP) funds on schemes identified by other than MNAs/Senators - Rs 3,778.77 million

Chapter 3 of Planning Commission's Guidelines for approval and funding of PSDP Projects require that project management life cycle which includes (1) Identification and formulation, (2) Appraisal and approval, (3) Implementation, (4) Completion/closure and (5) Ex-post evaluation shall be completed.

Para 9.3 of Analysis/Review of PSDP document of Planning Commission of Pakistan reveals that the programmes based on political consideration include "allocation for the schemes chosen by MNAs/Senators for execution by line ministries in PWP-I and on the basis of directives by the Prime Minister in PWP-II". The Analysis indicates that these programmes are required to be "aligned with the overall objectives of the PSDP".

The report recommends that these programmes should follow the project appraisal process meant for PSDP projects as the funds are being allocated out of the PSDP. The report at Para 7.2 also expressed concern that individual cost component for these projects are not indicated for special programmes like PWP, although the allocations are made in the PSDP. These observations are further strengthened by the fact that while allocating funds for special programmes under PSDP, for the year 2012-13, block allocation of Rs 22 billion was made for PWP-II without indicating the details of individual projects.

During audit it was observed that funds out of PWP-II were released to various Pak. PWD Divisions (**Annexure-O**) against the schemes identified/sponsored by 70 members of Provincial Assembly amounting to Rs 2,669.38 million and 45 notables (non-parliamentarians) for schemes worth Rs 1,109.40 million. Audit is of the opinion that allocation and release of funds for the schemes of members of Provincial Assembly was not covered under the rules and procedures governing PSDP (PWP-II) for funding of the schemes identified by members of Provincial Assembly as their development schemes are met out of

provincial development grants. Similarly approval and release of funds for execution of schemes identified by notables was also not covered under the governing rules.

Audit, therefore, holds that the allocation, release and expenditure of Rs 3,778.77 million was irregular and unjustified. It was further added that this unequal distribution of development funds occurred due to non-adherence to the prescribed rules and procedures governing PSDP projects and due to making of bulk allocation in the budget. These bulk allocations were later used to select, approve and release funds on discretionary basis.

The matter pertaining to the paras of Special Audit Report on PWP-II was discussed in the DAC meeting held on 24th October, 2013. The Department explained that the schemes sponsored by notables were executed under specific directives of Prime Minister and funds were released to Pak. PWD by the Finance Division/PM Secretariat and as such no violation was committed. The Committee directed to refer the matter to Cabinet Division, Prime Minister Secretariat and Finance Division for seeking criteria for approval of schemes identified by notables. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses for early compliance of the DAC's directives and its application on other identical cases also.

5.4.13 Non-obtaining of performance security from insurance company having AA rating - Rs 308.22 million and extending undue benefit to the contractors - Rs 3.08 million

As per clause 10.1 (Performance Security) of Pakistan Engineering Council standard bidding documents, the contractor shall provide Performance Security to the Employer in the prescribed form. The said security shall be furnished or caused to be furnished by the contractor within 28 days after the receipt of the Letter of Acceptance. The Performance Security shall be of an amount equal to 10% of the contract price in the form of either (a) bank guarantee from any scheduled bank in

Pakistan or (b) bank guarantee from a bank located outside Pakistan duly counter-guaranteed by a scheduled bank in Pakistan or (c) an insurance company having at least AA rating from Pakistan Credit Rating Agency (PACRA)/Japan Credit Rating (JCR).

Audit noted that six (06) Divisions, CCD-VIII, Islamabad, CCD-IV Islamabad, CCD Bahawalpur, PCD Sahiwal, CCD-V Islamabad and CCD Gujranwala of Pak. PWD executed 86 PWP-II schemes/works for Rs 3,082.15 million. During examination of the record it was observed that the contractors did not furnish the required performance securities for Rs 308.22 million from insurance companies having AA rating.

By not ensuring compliance with standard procedures of the Pakistan Engineering Council, the Executive Engineers extended undue benefit and favour to the contractors at public expense. The performance securities were not authenticated from the headquarters of the respective Insurance Companies. In case of CCD Pak. PWD Bahawalpur, performance securities against 24 schemes/works for Rs 25.62 million were obtained from International General Insurance (IGI) with an address of Sharjah Plaza Shadman Lahore. Further probing revealed that no office of the IGI existed at Sharjah Plaza, Shadman, Lahore.

Audit maintains that by non-obtaining performance securities from AA rating insurance companies and without confirmation of their authenticity, the Executive Engineers compromised public interest, in spite of fact that the incidental costs and insurance premium were inbuilt in the bid price. This resulted in an undue favour to the contractors at public expense for Rs 3.08 million (@ 1% of Rs 308.22 million).

The absence of valid performance guarantees/insurance arrangements compromised the public interest. The violation occurred due to weak oversight mechanism for exercising the internal controls.

The matter pertaining to the paras of Special Audit Report on PWP-II was discussed in the Departmental Accounts Committee meeting on 24th October, 2013. Audit informed the Committee that PCD Sahiwal

replaced the insurance bond of A rated company with a bank guarantee. The Committee reduced the amount of para by Rs 0.15 million. The remaining three cases were clubbed with Para No. 4.10 and the Committee directed the Department to effect recovery of uninsured period and the difference of the premium between AA and A rated insurance companies. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit recommends that compliance of the DAC's directive be made in this case and in other identical cases also.

(Para 4, 3, 3, 12 (SAR), DP 12, 275)

5.4.14 Irregular invitation of tenders and allocation of funds without Admn. Approvals - Rs 5,468.13 million

Para 7.12 (a) of CPWD Code provides that there are four main stages in the project execution namely, (i) Administrative Approval (ii) Expenditure Sanction (iii) Technical Sanction and (iv) Appropriation / Re-appropriation of funds.

Audit noted that various Pak. PWD divisions floated tenders for 1,866 schemes prior to approval and issuance of Administrative Approvals by Ministry of Housing & Works (**Annexure-P**). The release of funds in these cases was a clear deviation from laid down procedures and resulted in a compromise on fair estimation which would have been based on physical site facts supported with technical estimation by the controlling and supervisory officers. Manipulating these weaknesses and deficiencies in the planning and approval process which was not backed by technical documentation by the site officers, the contractors were able to manipulate the system and charged exaggerated estimation and bid prices at public expense to the tune of Rs 5,468.13 million.

The matter pertaining to the paras of Special Audit Report on PWP-II was discussed in the DAC meeting held on 24th October, 2013. The Department explained that in such cases action was being taken against the persons at fault. Further progress would be discussed by

Director General Pak. PWD with Audit and relevant record be got verified within 15 days. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses for early compliance of the DAC's directive and its application on other identical cases also.

5.4.15 Irregular release/transfer of funds in violation of Election Commission of Pakistan's directions - Rs 1,176.34 million

According to Election Commission of Pakistan (ECP) Notification dated 8th February, 2013, whereas the Minister for Law & Justice, through its letter dated 29th January, 2013 has sought review of the directive dated 22nd January, 2013 issued by the Election Commission, whereby the ECP was pleased to direct that diversion of funds already allocated to various development projects in the country is banned forthwith and the spending of funds so diverted shall stand frozen forthwith.

ECP vide U.O Note dated 7th March, 2013 stated that "Honourable Election Commission of Pakistan has been pleased to relax its directive regarding ban on diversion of funds to the extent that re-appropriation/adjustment of funds will be allowed in respect of schemes approved by the competent forum for 2012-13 subject to justification to be given in mid-year review meeting."

Audit observed that funds amounting to Rs 1,176.34 million were released/transferred to 05 Pak. PWD Divisions (**Annexure-Q**) in violation of the directives and ban imposed by the Election Commission of Pakistan against newly approved and funded schemes.

This resulted in violation of Election Commission of Pakistan directives and irregular release of funds amounting to Rs 1,176.34 million. The Department replied that no diversion of funds from one scheme to other was made by the Pak. PWD Divisional Offices. However, the department was unable to substantiate its contention supported with relevant record.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses early record verification with reference to relevant / original record.

5.4.16 Misuse of authority due to manipulation of operational jurisdiction - Rs 573.84 million

As per Rule 10 of General Financial Rules (Volume-I), every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid include that public moneys should not be utilized for the benefit of a particular person or section of the community

Audit noted that the schemes of PWP-II were executed through Pak. PWD Divisions despite the fact that these were not falling within the functional jurisdiction of the Pakistan Public Works Department. However, these schemes were assigned to the Divisions in view of their district and regional locality. Audit observed that in three Divisions schemes were re-assigned and funds transferred to other Divisions under external influence/pressures instead of operational exigencies, amounting to Rs 573.84 million (**Annexure-R**). Unwarranted jurisdictional changes indicate that the public funds were not spent in most economical manner keeping in view the high standards of financial propriety for obtaining best value for public money.

The Department admitted the irregularity and stated that in future, geographical jurisdiction of each division shall be fixed and strictly followed.

Audit holds that in all such cases a formal inquiry be conducted to ascertain the need for execution of schemes by re-assigning schemes from one Pak. PWD Division to another.

The matter could not be discussed in DAC meeting despite best efforts made by this office.

Audit stresses for fixing responsibility for the violation.

5.4.17 Unauthorized transfer of funds from lapsable PLA-I to non-lapsable PLA-III & IV - Rs 2,662.49 million and release of withheld funds in subsequent year - Rs 1,840.33 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:

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 noted that Executive Engineers of various Divisions of Pak. PWD approved contractors claims, booked the expenditure against their work done but withheld a sum of Rs 2,076.05 million (Rs 138.19 million (14 Divisions) during the year 2012-13, Rs 1,352.90 million (18 Divisions) during 2011-12, Rs 524.78 million (11 Divisions) during 2010-11 and Rs 60.18 million (04 Divisions) during 2009-10). A sum of Rs 1,840.33 million was released during the subsequent financial years. Moreover, 9 Public Works Divisions retained funds amounting to Rs 586.44 million in PLA-III relating to PWP-II (Lapsable) (**Annexure-S**). It is worth mentioning that accounts of Pak. PWD for the financial year 2011-12 were given "Adverse Opinion" on the basis of similar defective and manipulative practices.

Audit holds that these transactions not only violated the PLA system in a planned manner but also casts serious doubts on the system of

internal controls. Moreover, Parliament decides at the time of approval of budget estimates to place certain funds in lapsable category and others in non-lapsable category. By converting the lapsable nature of funds into non-lapsable funds, the mandate of the Parliament was infringed upon by Executive Engineers.

Audit pointed out the irregularity from May to October 2013, whereby the department replied (DP 263, 419, 59, 121, 277 and paras of SAR) that funds are generally required to be withheld from contractor's bill where test reports of various items like wood, concrete, steel are awaited or it becomes difficult for the Divisional Officer to inspect each and every site within short spell of time. Therefore, in the best interest of Government/Public works certain amounts were withheld from the running bills of different contractors which were released subsequently after ensuring standard execution and correctness of detail measurements by conducting proper site inspection. The reply of the department was not correct because transfer of funds from lapsable to non-lapsable head of account was violation of order of Finance Division i.e. controlling authority of budget. It was also noted during verification of record that CCD Mirpur Khas released withheld amount without lab test reports, material test reports and dated measurements. Thus the contention regarding withholding of payments for want of test reports was not based on facts. In other case (DP 34) the department replied that the funds received were for PLA-III from respective Civil Divisions for execution of E/M works as per PC-1 provisions. Accordingly, the same were deposited in PLA-III of this Division. The reply was not acceptable because development funds were kept in PLA-III in violation of PLA Schemes. As the works were executed on behalf of a government institution and funds were received through budgetary grants, therefore funds were required to be placed in PLA-I. In seventeen cases (DP 372, 03, 77, 241, 210, 325, 158, 169, 178, 70, 134, 308, 80, 140, 209, 288 & 303) the department did not furnish reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit recommends that authenticity of the payments be certified from the Committee constituted for physical verification of the sites.

5.4.18 Irregular award of work to ineligible contractors - Rs 743.13 million

As per registration categories and specialization of Pakistani Contractor by Pakistan Engineering Council (PEC), CE-01 category relates to Roads & Pavements and drainage work. All road works are therefore, required to be awarded to contractors having PEC registration of CE-01.

As per rule 12(2) of Public Procurement Rules, 2004 all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. As per rule 15(1) ibid 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.

5.4.18.1 Audit noted from the accounts of People's Works Programme-II for the year 2012-13 that the Executive Engineer Central Civil Division VIII, Pak. PWD, Islamabad prequalified M/s GD & CO as "A" class contractor on 11th September, 2012 and two works, "Widening/Resurfacing of road from Jatli More to Sarwar Muhammad Hussain Shaheed Tomb, Tehsil Gujar Khan and Construction of PCC Road from Existing road Dhoke Rajgan to Bhai Khan G.T. Road Gujar Khan for agreed amount of Rs 51.85 million, were awarded to this firm.

Audit further observed that M/s GD & CO subletted the whole part of the above works on the basis of a Power of Attorney in the name of Mr. Adnan Said, dated 12th July, 2012 to an unqualified and unauthorized third party without any lawful authority. Audit therefore holds that subletting was an unauthorized act at the part of the contractor and criminal negligence at the part of the Management who allowed execution and performance of such unlawful activities under their jurisdiction and control.

The Department replied that Special Power of Attorney issued by M/S GD & CO was not registered in the Court of Law but the same was made part of the agreement. The Special Power of Attorney did not indicate any work against which Special Attorney was given. The payment was also made to M/s G.D. & Co despite power of attorney. The act of subletting was violation of rules and regulations, therefore, Audit stresses that a detailed inquiry be conducted to ascertain the facts to proceed further. No progress towards inquiry was intimated.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for appropriate action against the person (s) at fault besides fixing responsibility.

(Para 01 (SAR), CCD VIII, Islamabad)

5.4.18.2 According to Para 7.13 of PWD Code it is not the intention to prevent the authorities from giving out to different contractors a number of contracts relating to one work, even though such work may be estimated to cost more than the amount up to which they are empowered to accept tenders. But no individual contractor may receive a contract amounting to more than this sum, nor if, he has received one contract may he receive a second in connection with the same work or estimate while the first is still in force, if the sum of the contracts exceed the power of acceptance of the authority concerned.

Audit noted that a Construction Company was enlisted in Category A-I (for construction cost not exceeding Rs 500 million) as per Director

General Pak. PWD letter dated 15th October, 2009. According to Para 3.3 Project Management Guidelines it is mandatory to carry out a feasibility study, of the projects of infrastructure sector and production sector having cost of Rs 300 million and above, before the submission of PC-I.

Audit observed that the Executive Engineer CCD Pak. PWD, Gujranwala awarded two works costing Rs 325.06 million and Rs 366.22 million in NA 137 District Nankana Sahib to the said construction company on the same date i.e. 17th November, 2009. Total amount of two works comes to Rs 691.28 million whereas contractor had capability to obtain contract (s) up to Rs 500 million. The Authority splitted the work and awarded the contracts to the same contractor in violation of codal rules. It was also observed that a feasibility study was not carried out before the award of work which was required under rules as the cost of work was above Rs 300 million. Moreover, the work was initially planned to be executed through PWP-II as mentioned in T.S estimate but subsequently it was approved by CDWP under PSDP. This resulted into mis-procurement of contract worth Rs 691.28 million.

No DAC meeting could be convened despite best efforts by Audit.

Audit recommends that responsibility be fixed and action be taken against person(s) responsible.

(DP. 279)

5.4.19 Unauthorized payments on account of excess quantities/deviations without approval of the competent forum - Rs 912.24 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”. Standard

Conditions of Acceptance Letters for the works provide that no extra/substitute 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. Para 7.05 of Pak. PWD Code provides that detailed estimate shall include detailed plans specification, detailed statement of measurements, quantities and rates within the abstract showing the total estimated cost of each item of work Para 7.03 (ii) of Pak. PWD Code.

Audit noted that in 36 Public Works Divisions, an amount of Rs 820.07 million (**Annexure-T**) was utilized on payment of excess quantities/deviations against original scope of work provided in the Technical Sanctioned Estimates/Admn Approvals without approval of the competent authority. It was also noticed that in various Divisions total expenditure of the work done exceeded the approved cost of PC-I by Rs 92.17 million (**Annexure-U**).

Audit maintains that unauthorized payment occurred due to non-adherence to the rules/regulations and significant weaknesses in the internal controls.

Audit pointed out the irregularity in May to October 2013, but the department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for recovery besides appropriate action against the person (s) at fault.

5.4.20 Unauthorized payment due to unauthentic measurements/non-recording of detailed measurements - Rs 1,316.56 million

Para 208 of CPWA Code provides that unless in any case, the administration after consultation with Accountant General, direct otherwise, payments for all work done are to be made on the basis of measurements recorded in the Measurement Book (MB) which is a

permanent record issued to supervisory officer to record date-wise activity, mandatory tests at site. Para 4.19 (i) of Pak. PWD D-Code, 1982 provides that Executive Engineer shall be responsible for the execution and management of all works within his Division. It shall be part of his duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with good workmanship and material of good quality. The Executive Engineer shall spend a minimum of 10 days in a month, on an average, on inspection of works and shall record his instructions to the Assistant Executive Engineer/contractor in site order book immediately after an inspection.

5.4.20.1 Audit noted that the Executive Engineers of Public Works Divisions at Faisalabad, Nowshera, Muzaffargarh, Batkhela, Islamabad, Jhang and D.I. Khan made payments to contractors without recording detailed measurements of quantities of work done in MBs. This resulted in unauthentic payments of Rs 845.33 million.

The Department admitted in one case (CCD Faisalabad) that the mode of measurements was not correct but the payment was made correctly and according to the agreement. The reply was not acceptable because correctness of the payment of work done was to be ascertained by the Superintending Engineer and Committee constituted for the physical verification. In case of CCD Muzaffargarh it was replied that the work had already been completed by the contractor and payments were made in accordance with actual work done. The reply was not acceptable because relevant MB containing detailed measurements was reportedly lost and FIR lodged on 20th September, 2013 but no departmental action was taken against the official at fault. Interestingly, the MB was reported lost after issuance of this audit para.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for recovery besides appropriate action against the person (s) at fault.

(Para 9, 11 & 22 (SAR), DP 44, 167, 148, 266, 362, 369)

5.4.20.2 Audit noted that the Executive Engineers of eight (08) Divisions of Public Works Divisions Multan, CCD-IV Islamabad, Faisalabad, Gujranwala, Sukkur, Nowshera, CCD-I Peshawar and CCD-1 Lahore measured and paid work amounting to Rs 322.33 million in short span of 3 to 30 days against stipulated period of 90 days to 180 days. This shows that measurements were recorded in advance in measurement books just to make payments for works which was not executed at site actually.

The Department replied that as per orders of the Honourable Supreme Court of Pakistan, dated 22nd July, 2013, Committees have been constituted to inspect each scheme and ensure transparency in tendering procedure and actual quantum of work with reference of specification. The names of defaulters would be forwarded to the concerned agencies for criminal proceeding and appropriate action.

During verification of record on 23rd October, 2013, the recovery of Rs 7.30 million was established (Para 5, CCD Faisalabad) but no recovery was effected.

No DAC meeting could be convened despite best efforts by Audit.

Audit emphasizes for early recovery of Rs 7.30 million and its verification and justification of execution of work in a such hasty manner.

(Para 23, 13, 06, 22, 04 & 27 (SAR), DP 202, 364, 100,110, 109, 345)

5.4.20.3 Audit noted that an advance payment of Rs 60.10 million was made by two Public Works Divisions (PCD-II Islamabad - Rs 28.11 million and CCD Muzaffargarh - Rs 31.99 million) to contractors for work done but the same were not measured in violation of laid down procedures.

The Department admitted the irregularity. During verification of record on 23rd October, 2013 Audit observed that withheld amount of Rs 1.4 million pertaining to Para 13 (CCD Muzaffargarh) was released in the last week of June 2013 against the directives of Supreme Court of Pakistan. In Para 20, withheld amount of Rs 3 million was released on 31st

July, 2013 before the physical inspection of the Committee. Subsequently, the detailed measurement was made in ensuing bill without any pass order. This indicates that all payments were made without work done.

No DAC meeting could be convened despite best efforts by Audit.

Audit advises that responsibility be fixed and action be taken against person(s) at fault.

(Para 11, 13 & 20 SAR)

5.4.20.4 Audit noted that Executive Engineer CCD Pak. PWD Gujranwala awarded several works construction of PCC Drains and metalled roads in different constituencies during 2012-13. It was observed that works were not executed as per contract specification and design. Lab reports of PCC, compaction tests and asphalt tests were neither carried out nor obtained/placed in the record. Inspection notes, physical execution reports during execution of works & site inspections were not prepared and placed in the accounts record. However, on receipt of complaints, physical verification/ inspection of some works was carried out by the Superintendent Engineer Central Civil Circle Lahore in which defects/ deficiencies were reported. These inspection reports showed that works were not carried out as per approved specification/design. This resulted into infructuous/wasteful expenditure of Rs 88.80 million.

Audit pointed out the in-fructuous expenditure in September 2013. The Department replied that all the contractors have been asked to remove the defects pointed out in the report. The deficiencies were being rectified and same will be made good before finalization of account. Defective execution of works was admitted in the reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for immediate rectification of defective work along with disciplinary action against the persons involved.

(DP. 274)

5.4.21 Doubtful expenditure on Flood Protection Bund - Rs 39.43 million and overpayment - Rs 13.85 million

Administrative Approval for execution of the work “Flood Protection Bund on Right Bank of River Indus from metalled Road Basti Thaheem to Basti Bosan Tehsil Ali Pur District Muzaffargarh NA-180 (Phase- II, Rs 31.42 million & Phase –III, Rs 8.98 million)” were issued under PM Directive No. 370 dated 12th September, 2012 identified by Sardar Ashiq Khan Gopang Ex-MNA, NA-180.

The Chief Engineer (Central Zone) accorded technical sanction to the scheme on 17th December, 2012 with the instructions that the design/drawing authentication of the site plan, contour plan, longitudinal section, cross section, should be vetted by the competent authority prior to execution of earth work of protection bank. Both the works were awarded to one contractor.

Audit noted that non-duplication certificate was not obtained from Punjab Irrigation Department. The work was started without proper design, site plan, contour plan, longitudinal section, cross section. In the MB, top width and bottom width was changed during execution of earth work. The whole work valuing Rs 39.43 million was shown completed within a period of three months which was not commensurate with the completion period. Payments were made at the higher unit rates applicable for roads & runways. Audit compared the rates paid and rates admissible as per Market Rate Schedule of District Muzaffargarh, Government of Punjab for the same period, and ascertained that an overpayment of Rs 13.85 million was made to the contractor.

Audit pointed out the unjustified doubtful payment/overpayment in August 2013. The department replied that PC-I of the development schemes under objection was prepared after conducting proper survey, by inspecting the relevant sites and submitted to the DDWP for consideration which was approved by the competent forum and all the codal formalities were fulfilled accordingly. The reply of the department was not relevant because construction of Flood Protection Bund is a specialized job and

falls under the domain of Irrigation Department, Government of the Punjab. Pak. PWD has expertise in construction of buildings.

Audit maintains that required formalities were not completed and execution of work was done in an unauthentic manner at higher rates involving overpayment of Rs 13.85 million.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for appropriate action against the person (s) at fault.
(DP 262 & Para 10 (SAR) CCD, Muzaffargarh)

5.4.22 Unauthorized/Non-mandated expenditure under the cover of works contingencies - Rs 298.71 million

As per Para 4.2 of Project Management Guidelines by Planning Commission, Government of Pakistan, in the following cases, consent of the Financial Advisor/Finance Division is a pre-requisite:

- a) An authority may not meet by re-appropriation, expenditure which it is not empowered to meet by appropriation.
- b) Lump-sum provision for expenditure included in a grant may not be appropriated or re-appropriated.
- c) i. From development to current expenditure and vice-versa;
ii. From to, or within the employees related expenses, from operating expenses – communication – Telephone & Trunk Calls, Telex, Tele-printer and Fax, Electronic Communication; Utilities: Gas, Water; Electricity; secret service expenditure, unfrozen expenditure for disaster preparedness & relief and occupancy costs.

Audit noted that 17 Divisions of Pak. PWD incurred expenditure on account of Eid Milan, POL (including Minister's vehicles), Photostats, UPS, computers, LCDs, stationery, courier, partitioning, rent of buildings, utility bills, work charged employees, etc. and charged these to the works contingencies of PWP I & II schemes without any lawful authority. In this

regard it is further added that against PWP no departmental expenditure was allowed to be charged on the plea that the establishment related expenditure was being funded through regular budget of Pak. PWD. This resulted in non-mandated expenditure under the cover of works contingencies amounting to Rs 298.71 million (**Annexure-V**).

The Department replied that the contingencies are meant to meet with the expenses involved in the preparation of PC-1, design, estimation, feasibility report and monitoring of the projects, frequently, for which logistic support is necessary viz-a-viz fast communication system. Federal Development Committee in its 22nd meeting held on 11th November, 2008 also decided that Pak. PWD, might include contingent expenditure including photocopies, stationery items and POL upto a maximum limit of 2% cost of the scheme. The reply was not acceptable because as per procedure approved by the Prime Minister of Pakistan in March 2003 no expenditure would be incurred on purchase of equipment, furniture & fixture, calendars, etc. Moreover, during verification of record on 23rd October, 2013, it was noticed that 2% O&M charges to be transferred to the concerned Department were also utilized towards contingent expenditure like POL, etc. The remaining 3% were utilized to meet the expenditure not falling within the ambit of contingency like rent of building, Eid Milan, purchase of computers, LCDs, work charged employees, utility bills, etc.

No DAC meeting could be convened despite best efforts by Audit.

Audit recommends that all such unauthorized expenditure be recovered/adjusted along with disciplinary proceedings against the persons responsible.

5.4.23 Unauthorized payment of earth works not included in the Administrative Approval - Rs 33.99 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 Administrative Approval for the work “Construction of Boundary Wall / Retaining Wall, Nullah and PCC Road at Sarwar Shaheed (NH) Govt. Degree College Gujar Khan” contained the scope of work 1,219 meters boundary wall, 762 meters retaining wall, 23,920 sft PCC road and 76.22 meters Nullah. Contrary to the approved scope of work, the sub-head Play Ground was added in the T.S. Estimate for Rs 11.840 million only for one item of work “supply earth from approved outside source within a radius of 5 mile (8 km)” for a quantity of 480,000 Cft @ Rs 2,467.50 per 100 Cft.

Audit further observed that the Executive Engineer, CCD-VIII, Pak. PWD, Islamabad made payment to the contractor for a quantity of 1,170,333.96 Cft for earth work at part rate of Rs 2,400 per 100 Cft+20% premium for Rs 33.99 million which was 187% higher than the approved provision of T.S estimate.

Audit holds that the execution of work was beyond DDWP’s approved scope of work which violated the sanctity of Administrative Approval. Moreover, the required technical documents and lead charts were also not prepared. The work was executed below the specifications and without deduction of shrinkage. The payment of Rs 33.99 million was made without any mandatory test checks by the Executive Engineer.

The Department replied that the earth work was actually required at site as evident from the contour plan, therefore the quantities had been executed in excess of the agreement provisions. On finalization of accounts the variation would be got approved from the competent authority and produced to Audit. No progress towards approval of the competent authority was reported.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for disciplinary action against the person (s) for gross violation of the approved scope besides making recovery.

(Para 34 (SAR) CCD-VIII, Islamabad)

5.4.24 Overpayment due to allowing higher rates, less deduction of shrinkage and non-utilization of available earth - Rs 489.17 million

According to Pak. PWD Book of Rate Analysis, rate of the item “Excavation or cutting to required gradient in soft rock by blasting (Item No. 06 code 127) payable @ Rs 1,040.46 per 100cft is inclusive of cost of labour for stacking of serviceable material @ Rs 386.75 per 100cft. As per Pak. PWD Book of Specifications for execution of works No.14.6-4&5, there are two modes of measurement of earth, one is the borrow pit measurement and the other stack measurement. As per specification No.14.6-5 where measurements are taken from stacks made prior to filling earth, stacks 14 inches high will be measured and paid for 12 inches only (14.29%). The cost of making such stacks is included in the rates for earth work.

According to Para-209 (d) of CPWA Code all payments for work done or supplies are made on the basis of quantities recorded in the Measurement Book. It is incumbent upon the person taking measurements to record the quantities clearly and accurately.

Audit noted from the record of 230 schemes of PWP-II executed by 16 Divisions of Pak. PWD, that the Executive Engineers while making payments of earth works made overpayments to contractors on accounts of higher rates, less deduction of shrinkage, non-utilization of available earth, non-deduction of cost of labour for sorting and stacking of soft rock, by using murum of machine crushed stone and by paying surface dressing etc. at higher rate for Rs 489.17 million (**Annexure-W**).

Audit maintains that overpayments were made to the contractors due to non-adherence to the rules and procedures, existence of opportunities for violation of law and weaknesses in internal controls.

The department replied that as a matter of fact from soft rock excavation / cutting no serviceable material was obtained as such question of stacking serviceable material does not arise. The labour cost pointed out by Audit is for disposal of excavated material within 5 feet lift and 100 ft lead and not for stacking. In running bills measurement of earth filling is made through stacks in which ratio 12/14 is applicable but quantity is finalized through measurement from X-Section. While making deduction for shrinkage from measured quantities of earth work in filling, no surplus earth was obtained. Hence question of utilization of available earth on this account does not arise. It was further replied that the rate of murum is not included in the item of Base Course, so the separate item of murum is approved in the technically sanctioned estimate. Road Roller (10-12 ton) is used on the stone of base course for compaction instead of crush of stone. Thereafter, murum was used for filling voids and furnish the surface ready for tarring, otherwise the bitumen fill the voids of base course and strength of road cannot be achieved. The reply was not acceptable because no payment for murum was being made by other works executing departments like NHA and CDA. As per specification the stacking was included in the item rate, therefore, recovery for stacking component is stressed.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for making necessary recoveries.

5.4.25 Loss/Overpayment due to award of work at higher rates - Rs 1,041.05 million

According to Rule 10 (i) of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. As per notifications, the Pakistan Public Works Department approved Schedule of Rates, 2012 which was shown based on the current prevailing rates. The schedule was effective from 1st July, 2012.

5.4.25.1 Audit noted in seventeen (17) cases that Executive Engineer of Pak. PWD formations awarded various works to contractors by accepting the bids based on rates provided in Pak. PWD CSR-2012. A comparison of rates between Pak. PWD CSR-2012 with MRS Govt. of Punjab/Sindh/KPK revealed that rate accepted on the basis of Pak PWD CSR-2012 were on higher side. Award of work at higher rates resulted in loss/overpayment of Rs 1,037.23 million. **(Annexure-X)**

Audit maintains that provision of higher rates was due to inadequate oversight mechanism of enforcing relevant rules, and weak financial/internal controls.

Audit pointed out loss/overpayment between August and October 2013. The department replied that the activity for estimation and awarding of work was based on Pak. PWD Schedule of Rates, 2012 duly approved by the competent authority. As regards to other audit paras, the department contended that works were awarded through competitive bidding and payments were made as per provision of contract agreements. The reply was not tenable because the bids were not evaluated properly in view of reasonability of rates prevailing in the locality of works which resulted in excess expenditure. In DP. 130, 248, 356, 31, 82, 107, 373, 236, 340, 50, 326, 305 & 416, Department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for making recoveries.

5.4.25.2 Audit noted that Executive Engineer CCD-III, Pak. PWD, Peshawar awarded 5 works of PCC street pavements and Construction of Drains in February 2013 and May 2013 to different contractors at different agreed costs.

Audit observed that the works “Pavement of Streets, and Construction of Drains of U/C 9 to 19 & 27 PF-2 District Peshawar” was technically sanctioned for Rs 3.33 million in October 2012 by Chief Engineer (North). This work was awarded at 37% below of the NIT cost

of Rs 3.40 million. In the same period the Executive Engineer awarded two other works of PCC Streets Pavements in Peshawar at much higher rates i.e. 5% below and at par with Pak. PWD Schedule of Rates, 2012. This resulted into overpayment due to award of work at higher rate amounting to Rs 3.82 million.

Audit pointed out the overpayment/award of work at higher rates in October 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP. 348)

5.4.26 Unauthorized payment of price escalation - Rs 213.58 million

5.4.26.1 According to PC-I approved by the CDWP for the following development schemes there was no provision for the payment of price escalation.

- (i) Establishment of Cadet College at Sialkot.
- (ii) Widening/improvement of metalled road, "Jetha butha feroza road to Channi Goth via chak No.87-A, Akhter Nagar Doshkha road district Rahim Yar Khan PP-287 (part-II)
- (iii) Construction of Metalled Road Kot Rada Kishan Road (Pajian bypass) to Gohar Jageer Via Khuddian and Usmanwala District Kasur Phase-I &II.
- (iv) Const. of Metalled Road Bucheki to Sail Mor via Syed wala bridge 40 KM and Construction of metalled road Pacca Qilla to Baragarah 42 KM
- (v) Construction of NAB Complex, Lahore.

Pakistan Engineering Council bidding documents were used for bidding however, weightage and coefficient were left blank in the NIT/tender documents.

Audit noted in seven (07) cases that Executive Engineers of Pak. PWD made payment of Rs 173.13 million on account of escalation.

Audit observed that payment on account of escalation was not admissible as there was no provision for price escalation in the PC-I approved by the CDWP. Administrative Approval issued by Ministry of Housing & Works, did not contain provision for escalation. Besides, weightage and coefficients in the NIT/Tenders were left blank meaning thereby that it was not payable.

Audit pointed out the unauthorized payment in October 2011 and August to October 2013. The department replied in one case (DP 270) that the escalation was provisionally paid to the contractor which will be adjusted after recalculation in next bills of the contractor. In DP 143, it was replied that the project was approved for Cadet Colleges costing Rs 190.00 million for each college in October, 2004 including the cost of escalation. The cost of escalation was also approved in revised PC-I. The contract was drawn on the standard contract agreement in vogue in Pak-PWD at that time and special conditions of contract were added by the consultant M/s Nespak before tendering process. The reply was not convincing because no documentary evidence in support of reply was produced to audit for verification. Moreover, construction of Cadet Colleges at Okara, Esa-Khel etc. was started under the same PC-I and during same period. Only the Executive Engineer CCD-Sialkot allowed escalation on work done whereas Executive Engineer CCD-Sahiwal and CCD-Sargodha did not allow any escalation for the same nature of work. Further, the work establishment of Cadet College at Okara was awarded on 7th April, 2006 @ 74% above the Pak-PWD Schedule of Rate 2004 and 26% above for non-schedule items and no escalation was provided, whereas establishment of Cadet College at Sialkot was awarded on 28th June, 2006 @ 78% above the Pak. PWD Schedule of Rates 2004 and 30% above for all non-schedule items and was also allowed escalation. In DP

411, the department replied that the NIT, coefficients were invariably calculated and entered for relevant elements chosen for the escalation purpose. However, these could not be copied into the approved tender of the work. These coefficients were subsequently entered in the accepted tender against the relevant elements. The reply was not accepted because if NIT (tender documents) contained coefficients, then these should not have been omitted in the contract agreement. In three cases (DP. 16,190 &197) the department did not submit reply.

Audit holds that coefficient were subsequently included in the contract agreement and NIT to favour the contractors. Price escalation was unauthorizedly allowed in contravention of the approval of CDWP/Chief Engineer through post bid changes.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP. 16, 270, 190, 143, 411, 197,254)

5.4.26.2 Audit noted that the Executive Engineer, Central Civil Division-I, Pak. PWD, Quetta, paid escalation for package-I and package II of the project “Establishment of Cadet College Noshki”.

Audit observed that escalation payment was not due because Pakistan Engineering Council standard bidding document was not adopted as required under Planning & Development Division letter referred above. The NIT basic rate as on the date of accepting the NIT was also not mentioned. It was left blank and made part of agreement. Work was awarded at a higher rate of premium.

Audit holds that non-adherence to agreement clause resulted in overpayment of Rs 5.18 million.

Audit pointed out the non-recovery of de-escalation in August 2013. The department admitted and committed to recover the de-escalation amount. During re-examination, the amount of para was enhanced as the whole claim on account escalation was not payable.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP. 302)

5.4.26.3 According to annex-III of PC-I, total provision of escalation was given for Rs 14.51 million @ 6.5% during the second year and 13% in third year was allowed.

Executive Engineer CCD-II, Pak. PWD, Peshawar paid Rs 35.27 million on account of price escalation to the contractor for the work Construction of Federal Tribunal/Courts, Complex at Peshawar.

Audit observed that the stipulated period for the Project was three years and escalation was required to be claimed after one year. No supporting documents (invoices of the increase cost of material) were provided for the breakup of price escalation. No detailed measurements were recorded in respect of any item of work including escalation items involving price adjustment in MB. No proper vetting/verification of the escalation was carried out by the Divisional Office. An amount of Rs 35.27 million was paid to the contractor against the PC-I provision of Rs 14.51 million. As per agreement the completion period was three years but even after lapse of five years and three months only 75% physical progress was achieved. In the light of the above it is clear that the contractor delayed the work intentionally to get the maximum facility of escalation which is unjustified. This resulted into unjustified payment on account of escalation of Rs 35.27 million.

Audit pointed out the irregularity in October 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP. 297)

5.4.27 Overpayment due to allowing separate payment of in-built component - Rs 14.30 million

Item 13.15 of contract specification provides that the doors, windows, and ventilators shall be measured net between the outer edges of the aluminum frames and paid for at the unit rates entered in the Bill of Quantities, appended hereto, and in accordance with the Conditions of the contract. Unit rates for doors, windows and ventilators shall be inclusive of all anodizing and glazing etc., complete as specified. Section – 15 of Contract Specification provides that glass and glazing shall generally be executed in accordance with the recommendation of British Standard Code CP 152. All glass shall comply with the appropriate section of BS-952. All materials shall be free from defects impairing strength, durability and appearance. All glass shall be free from bubbles, pockets, chips, wavy surface or other defects. No separate payment shall be made for the work covered under this section of the specifications and all costs in connection with items of work as described in this section shall be included in the contractor's item rate for the items of windows, fixed glazing, doors, ventilators etc., in the Bill of Quantities.

5.4.27.1 Audit noted that Executive Engineer, CCD-V, Pak. PWD, Islamabad made a payment for item 21 & 22, "Providing/Fixing double glazed, fully glazed natural anodized aluminum sliding windows and curtain wall" at BOQ rates of Rs 700 and Rs 600 per sft (ground floor rate) and extra rate for other floors for additional lift respectively.

Audit observed that another item Providing/Fixing 5mm thick double tinted glass of foreign make including fixing in position on aluminum, curtain walls and windows and doors were also provided in the BOQ and paid to the contractor separately. Audit holds that as per aforementioned provision of specification, cost of glazing was included in the aluminum works therefore, provision of separate item of tinted glass was unjustified. It is further added that as per clause 1.3 of contract data, the specification had precedence over the BOQ. It is further added that item aluminum curtain wall was substituted and an substituted item was paid to extent of 22,292 sft at the rate of Rs 800 per sft for Rs 17.83 million and

tinted glass thereof was paid separately in the BOQ item and extra item for tempering work. Non-adherence to contractual specifications caused overpayment of Rs 2.09 million.

This irregularity occurred due to weak internal controls and negligence of the department.

Audit pointed out irregularity in September 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP. 19)

5.4.27.2 Audit noted during review of the accounts record of CCD-V, Pak. PWD, Islamabad that an item of work “Providing & Fixing 5mm thick double tinted glass of foreign make etc” was provided in BOQ design, drawing at the rate of Rs 80 per sft. A review of the 25th IPC indicated that said item was measured and paid for each floor but an extra item was also measured against this item by terming it tempering of tinted glass and was paid at rate of Rs 90 per sft which was 112% of the original BOQ cost. Audit held that item rate was inclusive of all costs having its strength, durability and no separate payment on this account was admissible. Therefore, making payment on account of extra item for tempering work was made to benefit the contractor as an overpayment. Non-adherence to contract specification caused an overpayment of Rs 2.31 million.

Audit pointed out irregularity in September 2013. The department did not furnish reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP. 20)

5.4.27.3 Audit noted that Executive Engineer CCD-VIII, Pak. PWD, Islamabad prepared estimates of several works for pavement of streets, construction of drains, retaining walls etc. for 33 Union Councils wherein item earthen embankment was provided duly compacted besides a separate item of compaction was included in the estimate and allowed for payment for PCC works of streets, drains for which separate compaction up to 95% modified AASHTO was not required. It was also noted that similar nature of PCC works under the same division for 33 Union Councils did not separately allow the compaction for certain works.

Audit observed that separate payment for compaction was without any requirement as compaction was already provided in earthen embankment. This resulted in an inadmissible payment of Rs 9.90 million.

Audit pointed out the inadmissible payment in October 2013. The department replied that the item of compaction was taken in the estimate of road works as well as in the agreement. The PCC road, constructed in street where no heavy traffic was to pass, the item of compaction was not taken in Technical sanction as well agreements. The reply was not tenable as separate payment for compaction was also allowed in streets works where no compaction was involved.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP. 390)

5.4.28 Unjustified payment to the consultants - Rs 1.99 million

As per Rules 205 to 216 of Federal Treasury Rules, every Government officer entrusted with the payment of money should obtain for every payment he makes a voucher setting forth the full and clear particulars regarding the claims and all relevant information necessary for its proper identification and classification in accounts. Every voucher must bear to have attached to it an acknowledgement of payment signed by the person by whom or on whose behalf the claim is put forward.

As per Annex-E of consultant's agreement, the breakup of the payment was as under:

Description	Payment
Design Phase	2% of construction cost
Construction Supervision Phase	2.75% of construction cost
Total Consultancy Cost	4.75% of construction cost

Audit noted that Executive Engineer, PCD, Pak. PWD, Batkhela awarded the work of consultancy services relating to the "Provision for the work Identification of water Resources and Designing/Planning of water supply scheme at Dir Upper (NA-33) to M/s Euro Consult Pakistan (Pvt) Ltd." A payment of Rs 1.99 million was made to the consultants. Audit observed that the payment was unjustified because it was made through hand receipt on lump sum claim without details of manpower deployed and percentage of each component as per estimate etc. The subject payment was irregular and caused an undue burden on the exchequer.

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

Audit pointed out the matter in April-May 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP. 11)

5.4.29 Award of work without mandatory feasibility studies and availability of land - Rs 1,189.56 million

According to Planning Commission, Government of Pakistan instructions, it is important to be watched by the project management 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 management in coordination with the concerned quarters to avoid time and cost over runs. No project should be started without availability of land.

Para 3.3 of Project Management Guidelines provides that it is mandatory that the projects of infrastructures sector and production sector costing Rs 300.00 million and above should undertake proper feasibility studies before the submission of PC-I.

Audit noted that Executive Engineer, Central Civil Division, Pak. PWD, Faisalabad awarded the work “Construction of Bridge over river Ravi at Mal Fatyana, District Toba Tek Singh (NA-94)” to M/s Sh. Abdur Razzaq & Co. on 19th May, 2010 at agreement cost of Rs 1,189.15 million. The work was started on 19th May, 2010 with stipulated date of completion as 18th May, 2012.

Audit observed that the work was awarded without availability of land. The land was yet to be acquired for approach roads of the bridge. Resultantly, the progress of the work got slowed down due to non-acquisition of land but the management did not take any action towards early acquisition/ payment of land. This resulted in award of work without feasibility studies/ availability of land of Rs 1,189.56 million.

Audit pointed out the irregularity in October 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for appropriate action and fixing of responsibility for negligence.

(DP. 239)

**5.4.30 Unauthorized execution of various schemes in Union Councils -
Rs 613.01 million**

According to Para 3.3 of Guideline for Project Management it is mandatory that the projects of infrastructure sector and production sector costing Rs 300 million and above should undertake proper feasibility studies before the submission of PC-I.

Audit noted that the Executive Engineer, Central Civil Division No. IV, Pak. PWD, Islamabad incurred an expenditure of Rs 613.01 million on execution of various schemes in 33 Union Councils situated in Tehsil Gujar Khan.

Audit observed that feasibility study was not carried out before the award of work which was required under rules as the cost of work was above Rs 300 million. This resulted in unauthorized expenditure of Rs 613.01 million on provincial schemes which were under the territorial jurisdiction of TMA, Gujar Khan.

Audit pointed out the irregularity in September 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for appropriate action.

(DP 216)

**5.4.31 Irregular acceptance of bid in excess of Admn Approval -
Rs 273.45 million**

The Central Development Working Party (CDWP) considered the project "Construction of Bridge over river Ravi at Mal Fatyana, District Toba Tek Singh (NA-94)" on 17th September, 2009 wherein the Sponsoring Agency was directed by the CDWP to compare and review the cost and scope of the project. In a meeting of the CDWP, the cost of the

project was deliberated and rationalized from Rs 997.39 million to Rs 915.71 million (8% change in the cost).

Planning & Development Division's letter No. 20(1)DA/PC/79-Vol.XIV dated 22nd June, 1980 provides that if the total estimated cost as sanctioned increases by a margin of 15 percent or more or if any significant variation in the nature of the 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 Executive Engineer, Central Civil Division, Pak. PWD, Faisalabad awarded the work "Construction of Bridge over River Ravi at Mal Fatyana, District Toba Tek Singh (NA-94)" to M/s Sh. Abdur Razzaq & Co on 19th May, 2010 at an agreement cost of Rs 1,189.15 million. The work was started on 19th May, 2010 with stipulated date of completion 18th May, 2012.

Audit observed that the project management accepted bid of Rs 1,189.15 million of the 1st lowest M/s Sh. Abdur Razzaq & Co. which was Rs 273.45 million (29.86 %) higher than the approved cost of Rs 915.71 million. This resulted in acceptance of bid in excess of the 15 % threshold without approval of the competent authority.

Audit pointed out the irregularity in October 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for recovery and appropriate action.

(DP. 237)

5.4.32 Loss due to award of works at higher rates - Rs 249.44 million

Rule 29 of Public Procurement Rules, 2004 provides that procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such

evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

According to Rule 10(i) and (ii) of General Financial Rules (Volume-I) relating to standards of financial propriety every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. The expenditure should not be prima facie more than the occasion demands.

Audit noted that Executive Engineer, CCD Pak. PWD, Gujranwala awarded two works at 220% above CSR 2004 in 2009 on the estimated cost prepared on Pak. PWD Schedule of Rates 2004. Audit observed that the estimates of the works were prepared in the Divisional Office by including market fluctuation @ 110% above the estimated cost based on schedule rates but office of the Chief Engineer accorded Technical sanction on 10th November, 2010 and 11th November, 2009 by adding 200% and 205% above on the estimated cost considering the bid rates of 1st lowest bidder who participated in both the bids and managed to get award of both the works on 14th November, 2009. Audit observed that works were awarded on higher rates without considering reasonability of rates of the lowest bidders by adding market fluctuation for 5 years @ 20% maximum or comparing with prevailing rates of the Provincial Government based on MRS 2009. This resulted in acceptance of higher rates of Rs 249.44 million.

Audit pointed out the loss in September 2013. The department replied that 110% market fluctuation was incorporated in the original PC-I of the schemes. Detailed estimates of both the works were technically sanctioned by the Chief Engineer (CZ), Pak. PWD, Lahore with provision of market fluctuation of 200% and both the works were awarded at 220% above. As admitted in reply that market fluctuation 110% was incorporated in the original PC-I whereas work was awarded at 220% above in 2009 on Pak. PWD Schedule of Rates 2004. Higher rates were accepted without assessing reasonability of rates and analysis of rates.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP. 271)

5.4.33 Mis-procurement of contract - Rs 112.70 million

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

Rule 50 of Public Procurement Rules, 2004 states that any unauthorized breach of these rules shall amount to mis-procurement.

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

As per approved PC-I of the work “Drinking Water Supply Scheme Dir Town, Dir Upper SH Distribution System” the UPVC pipe was to be laid. The useful life of the “UPVC” pipe is 50 years. Further as per PC-I of the work “Drinking Water Supply Scheme Dir Town, Dir Upper SH Distribution System” 4 inch dia pipe was not provided.

Audit noted that Executive Engineer, Project Civil Division Pak. PWD Batkhela awarded two Sub-Heads (Distribution System and Surface Tank) of a work “Drinking Water Supply Scheme Dir Town District, Dir Upper to a contractor at a contract cost of Rs 112.70 million (Rs 94.87 million + Rs 17.83 million).

Audit observed that the contractor submitted Call Deposit Receipts (CDRs) for Rs 600,000 & Rs 150,000 instead of 2% of the bid amount with the tender on 4th June 2012 which were also not accounted for in the Cash Book nor deposited in the Bank. After six months, other CDRs of the

same amounts were deposited in the Bank vide Voucher No. 12&13 dated 6th December, 2012. The CDRs submitted with the bids were either fake or did not exist as these were not entered in the cash book /deposited in the treasury immediately. Sub-Head Distribution System was awarded in June, 2012 at 270% above the Schedule of Rates, 2004 item GI Pipes whereas the average increase in rates from 2004 to 2012 was about 150%. Award of work at higher rates caused loss to the government by 120% on Scheduled Rates, 2004. As per approved PC-I of the Sub-Head Distribution System, the UPVC Pipes were to be laid. The useful life of the said pipe is above 50 years but it was replaced with GI pipes without any rationale for changing the specification of the pipe. Execution of expensive pipe with lesser useful life pipe by violating the provision of PC-I was uncalled for.

Audit further observed that payments worth Rs 68.17 million were made through 1st & 2nd Running Bills for work done but not measured. A period of more than one year had lapsed but detailed measurements were not found recorded. 3rd Running Bill worth Rs 17.98 million was also paid as Secured Advance with 270% above premium without recording detailed measurements. Payment of 3rd running bill as secured advance without detailed measurements of already paid bill was unjustified and not covered under the rules. Mandatory inspection of the site was not carried out by the Executive Engineer as he has not recorded Test Checks in the MB which established that the site was not inspected by the senior management. Land Acquisition problems were faced and finalization of the Design is not forthcoming in the record as to whether the Scheme was executed on 4 Kanals or on 8 Kanals. The payment of Rs 15.77 million on account of 4 inch dia GI pipes was made to the contractor for which no provision existed in the PC-I. The payment of the item not provided in PC-I was also unauthorized.

In view of the above irregularities audit holds that contract was mis-procured as defined under Rule-50 of Public Procurement Rules 2004. Non adherence to the provisions of approved PC-I and not following the rules occurred owing to weak internal controls.

Audit pointed out the mis-procurement in July 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP. 38)

5.4.34 Unjustified payment through post-bid change - Rs 55.33 million

According to Clause 60.10 of the Contract Agreement, in the event of failure of the employer to make payment within the times stated due to circumstances beyond his control, the Employer shall not pay to the contractor any interest of compensation of any sort.

Audit noted that the Executive Engineer, PCD-IV Pak. PWD, Islamabad awarded the work "Construction of new secretariat block at constitution avenue, Islamabad" to M/s Interhom (Pvt) Limited at the agreement cost of Rs 1,883.92 million. The contractor has been paid Rs 1,796.99 million on account of work done up to 52nd running bill. Audit further noted that an amount of Rs 55.62 million was paid to the contractor on account of claim of the contractor for idle charges for pay of contractor staff and machinery etc.

Audit observed that as per contract agreement, this claim was not admissible to be paid but the same was processed without approval of the competent forum contrary to clause 60.10 through post-bid change. This resulted into unjustified/overpayment of Rs 55.33 million.

Audit pointed out unjustified payment in September 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP 151)

5.4.35 Irregular/unauthentic payment due to defective recording of detailed measurements - Rs 49.98 million and overpayment - Rs 18.44 million

According to Para 209 (d) of CPWA Code all payment for work done or supplies are made on the basis of quantities recorded in the Measurement Book. It is incumbent upon the person taking measurements to record the quantities clearly and accurately. He would also work out and enter in the measurement book the figure for the contents or area column.

Audit noted that the Executive Engineer CCD, Pak. PWD Bannu, invited tenders for a work “Construction of 17 Flood Protection Bunds at village Mada Khel NA-40” on percentage rate above/below based on CSR 2012 and accepted the tender rate 10% below the amount put to tender.

Audit observed that the items of work P/L 1:4;8 CC using graded stone ballast was provided in the TS/BOQ for 1,958 cft @ 10,085.80 % cft but it was measured and paid for 2,940 cft resulting excessive quantity of 928 cft amounting to Rs 99,043. Item No. 4/5 supply of galvanized wire etc. was provided for 20,228 sft @ Rs 35 per sft but it was measured and paid for 30,496 sft resulting in excessive quantity of 10,268 sft amounting to Rs 359,380. Quantities of these items were changed leaving all the other quantities of the other related items in the Technical Sanction Estimates kept unchanged which was ultimate result of defective measurements. While recording measurement for item 3/5 P/L dry un-coursed rubble masonry deduction of voids @ 33% was not made resulting in excessive quantity of 9,055 cft @ Rs 6,917/46 % cft amounting to Rs 626,390. The total impact of this was Rs 18.44 million (99,043 + 359,380 + 626,390 = 1,084,813 x 17). The supporting record with Technical sanctioned estimate viz x-section and drawing of bund, was not produced. This resulted into irregular/unauthentic payment due to defective recording of measurement for Rs 49.98 million and an overpayment of Rs 18.44 million.

Audit maintains that the irregularity/overpayment occurred due to inadequate mechanism of enforcing relevant rules and weak administrative/ internal controls.

Audit pointed out the irregularity in October 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP 418)

5.4.36 Award of work with extra-ordinary higher percentage of premium/unauthentic rate analysis for Non-Scheduled items - Rs 22.82 million

Pak. PWD Code Para 4.11 (i) denotes that the Schedule of Rates unit shall be headed by the Superintending Engineer who shall be responsible for the preparation and review of Analysis of Rates, Schedule of Rates and Specification. He shall collect the required information and data to keep the analysis and the Schedule of Rates up-to-date. For this purpose he shall keep a close liaison with the Computer Bureau/Cell. Rule 10(i) of General Financial Rules (Vol-I) states that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure out of his own money.

Audit noted that Executive Engineer, Electrical & Mechanical-I, Pak. PWD Karachi awarded the work to a contractor at a bid cost of Rs 22.82 million and an amount of Rs 11.21 million was paid to the contractor up to the first running bill. It was further noted that NIT was divided into two sub heads, Sub Head-I items based on schedule rates Rs 4.51 million and sub head-II items based on Market Rate of Rs 6.71 million. Contract was awarded to the lowest bidder at 257.50% above the scheduled items and at par on non-scheduled items.

Audit observed that in the rate analysis of non-scheduled items basic rates were taken from the single quotation of M.M. Electrical Company & General Order Supplier without any supporting evidence instead of manufacturers. Audit holds that adoption of supplier's single rate in rate analysis was not authentic. Besides, acceptance of 257.50% premium on Schedule Rates was extra ordinarily higher. This resulted in acceptance of tenders at higher rates/unauthentic rate analysis for non-scheduled items involving Rs 22.82 million.

Audit pointed out the irregularity in September 2013. The department replied that the case will be examined thoroughly and a comprehensive reply will be submitted in due course of time.

No DAC meeting could be convened despite best efforts by Audit

Audit stresses for early recovery.

(DP. 90)

5.4.37 Overpayment due to change in rate of extra/substituted item - Rs 2.38 million

Sub-soil boring of required dia in all kinds of soil except rock to required depth complete at the rate of Rs 155.50 Per Rft is available in Pak. PWD Schedule of Rates-2004, under Chapter "Pile Foundation sub-head Code-107 (155.50 x 126.95% = Rs 352.90 per Rft)".

Audit noted that, rate of the extra item of work "Providing and Laying RCC cast in situ piles of adequate size and approved depth in all kind of soil to bear a safe load of 100 to 120 tons (102 to 122 MT) per pile using crushed graded boulders $\frac{3}{4}$ " not leaner than 1:1-1/2:3 having minimum crushing strength of 5,000 PSI at 28 days etc was provided and paid as Rs 2,434.03 up to 9th running bill. The contractor was paid at part rate of Rs 2,190 per rft.

Audit noted that the Executive Engineer, CCD-IV, Pak. PWD Islamabad awarded work "construction of Female Doctors Hostel at

FGSH Islamabad” on 27th July, 2009. The work was awarded to a contractor at agreement cost of Rs 29.90 million with date of start of 11th August, 2009 to be completed in 18 months up to 10th February, 2011.

Audit observed that management got executed the extra item for a quantity of 1,705 Rft and paid part rate of Rs 318 per rft (full rate Rs 352.90) in one case and Rs 2,190 per rft (full rate Rs 2,434.03) in second case. An amount of Rs 4.37 million (Rs 542,190+Rs 3,832,500) was paid up to 9th running bill. Subsequently the management changed the rate of sub-soil boring for pile foundation from Rs 352.90 to Rs 1,084.79 per rft & cast in situ 1:1-1/2:3 for pile foundation from Rs 2,434.03 to Rs 3,082.20 per rft and paid to contractor in 10th Running bill without any justification. Unjustified change of available rate resulted in an overpayment of Rs 2.38 million (Rs 1,084.79-352.90=731.90 x 1,705 rft) (3,082.20-2,434.03=648.03x1,750 rft).

Audit maintains that change in rate at a belated stage when all the expected quantum of items was finished was unjustified.

Audit pointed out the overpayment in September 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit

Audit stresses for early recovery.

(DP. 208)

Internal Control Weaknesses

5.4.38 Waste of public money on useless Planning & Monitoring Cell - Rs 25.90 million

Ministry of Housing and Works established a Planning & Monitoring Cell (PMC) in April 2010 for a period of two years with the approval of Departmental Development Working Party with a view to examine and evaluate PC-I and PC-II projects, get them approved from

DDWP/CDWP and ECNEC during execution and post project completion with the line departments and executing agencies and to have an effective institutional backup support to avoid lags in the project implementation and mitigating the danger of cost and time overruns. The original PC-I was approved in February 2010 at a cost of Rs 59.56 million which was revised in October 2011 amounting to Rs 70.32 million.

Objectives of the PMC were as under:

- i. ensuring the projects implementation with due diligence and within the cost and timeframe
- ii. identifying and resolving problems hampering project implementation
- iii. modifying and closing any project having no justification
- iv. documenting significant conclusions/lessons for designing of future projects
- v. preparation of project completion reports

Main functions of the PMC were as under:

- i. facilitate departments/agencies of Ministry of Housing and Works in preparation of PC-I and PC-II documents.
- ii. scrutiny and processing of all development projects reflected in PSDP up to approval by DDWP/CDWP/ECNEC
- iii. processing of proposals of concept clearance of all development projects
- iv. assist Secretary Housing & Works during meeting of CDWP/ECNEC and take follow up actions on the decisions
- v. prepare working papers of development projects for DDWP meeting
- vi. to monitor implementation of decisions of DDWP/ECNEC
- vii. planning, monitoring and evaluation of development projects to ensure completion of the projects within approved cost and time

- viii. Strengthening and improving the capability of Ministry regarding appraisal of PC-Is of development projects

The Secretary Housing & Works was personally responsible for overall functions of the PMC. The PMC was headed by Project Director and a Deputy Project Director, assisted by 28 team members.

Audit noted that despite of incurring expenditure of Rs 25.90 million up to June 2012 and having a team of 30 members, the PMC failed to achieve its objectives as no Feasibility Reports (PC-II), survey, estimates, and required lab tests were monitored in the projects under PWP-II and no project evaluation was found on the record. Audit observed during audit that projects were prepared in a totally unprofessional manner with no technical data to back-up the proposals. Huge amount of public money was wasted in the field while PMC's monitoring and Inspection Reports are not available on record.

The Department replied that the PMC performed assigned functions as under well within limited resources as only Rs 25.90 million was released against provision of Rs 56.65 million.

- 1,884 PC-Is containing 14,182 development schemes have been appraised by the PMC. Administrative approvals of approved schemes were issued accordingly.
- Desk and field monitoring of development schemes was carried out and 41 monitoring / inspection reports were issued as per detail in Annex-I.
- Progress reports of development schemes were being analyzed. Abnormally delayed schemes were pin pointed. Due to which the executing agencies had taken measures for expeditious implementations of development schemes.
- Quarterly progress report of PSDP funded projects were furnished to the Planning Commission.
- Effective monitoring of schemes at different eight stations i.e. Sialkot, Gujranwala, Faisalabad, Rawalpindi, Multan, Bahawalpur, Sargodha and Sahiwal were carried out. During

the monitoring some serious financial and technical irregularities were detected. The officers of Pak. PWD responsible for such irregularities are being proceeded against under the rules.

- In addition to above, many operational matters of Federal Government Employees Housing Foundation and Pakistan Housing Authority were also streamlined.

It was evident that PMC did not fail to achieve its objectives as 1,884 PC-Is were appraised and 41 schemes were transparently monitored by the PMC and all inspection reports issued by PMC are available in record. No Public money was wasted due to establishment of PMC under the directions of Planning & Development Division. In view of its vital utility and effeteness, this Ministry had requested Planning & Development Division to revive / extend this project, which had not yet been granted.

The reply was not acceptable because no minutes pertaining to vetting of PC-Is of schemes as stated in the reply were recorded and provided to Audit. No PC-IV (Project Completion Report) and five year plan was prepared by the PMC. The PMC had no cost-benefit analysis of the completed schemes as per its TORs stipulated in the PC-I. The monthly and quarterly monitoring reports indicated that site inspections of a few schemes of PWP-II giving no concrete remarks on the completion of the schemes. Since the objective of the PMC remained unaccomplished, therefore, the expenditure was wasteful.

No DAC meeting could be convened despite best efforts by Audit.

Audit recommends that appropriate measures be adopted.

5.4.39 Conflict of interest – holding of field and supervisory assignments at a same time

Paras 546, 547 and 549 of CPWD Code lay down all specific conditions to be observed during transfer of charge of executive positions in view of the sensitivity of financial transactions relating to execution of

works/schemes. Further, Para 4.08(iv) of Departmental Code Pak. PWD 1982 provides that it shall be the duty of the Superintendent Engineer (SE) to inspect the various works in progress within his circle and to satisfy himself that the system of management is prevailing in efficient and economical manner. The SE shall spend 25% of his time on inspection of works. An inspection report shall invariably be issued by him to the Executive Engineer after each inspection and a copy of the report shall also be endorsed to his controlling officer.

Audit noted that in CCD-I, Pak. PWD Lahore, 325 schemes relating to PWP-II 2012-13 costing Rs 1,093.22 million were under execution besides the execution of schemes relating to PWP-I, PSDP and other deposit works. Audit observed that Executive Engineer, CCD-I, Pak. PWD, Lahore was assigned multiple executive charges of various Public Works Divisions and positions by Ministry of Housing & Works. An account of such multiple charges is shown hereunder:

Original Charge	Additional Charge	From	To	Remarks
CCD-I	CCD Sialkot CCD Sahiwal CCD-III Lahore	07.09.2011	3 months or till posting of regular incumbent	Ministry of Housing & Works office order dated 07.09.2011
CCD-I	Current Charge of Superintending Engineer Circle Faisalabad	14.12.2011	3 months or till posting of regular incumbent	Ministry of Housing & Works office order dated 14.12.2011
Transferred from CCD-I w.e.f. 26 th April, 2013.				

The above position indicates that by assigning multiple charges to an Executive Engineer, the supervision of the development schemes was compromised besides a conflict of interest.

The irregularity was pointed out in May 2013. In reply, the Department admitted the audit observation and stated that the views of the audit are based on facts. The detailed supervision of thousands of scattered schemes in Sialkot, Sahiwal, Lahore & Faisalabad was not humanly possible by one person. In future, all Superintending Engineers and Executive Engineers shall spend at least 25% & 50% of their time in inspection of works.

No DAC meeting could be convened despite best efforts by Audit.

Audit recommends that appropriate measures be adopted.

(Para 11 (SAR) CCD-I, Lahore)

5.4.40 Lack of supervisory control and monitoring for the schemes - Rs 15,638.48 million

Para 35 of CPWD Code provides that it will be the duty of the Superintending Engineer to inspect the various works in progress within his circle, and to satisfy himself that the system of management prevailing is efficient and economical. Para 37 provides that it is a special duty during his tours to see that measurement books are carefully kept and measurements properly recorded, and that they are complete records of the actual measurements of each kind of work done for which certificates have been granted. He should also check measurements are duly observed.

As per Para 6 of instructions contained in Measurement Book (with reference Para 209 to 211 of CPWA Code) the measurement should be recorded only by Executive, Assistant Executive or Assistant Engineers or by executive subordinates in charge of work. All such measurements (i.e. those recorded by subordinates) should, however, be test checked to the extent of at least 50% by the sub-divisional officer himself in each case, and he will be responsible for the general correctness of the bill as a whole. Para 8 provides that the Divisional Officer should test check at least 10% of measurements recorded by his subordinates, and accept responsibility for the general correctness of the bill as whole.

Audit noted that the Superintending Engineers and Chief Engineers of Divisions of Pak. PWD, rarely conducted supervisory visits and inspection of on-going schemes of PSDP PWP-II (**Annexure-Y**) where substantial amount of public money amounting to Rs 15,638.48 million was being spent. Lack of supervision and proper monitoring resulted in irregular utilization and waste of public funds as pointed out in the report.

Audit further observed that frequent transfers of executives and holding of posts on current charge basis was the main cause of improper and defective execution and unauthentic payments against these schemes. These instances were observed especially in CCD Sialkot, CCD Larkana and CCD Gujranwala.

Audit pointed out the observation in May 2013. In reply, the Department admitted the audit observation and stated that the views of audit are based on facts. The detailed supervision of thousands of scattered schemes in Sialkot, Sahiwal, Lahore & Faisalabad was not humanly possible by one person. It has been correctly pointed out that supervisory control was weak which resulted in irregularities. In future, all Superintending Engineers and Executive Engineers shall spend at least 25% & 50% of their time in inspection of works. The reply was not satisfactory because mandatory supervisory inspections were not carried out except a few inspection notes produced by CCD-I, CCD-V, CCD-IV Karachi and PCD-III Islamabad. This indicated that the important administrative control was not implemented which resulted in bogus/duplicate measurement and payments against unexecuted works.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for appropriate action besides taking corrective measures to avoid recurrence of irregularities.

5.4.41 Unauthorized execution of works without contour plans and test checks - Rs 477.46 million

As per Pak. PWD Buildings and Roads Schedule of Rates, 2012 (Brief to Chapter Road and Runway page 395-396) “Decision with reference to cohesive, non-cohesive soil will be made by the Engineer-in-charge through site inspection and tests where necessary. The type of equipment to be used for compaction at various sub-grades shall be determined by the field staff as a result of field tests. Prior to and during the entire operation of compaction soil test shall be carried out both in the field and the laboratory.

As per standing instructions of the Chief Engineer North Pak. PWD Islamabad, the Executive Engineer should authenticate the site plan, contour plan longitudinal Section, Cross Section prior to execution of earth work. Quantity of earth filling/cutting may physically be verified by the Executive Engineer concerned before making payment.

Audit noted that Executive Engineers of various Division of Pak. PWD executed Schemes /works under PSDP, PWP I & II and made payments on account of earth work without soil survey, preparation of, L-Section, X-Section, Contour Plan and site verification in violation of Specification and standing instructions of the Chief Engineer. In absence of technical documents, recording measurements and making payment of Rs 477.46 million was unauthentic (**Annexure-Z**).

Audit holds that irregularity was caused due to non-adherence to the rules and regulations, failure of Executive Engineer to safeguard public interest and weakness of internal controls.

Audit pointed out the matter between July and October 2013. The department replied to the extent of special audit report portion that L-Section, X Section were not prepared before technical sanctioned estimate due to rush of work, however, before start of work, this requirement was met. The department further ensured to comply with audit instructions in future.

No DAC meeting could be convened despite best efforts by Audit.

Audit recommends that appropriate measures be adopted.

5.4.42 Overpayment due to higher rate, non-deduction of rebate and excessive measurement - Rs 52.82 million

According to Rule 10(i) of General Financial Rules (Vol-I), “Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money”. According to Para-209 (d) of CPWA Code all payment for work done or supplies are made on the basis of quantities recorded in the Measurement Book. It is incumbent upon the person taking measurements to record the quantities clearly and accurately. He would also work out and enter in the measurement book the figure for the contents or area column.

Audit noted that in 16 Divisions of Pak. PWD, the Executive Engineers while making payments to contractors for work done, allowed higher rates, rebates were not deducted, quantity of earth work was incorrectly carried forward, made double measurements, applied incorrect rates and applied premium on non-schedule items. This resulted in an overpayment of Rs 52.82 million.

Audit pointed out overpayment during July to October 2013. The department replied in DP 265 that the rate Rs 891/75 % Cft has only been paid for embankment along with compaction for metalled road work only, while rest of objected works were paid without compaction along with embankment works approved by the Competent Authority. The reply was not tenable as item earth work under tuff paver was paid @ Rs 1,227.06 % cu ft for earth work embankment compaction and 1 mile lead. Payment of compaction specified for road work and one mile lead for rural area was not justified. In DP 396, it was replied that Railway authorities directed to back fill material along barrel abutment with 50% Nullah bed granular material was filled and compacted under Railway track, hence the extra

item was executed. The extra item stands approved by the competent authority. The reply was not tenable as higher rates were allowed for extra item over & above the Pak. PWD Schedule of Rates 2004 that was binding. In DP 124 it was replied that the payment was made according to the contract agreement. The reply was not tenable as the same was furnished without consulting relevant Measurement Books. In addition to the reference of earth work recorded in MBs referred in the statement with the Para there was clear evidence of payment of 100 feet lead @ ½ mile. In case of DP 184, 376, 68, 383, 346, 17, 367 & 168, the Department did not submit reply.

Audit maintains that overpayments were made to the contractors due to non-adherence to the rules and procedures, existence of opportunities for violation of law and weakness in internal controls.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP 265, 396, 124, 184, 376, 68, 383, 346, 17, 367, 168)

5.4.43 Non-handing over of completed schemes - Rs 9,358.61 million and non-transfer of 2% maintenance funds - Rs 180.17 million

According to Ministry of Housing and Works letter No. F-I (3)/2003/AEA(Part-iv) dated 22nd July, 2006, 2% contingencies were required to be kept to the account for transfer to maintenance agencies at the time of handing over the schemes/projects to the Provincial/District Governments responsible for maintenance. Further as per Admn. Approvals of schemes under PWP-I&II issued by the M/o Housing & Works, "Production of operation & maintenance certificate from agency responsible for the maintenance of same and non-duplication certificate (that schemes of similar nature have not been / will not be undertaken under any other federal or provincial program in the same locality) by Pak. PWD well before the award of works.

Audit noted in nine cases that Executive Engineers of Pak. PWD got completed 3001 schemes/works under PWP-I&II with approved cost of Rs 9,358.61 million during 2008-09 to 2012-13. Audit observed that the schemes were neither handed over to the respective agencies nor 2% maintenance charges of Rs 180.17 million were transferred to the Provincial / District Governments. In the absence of proper maintenance by respective agencies, the expenditure/investment made on development of the areas may be wasted. The failure to implement the policy resulted in non-handing over of completed schemes of Rs 9,358.61 million and non-transfer of 2 % maintenance charges of Rs 180.17 million. Further, in two cases (DP. 157 & 256), NOC for non-duplication certificate was also not obtained.

(Rs in million)

DP No.	Name of Division	No of Completed Schemes	Completion Cost	2% maintenance Fund
4	PCD Batkhela	393	528.00	10.56
49	PCD Batkhela	243	728.00	14.56
63	CCD-1 Karachi	12	94.55	2.00
256	CCD Muzaffargarh	1,033	4,090.88	77.92
352	CCD Sargodha	20	30.00	0.60
402	CCD Bahawalpur	1,028	3,200.64	61.31
122	PCD Sahiwal	17	110.37	2.21
157	PCD-IV Islamabad	254	545.59	10.40
176	CCD-II Islamabad	01	30.58	0.61
Total		3,001	9,358.61	180.17

Audit pointed out the non-handing over of completed schemes in April to October 2013. The department replied in four (04) cases (PDP No.63, 122, 256, 402,) that a number of completed development schemes were either handed over or being handed over to concerned departments. Moreover, efforts are under way for handing over rest of the development schemes to concerned departments. So, on handing over the balance completed development schemes, the O/M charges @ 2% of the schemes will be remitted to the concerned departments accordingly. The cases for obtaining non-duplication certificates have already been taken up with the concerned offices of Provincial/District Governments and hopefully the

requisite certificates would be obtained shortly. The reply was not acceptable as no documentary evidence in support of replies was provided. Further, the department admitted that schemes were not handed over with 2% contingency during last five years. In remaining five cases (DP 4, 49, 157, 176 & 352) the department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses that all completed schemes be transferred along with maintenance cost to the concerned immediately.

5.4.44 Non-recovery of Mobilization Advance - Rs 59.79 million and non-revalidation of mobilization advance guarantee

According to clause-60.11 and provisions of contract data, 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 a scheduled Bank in Pakistan or an Insurance Company acceptable to the Employer. The advance shall be recovered in equal installments; first installment at the expiry of third month after the date of payment or first part of Advance and the last installment two months before the date of completion of the works as per Clause 43 thereof.

Audit noted in four cases that Executive Engineers of Pak. PWD Divisions granted mobilization advance amounting to Rs 105.72 million against bank guarantees / insurance bond.

Audit observed that out of Rs 105.72 million recovery of mobilization advance amounting to Rs 45.92 million was made from the payments of the contractors leaving a balance of Rs 59.79 million. Audit further observed that an amount of Rs 59.79 million was not recovered due to irregular mode of recovery inconsistent with the contract requirements.

In two cases, (DP 84 & 353) bank guarantees of mobilization advance expired on 5th June 2013 and 30th June, 2013 but neither the matter for revalidation was taken up with the contractors nor the amount was recovered.

Audit pointed out the non-recovery in August & October 2013. In one case (DP 399) the department admitted recovery of mobilization advance and committed to recover the same from the next running bill of the contractor. In remaining three cases, (DP 84, 186 & 353) the department did not reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit recommends to make early recovery.

(DP 84, 186, 353, 399)

5.4.45 Non-recovery of risk & cost amount - Rs 179.05 million

According to Clause 3 (c) of standard contract agreement, work of the contractor as shall be unexecuted and to give it to another contractor to complete, in which case any expenses that may be incurred in excess of the sum which would have been paid to the original contractor, if the whole work had been executed by him shall be borne and paid by the original contractor and may be deducted from any money due to him by Pak. PWD under the contract or otherwise or from his security deposit or the proceeds of sale thereof or a sufficient part thereof.'

Audit noted that the Executive Engineer, CCD Pak. PWD, Muzaffargarh rescinded the contract of a work "Construction of Musa Khel Taunsa Road (35 KM)" previously awarded @ 62% above NIT and allotted the remaining work to another contractor @ 310% above NIT at risk and cost of original contractor.

Audit observed that risk & cost charges amounting to Rs 179.05 million ($72,197,445 * 248\%$ [$310\% - 62\% = 248\%$]) was not recovered from the original contractor. This resulted in non-recovery of Rs 179.05 million.

Audit holds that the overpayment was made due to weak internal control.

Audit pointed out non-recovery in August 2013. The department replied that the matter is in Honourable Court of Civil Judge Quetta and the Honourable Court suspended the matter of recovery till its judgment.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for early recovery.

(DP 261)

5.4.46 Non-encashment of Bank Guarantee on account of Additional Performance Guarantee - Rs 14.00 million

A Bank Guarantee of Rs 14.00 million dated 13th December, 2012 was issued by a bank on account of additional performance guarantee equal to 5% value of left over work in favour of Pak. PWD. Additional performance guarantee was valid up to 30th April, 2013 as the same was issued as per the undertaking given by the contractor that all components of work will be completed by 30th April, 2013.

Audit noted that Executive Engineer, CCD-II, Pak. PWD, Islamabad could not get the work completed within the stipulated extended period up to 30th April, 2013.

Audit observed that as the contractor failed to complete the work within stipulated period the case for encashment of bank guarantee on default of the contractor was not pursued by the Pak. PWD authorities which was undue favour to the contractor. This resulted in non-encashment of bank guarantee of Rs 14.00 million.

Audit pointed out the non-encashment of Bank Guarantee in August, 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses for appropriate action.

(DP 170)

5.4.47 Non-recovery on account of losses and damages - Rs 2.40 million

Clause 13.1 of the contract agreement provides that the contractor shall take full responsibility for the care of the works from the commencement date until the date of the Employer's notice under Sub-Clause 8.2. Responsibility shall then pass to the Employer. If any loss or damage happens to the works during the above period, the contractor shall rectify such loss or damage. Unless the loss or damage happens as a result of any of the Employer's risks, the contractor shall indemnify the Employer against loss, damage and expense arising out of the works.

Audit noted that the Executive Engineer, CCD-V, Pak. PWD, Islamabad awarded a work "Establishment of Federal Government Degree College for Women at I-14, Islamabad" to a contractor on 16th January, 2007 at a cost of Rs 37.93 million with completion date of 15th January, 2009. The contractor after executing the work valuing Rs 34.92 million abandoned the work. During monitoring of the project in July 2012, fitting/fixtures, aluminum windows, door and almirah shutters, sanitary fitting, etc. were found short against which payment had already been made. NIT of balance work was prepared and awarded to M/s Mega Management wherein cost of damaged and missing items was provided for Rs 2.36 million which was awarded 1-½% above the Estimate. Audit held that care of works was the responsibility of the original contractor, therefore, the cost of all damages and losses were to be borne by the said contractor as per afore-quoted provision of contract but the same was not done. Non-adherence to contractual clauses caused non-recovery of Rs 2.40 million on account of losses and damages.

Audit pointed out the non-recovery in September 2013. The department did not submit reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit recommends that responsibility be fixed and action be taken against person(s) responsible.

(DP. 14)

ESTATE OFFICE

Internal Control Weaknesses

5.4.48 Non-recovery of outstanding rent of different Federal Lodges/Hostels - Rs 30.83 million

According to Rule 26 of General Financial Rules (Vol-I) it is the duty of the departmental officer to see that sums due to Government are promptly and correctly assessed, realized and duly credited in the Public Account.

According to Para 3 of Accommodation Allocation Rules, 2002 all married Federal Government Servants in the Ministries or Divisions and their Attached Departments except those maintaining their own pool of accommodation or funds for hiring of houses shall be eligible for accommodation from the Estate Office.

According to the Ministry of Housing and Works letter No F.4 (24)/97-E III, dated 22nd July, 2006 the competent authority had approved the revised rates of rent for shops as recommended by the survey committee. The recommendation dated 19th March, 2006 provides to execute /renew the lease agreement with the present occupant of the shops at the revised monthly rent. It was further decided that the present occupants may be asked to renew lease agreement /hire shops at revised rates by depositing one year's advance rent. In case they fail to accept the offer, ejection proceedings may be initiated against the occupant (s) under Federal Government Land and Buildings (Recovery of Possession) Ordinance, 1965 to get the shops vacated. The shops were then to be rented out through advertisement and open tendering. Further, the period of lease was to be restricted to five years and a revision was to be made a regular feature.

5.4.48.1 Audit noted that Estate Officer, Islamabad could not recover outstanding rent from the allottees of different Federal Lodges/ Hostels under the jurisdiction of Estate Office Islamabad. Audit observed that it

was the responsibility of the Estate Officer to watch the Government's interest by speedy collection of Revenue. Moreover, various occupants residing in official accommodations had not paid dues. This resulted in non-recovery of rent of Rs 6.03 million.

(DP 12)

5.4.48.2 Audit noted that Estate Officer Islamabad allotted eleven (11) houses to non-entitled department employees during 2012-13 on rental ceiling basis.

Audit observed that a period of more than one year has elapsed but due recovery has not been made. This resulted into non-recovery of Rs 2.49 million.

(DP 13)

5.4.48.3 Audit observed that Additional Estate Officer Karachi could not recover an amount of Rs 11.15 million on account of monthly rent for the period July 2012 to June 2013 from allottees of shops and canteens. It was further observed that these allottees were defaulters since the revision of rent. Audit holds that non-recovery of rent has not only resulted in recurring loss to Government of Rs 11.15 million but also increases the likelihood of encroachment of Government property.

(DP 03)

5.4.48.4 Rule 25 (4) (a) of Accommodation Allocation Rules 2002, denotes that in case of unauthorized retention beyond legally allotted period rent equivalent to one rental ceiling of the category of his entitlement or category of the house in occupation whichever is more, shall be charged for each month for entire period of the unauthorized occupation.

Audit observed that Additional Estate Officer Karachi neither implemented the *ibid* instructions nor recovered ceiling rent from the unauthorized occupant of the Government Accommodations at various colonies in Karachi. Audit holds that non-implementation of the *ibid*

instruction resulted in recurring loss to Government for Rs 11.16 million during the year 2012-2103.

(DP 04)

Audit maintains that non-recovery/loss was due to inadequate mechanism of enforcing relevant financial rules and weak administrative/internal controls.

Audit pointed out the non-recovery in October & November 2103. The department did not reply.

Audit recommends to implement the orders of the competent authority in its true spirit and effect necessary recoveries.

5.4.49 Non-cancellation of allotments of unauthorized occupants and non-recovery of rent amounting - Rs 14.72 million

Condition No VII, IX & X of Allotment Policy (2009) for Government Accommodation and Hostel Accommodation states that the rent for the present non-entitled allottees/occupants of Flats/Lodges may be charged double of the existing rent in consultation with Finance Division in the light of audit observations. Allotment in Federal Lodge-I, Lodge-II, Fatima Jinnah Hostel and Chummary Hostel shall be made for a period of 3 months extendable for a further period of 3 months, being non-furnished accommodation, depending upon the nature of job of the occupant.

Audit noted that Estate Officer, Islamabad allotted Suites/Rooms in Hostels to non-entitled persons, on normal rent for unlimited period.

Audit observed that this was depriving the entitled employees from getting accommodations in Islamabad Capital Territory (ICT). Audit held the allotment of 27 persons was irregular and unauthorized. This resulted in non-cancellation of allotments of unauthorized occupants and non-recovery of rent amounting to Rs 14.72 million.

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

Audit pointed out the non-cancellation of allotments of unauthorized occupants and non-recovery of rent in November 2013. The department did not reply.

Audit recommends to cancel unauthorized allotments and make recovery of rent from the individuals concerned.

(DP 14)

5.4.50 Irregular allotment of Government owned accommodation

Rule 5(2) of the Accommodation Allocation Rules, 2002 provides that the allotment of A to I class of accommodation shall be made in accordance with pay scales of Federal Government Servants as per entitlement and specification of Government owned houses in each category. Rule 7(4) *ibid* provides that in case of a house, entitlement is not available; a FGS may be allotted an accommodation of a class or category lower than his entitlement on payment of normal rent on maturity of his turn on the basis of General Waiting List (GWL) of that category. Rule 29-A provides that the Federal Government may relax any rule governing allotment of accommodation to eligible Federal Government Servant in public interest for deserving and hardship cases and on compassionate grounds for reasons to be recorded in writing for such relaxation.

The Supreme Court of Pakistan while giving judgment in Case No.1498/2010 directed that all acts should be done by the public functionaries in a transparent manner after applying judicious mind and after fulfilling all requirements. They are supposed to adhere to the principles of transparency in the performance of their duties and are not bound to carry out/implement any order which is not in accordance with law. The public functionaries are only obliged to carry out the lawful orders of their superiors and if they are being pressurized to implement an illegal order, they should put on record their dissenting notes.

Audit noted that Additional Estate Officer, Karachi allotted four Government owned accommodations on the request of Federal Government Servants over and above their pay scale and entitlement of categories for which they were eligible at recovery of 5% normal rent of the maximum of scale.

Audit observed that instead of charging the recovery at standard / ceiling rent of allotted accommodation, normal rent as per entitlement of the FGS was being charged. Audit further observed that the allottees were not on GWL maintained at estate office Karachi and in other cases requisite necessary documents were not found available. Non-observance of fundamental rules resulted in irregular allotment and less recovery on account of 5% house rent allowance.

Audit maintained that the irregularity occurred due to absence of an oversight mechanism for effective implementation of internal controls.

Audit pointed out the irregularity in October 2103. The department did not reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses regularization of matter besides recovery of house rent at standard rent rate and 5% deduction accordingly.

(DP 08)

5.4.51 Loss due to non-vacation of shops from defaulters - Rs 15.85 million

The Government's decision made under fundamental rule 45-B that "when Government building is let to a private person for residential or business purposes, rent should be recovered monthly in advance at the rate prevailing in the locality for similar purpose". Rule 25(2 & 3) of Accommodation Allocation Rules, 2002 provides that "the ejection of trespassers from Government accommodation shall be carried out by the

concerned Estate Office, immediately without serving any notice on the trespasser and FIR shall be lodged against the trespasser and Estate Office shall arrange the disconnection of services like water supply, gas, electricity and telephone of the house under illegal occupation in order to expedite the eviction”.

The Additional Estate Officer, Karachi issued final notices to the allottees of shops or trespassers at various Government colonies from time to time for vacation due to default in payments of rent. Audit noted that from the date of issuance of final notice not a single shop was got vacated from the trespassers or defaulters and they continue to run their businesses. Audit holds that non-implementation of the ibid rules in their true spirit encourages encroachers to retain government property without paying necessary dues. This state of affairs is alarming and has resulted in a recurring loss to the public exchequer amounting to Rs 15.85 million.

Audit maintains that the loss due to non-vacation of shops was due to inadequate mechanism of administrative, financial and internal controls.

Audit pointed out the loss in October 2103 the department did not furnish reply.

No DAC meeting could be convened despite best efforts by Audit.

Audit stresses early recovery of outstanding rent together with vacation of the shops illegally occupied by the unauthorized occupants.

(DP 09)

5.4.52 Unauthorized allotment/retention of 509 Rooms/Suites of Lodges/Hostels beyond the prescribed period

Condition No.VI, IX & X of Allotment Policy (2009) for Government accommodation and hostel accommodation states that the employees of non-entitled organizations may not be allowed further extension. No fresh allotments to be made to such employees/persons. Allotment in Federal Lodge-I, Lodge-II, Fatima Jinnah Hostel and

Chummary Hostel shall be made for a period of 3 months extendable for a further period of 3 months, being non-furnished accommodation, depending upon the nature of job of the occupant”.

The Estate Officer, Estate Office, Islamabad allotted 509 rooms/suites in the different Lodges/Hostels under the jurisdiction of Estate Office Islamabad. Audit further noted that most of the rooms/suites were allotted for long time periods i.e. from 1996, 2000, etc.

Audit observed that most of accommodations were allotted to non-entitled persons, depriving the deserving entitled government servants of accommodation in twin cities and a huge amount is being spent on their hiring charges. This has resulted into unauthorized allotments/retention of 509 Rooms/Suites of Lodges/Hostels beyond the prescribed period.

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

Audit pointed out the irregularity in November 2013. The department did not reply.

No DAC meeting could be convened despite best efforts by Audit.

Matter needs to be inquired on a case to case basis and the allotments of the persons not entitled or retaining the rooms/suites beyond the prescribed limit as per rules be cancelled.

(DP. 15)

CHAPTER 6
FEDERAL GOVERNMENT EMPLOYEES HOUSING
FOUNDATION
(MINISTRY OF HOUSING AND WORKS)

6.1 Introduction

Federal Government Employees Housing Foundation (FGEHF) was established in 1989 by Ministry of Housing and Works, Government of Pakistan. The FGEHF is a public limited company registered with the Securities and Exchange Commission of Pakistan under Section 42 of Companies Ordinance, 1984. The FGEHF is authorized to initiate, launch, sponsor and implement Housing Schemes for Federal Government Employees in major cities of Pakistan, to make and assist, as far as possible, each of them to have house at the time of retirement or earlier. The Housing Foundation shall not itself setup or otherwise engage in individual and commercial activity or in any function as a trade organization.

FGEHF is under the administrative control of Ministry of Housing and Works.

Objectives of the entity are:

- i. To eradicate shelterlessness for Federal Government Employees, serving and retired and for the other specified groups of people as decided by the Housing Foundation from time to time and assist as far as possible each of them to have house at the time of retirement or earlier, and his dependents in case of his death before retirement on such terms as the Housing Foundation may determine.
- ii. To initiate, launch sponsor and implement Housing Schemes for Federal Government Employees serving and retired and for other specified groups of people as decided

by the Housing Foundation from time to time on ownership basis in Islamabad, the Provincial Capitals and other major cities of Pakistan.

Major functions of the entity are to:

- i. purchase land and plan, execute, develop, construct, sublet, administer, manage or control works.
- ii. establish, subsidize, promote, co-operate with, receive into Housing Foundation, become member of, act as or appoint trustees, agents of, delegates for, controls, manage, superintend, give gifts, lend monetary or other assistance to any council as may deem conducive to or to achieve or to further any of the objects and purposes of the Housing Foundation.
- iii. admit any Federal Government employee to be member of the Housing Foundation on such term and to confer on them such rights and privileges as may be deemed expedient.
- iv. raise and borrow any moneys and funds required for purposes of the Housing Foundation and on such securities as may be determined.
- v. work, improve, manage, administer, develop, turn to account lease, mortgage or otherwise dispose of or deal with all or any of the funds, properties and assets of the Housing Foundation.
- vi. work as town planner, and civil engineer in all its details and to act as consultant, architect, adviser and constructor of buildings, roads bridges, etc.
- vii. undertake construction of all civil works including buildings, roads, bridges, etc.

6.2 Comment on Budget and Accounts (Variance Analysis)

Budget allocation and expenditure of FGEHF for the financial year 2012-13 is as under:

(Rs in million)

Nature	Allocation	Actual Expenditure	Variation Excess/ (Saving)	Variation in %
Non-Dev.	257.20	238.07	(19.13)	(7.44)
Dev.	1,728.00	179.68	(1,548.32)	(89.60)
Total	1,985.20	417.75	(1,567.45)	(78.96)

A sum of Rs 257.20 million was allocated for non-development activities for the financial year 2012-13 against which an expenditure of Rs 238.07 million was incurred involving savings of Rs 19.13 million which constitutes 7.44% of the budget allocation.

A sum of Rs 1,728.00 million was allocated for development activities for the financial year 2012-13 against which an expenditure of Rs 179.68 million was incurred involving savings of Rs 1,548.32 million which constitutes 89.60% of the budget allocation. This indicated that the development targets were not achieved.

Receipts

(Rs in million)

Head of Receipt	Estimated Receipts	Actual Receipts	Variation Excess/(Shortfall)	Variation in %
Receipt from operations/sales	1,982.00	274.09	(1,707.91)	(86.17)
Revenue	268.00	276.11	8.11	3.03
Total	2,250.00	550.20	(1,699.80)	(75.55)

During the year 2012-13 total receipts were estimated as Rs 2,250.00 million against which actual receipts realized were Rs 550.20 million. As such there was a shortfall of 75.55% in the revenue targets.

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 has prepared a Special Audit Report covering the period from 2008-09 to 2010-11 and a Regularity Audit Report for the financial year 2011-12 (Audit Year 2012-13) which are yet to be discussed by the PAC.

6.4 AUDIT PARAS

Fraud/Misappropriations

6.4.1 Fake allotment of 03 plots in Sectors G-13 and G-14, Islamabad without verification/certification - Rs 45.00 million

Rule 26 of General Financial Rules (Volume-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 Deputy Director (Estate-II), Estate Wing, FGEHF, Islamabad allotted two plots in Phase-III Housing Scheme, G-13 provisionally on 10th May, 2012 without observing seniority and merit and issued provisional allotment letters subject to availability vide No. 2(S-1075)/96/HF and No. 2(S-1074)/96-HF respectively. Another plot No. 1361, G-14/4 was also allotted by the said officer on 15th April, 2013 which was created unauthorizedly without approved layout plan and approval of the competent authority.

Audit observed that allotment of these plots was fake. An inquiry was marked by the Director General FGEHF to the Director (Technical), FGEHF on 29th May, 2013 but outcome of the inquiry and disciplinary action taken against the officer was not available in the files produced to Audit.

Weak supervisory controls resulted in fake allotment of three (03) plots valuing Rs 45.00 million approximately.

Audit pointed out the irregularity in November 2013. The Foundation replied that no irregularity was committed while processing the cases for allotment of plots. The reply was not tenable because the plots were provisionally allotted by the Deputy Director Estate which were found to be fake later on as an inquiry into the matter was marked but findings/progress of the same were not provided to Audit.

The matter was also reported to the PAO in December 2013 but no DAC meeting was convened despite best efforts.

Audit recommends that inquiry proceedings be finalized for fixing responsibility for the fraudulent allotment and action be taken against person(s) responsible.

(DP. 8)

Irregularity and Non-Compliance

6.4.2 Unauthentic payment without recording detailed measurement in Measurement Books - Rs 254.77 million

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

Audit noted that Director Technical, FGEHF, Islamabad made payments of Rs 254.77 million without recording detailed measurements of each item of work done in the MBs as detailed below:

S. No.	Name of Works	Amount (Rs in million)
1.	Construction of infrastructure work for development of Sector G-10/1, 2, 3 and G-15/3.	181.02
2.	Karachi Scheme 33, Construction of C Type apartments at SITE Area Gulzari, KDA scheme, etc.	54.59

S. No.	Name of Works	Amount (Rs in million)
3.	Providing/installation of roads/street lights in Sector G-14/4	6.86
4.	Re-routing of High Tension Line G-13	12.30
Total		254.77

Audit maintains that veracity/authenticity of payment could not be verified due to non-maintenance of MBs. The Foundation 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 Housing Foundation is also a compromise on mandatory oversight and internal controls of 100% work done certified by the Engineer in-charge and 10% test check by the supervisory officer. This resulted in unauthentic payment of Rs 254.77 million.

Audit pointed out the matter in November 2013. The Foundation replied that no measurement books were used but payment was made on the basis of detailed measurement sheet. The reply was not tenable. Payments of work done without proper record entry in the MBs were unauthentic and against the codal provisions.

The matter was also reported to the PAO in December 2013 but no DAC meeting was convened despite best efforts.

Audit recommends that responsibility be fixed for violation and action be taken against persons responsible besides corrective action.

(DP. 25)

6.4.3 Inadmissible/Unjustified expenditure on account of official vehicles - Rs 20.65 million

Rule 11 of GFR (Volume-I) provides that each head of department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant rules and regulations both by his own office and by subordinate disbursing officers. Rule 12 further states that a controlling officer must see not only the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Audit noted that FGEHF, Islamabad incurred monthly expenditure of Rs 378,719 on account of running of sixteen (16) vehicles used by the persons other than employees of Housing Foundation, without entitlement and authorization. Expenditure was met out of funds deposited by the Federal Government employees for development of schemes. This resulted into unauthorized/inadmissible expenditure of Rs 16.06 million as calculated below:

Description	Amount (Rs)
One month expenditure on POL (Rs 378,719 x 12)	4,544,634
Repair/maintenance per month (Rs 20,000 x 16 vehicle x 12)	3,840,000
Pay & Allowances of 16 Drivers (approx.) (Rs 40,000 x 16 x 12)	7,680,000
Total	16,064,634

Audit further observed that Director (Administration), FGEHF, Islamabad certified and recommended expenditure on account of payment of Fleet Cards issued to individual for POL of vehicles for the month of October 2012 paid to M/s Margalla Filling Station, G-10 Markaz, Islamabad and debited to the POL charges. The payment on account of POL and Fleet Cards was simultaneously made to both companies i.e. Margalla Filling Station and M/s PSO for which separate bills were

prepared in which vehicles and periods were almost same. This resulted into duplicate payment on account of POL amounting to Rs 4.59 million.

Audit holds that allocation of vehicles to non-entitled persons and running/maintenance of these vehicles was in violation of the prescribed rules.

The irregularity occurred due to violation of mandate, rules & procedures, misuse of authority and weak implementation of internal controls.

Audit pointed out the unjustified expenditure in November 2013. The Foundation replied that none of the vehicles were provided to any officer for his private use but solely in furtherance and for promotion of objects of the Housing Foundation. Sometimes consumption exceeds than the prescribed limit of the fleet card with excessive need of field duty, so fuel from the local filling station was arranged through requisition slips. The reply was irrelevant as observation regarding use of vehicles by non-entitled persons was not responded. Sixteen vehicles were being used by the officers/officials other than FGEHF without allotment orders and policy. As admitted in reply that expenditure was incurred on various vehicles over & above the ceiling and entitlement. Almost all of the works/projects of Housing Foundation are presently inactive. No field activity at present was being carried out.

The matter was also reported to the PAO in December 2013 but no DAC meeting was convened despite best efforts.

Audit requires that responsibility be fixed for violation and action be taken against persons responsible besides recovery on account of unauthorized use of vehicles from the unauthorized users.

(DP. 15&16)

6.4.4 Non-recovery of mobilization advance - Rs 112.46 million

Clause 60.11 of contract agreement for the work, Construction of Infrastructure work for development of Sector G-14/1, 2, 3 and G-15/3, Islamabad provides that a mobilization advance up to maximum of 15% of the contract price shall be paid to the contractor on submission of a bank guarantee from any scheduled bank of Pakistan. Furthermore, clause 60.13 of contract agreement provides that recovery of mobilization advance will be effected from the interim payments in first 15 months in equal installments. The recovery shall be continued till the whole of the mobilization advance was recovered. The bank guarantee will be released by the employer on full recovery of mobilization advance.

Audit noted that FGEHF, Islamabad paid mobilization advance amounting to Rs 112.46 million to a contractor, M/s NCL without obtaining bank guarantee from the contractor as the same was exempted by the Ministry of Housing and Works. The contractor transferred subject work through subletting to a private contractor who had stopped the work at site since August 2013. Further, M/s NCL to whom mobilization advance was paid had not actually mobilized at the site of work. The contractor failed to execute the work as per agreement schedule, so the contractor was liable to pay interest @ 15% per annum. This resulted in non-recovery of mobilization advance amounting to Rs 112.46 million and interest accrued thereon for Rs 16.87 million.

Audit pointed out the matter in November 2013. The Foundation replied that M/s NCL is exempted from the bank guarantee. The reply was not tenable as no action for failure of the contractor to mobilize on site besides progress towards recovery of Mobilization Advance was intimated.

The matter was also reported to the PAO in December 2013 but no DAC meeting was convened despite best efforts.

Audit recommends that responsibility be fixed for violation and action be taken against persons responsible besides recovery of mobilization advance along with interest accrued thereon.

(DP. 24)

6.4.5 Use of discretionary powers by Chief Executive in a un-structured manner to extend illegal benefit of appointments/promotions in violation of sanctioned strength and promotion criteria/rules

According to Rule 21.1 of Service Rules of the FGEHF subject to qualification and experience as in Schedule-II to these rules the merit or provincial/regional quotas shall be observed in making appointment to posts in the Foundation in accordance with the instructions issued by the Government from time to time. All vacant posts to be filled by direct appointment shall be advertised in two or more newspapers having wide circulation. The appointments shall be made by the competent authority on the recommendation of the designated Departmental Selection Committee based on interviews with or without written tests. As per Schedule-I of Service Rules of the FGEHF, all posts of Directors BPS-19 were required to be filled by 100% initial appointment and not through promotion. Rule 20 of Chapter-III of Service Rules further provides that all appointments in the foundation shall be made against sanctioned posts only.

Audit noted that a number of employees in FGEHF (**Details at Annexure-AA**) were promoted/initially appointed either without availability of the post or without required qualification/experience. Most of the promotions/appointments were made by passing the mandatory forum of Departmental Promotion Committee/Departmental Selection Committee by getting merely approval on noting from Chief Executive because as per Articles of Association, the Chief Executive can exercise full powers of the Board/Executive Committee. These decisions were not got vetted from the Board in the next meeting. Such an unstructured use of discretionary power has made the Chief Executive omnipotent in the affairs of FGEHF and it has literally become a personal property/company of one person. Audit observed that situation led to the circumstances

where appointments and promotions were made in respect of officers in BPS-17 to BPS-19 having merely 2 to 3 years service and appointments were made and promotions were allowed even where no sanctioned post was available.

Audit pointed out the matter in November 2013. The Foundation replied that Law Officer was promoted as Director (Law) by the Chief Executive of the Housing Foundation. All the promotions were made in the public interest for promotion of objects of the Housing Foundation. The reply was not tenable. As per Service Rules, FGEHF, Schedule-I, all posts of Directors BPS-19 were required to be filled by 100% initial appointments. The Law Officer was promoted as Director Law BPS-19 without sanctioned post. As stated that service rules in Housing Foundation prior to 2008 did not exist. As per Government rules/policy when a rule does not exist in any authority/organization then Government rules will be applicable. Promotion made prior to 2008 without following any approved criteria and fulfillment of codal formalities stand irregular/unauthorized. As per Service Rules FGEHF 2004 posts of Deputy Director Estate and Deputy Director Admn were not provided/available. Therefore, promotion of officers without any posts is not approved/provided in the Service Rules and stand unauthorized/irregular.

The matter was also reported to the PAO in December 2013 but no DAC meeting was convened despite best efforts.

Audit requires that responsibility be fixed for violation and action be taken against persons responsible besides reversion of orders and recovery of pay and allowances paid irregularly and regularization for future continuation, if possible.

(DP. 17, 19&39)

Performance

6.4.6 Non-resumption of project of Life Residency in G-13 due to mismanagement by the Joint Venture - Rs 10,745.00 million

Clause 07 of Addendum to Joint Venture agreement for the Life Residency Project of 14 Storey High Rise Apartments in sector G-13 Islamabad provides that the parties agreed to cooperate in undertaking the project through the JVC in the term of JVA. The parties agreed that the marketing campaign in respect of the project shall be resumed immediately and the parties shall agree that the JVC shall resume work on the project within fifteen days of the notification of the Arbitration Award by the Islamabad High Court.

Audit noted that JVC failed to resume/launch the project through marketing campaign and fulfillment of prerequisites. As per Arbitration Award the project was earlier delayed due to non-fulfillment of financial obligation by M/s Progressive Ltd. under the JVC and launching of media campaign. Audit observed that final approval of drawing / design and layout plan was not given by CDA. Availability of services i.e. power, water resources and sewerage system and infrastructure development for such a huge building complex was not planned and managed before launching the mega project of high rise building in G-13.

Ill planning and mismanagement resulted into non-resumption of project for Rs 10,745.00 million.

Audit pointed out the mismanagement in November 2013. The Foundation replied that as per CDA Islamabad Residential Sector Zoning (Building Control) Regulations, 2005 and letter dated 12th December, 2011 it was mandatory to obtain approval of the building plans from the Authority before construction at site as well as advertisement. Final NOC is pending with CDA. As admitted in reply that it was mandatory to obtain prior approval of the building plan to start the project. The project authorities did not fulfill the pre-requisites before launching such a mega project.

The matter was also reported to the PAO in December 2013 but no DAC meeting was convened despite best efforts.

Audit requires that the delay in launching the project be justified and the pace of development of the Scheme be accelerated.

(DP. 2)

6.4.7 Abnormal delay in starting/launching of Housing Project by the Management of FGEHF

As per provision of contract agreement signed by Federal Government Employees Housing Foundation, Islamabad with M/s Green Tree Pvt. (Ltd.) for infrastructure development project in Bhara Kahu Islamabad on 1st April, 2009, the development work was to be completed in two (02) years.

Audit noted that work on the project Housing Scheme at Bhara Kahu was abandoned/stopped by the contractor. However, the issue was resolved on terms, suggested by the Executive Committee of the Housing Foundation. The Honourable Supreme Court of Pakistan in the orders dated 25th February, 2013 passed an order that M/s Green Tree Pvt. (Ltd.) may under take its commitment for observing the terms and conditions as set out in the agreement including that there will be no increase in cost escalation on any account. M/s Green Tree Ltd. shall submit on affidavit in this regard to the Honourable Supreme Court.

Audit observed that development work on Bhara Kahu scheme was not started despite lapse of four and half years and commitment made by the M/s Green Tree Ltd. before the Honourable Supreme Court for observing the terms & condition set out in the contract agreement and disposal of the case by the apex court vide order dated 25th February, 2013. Construction agreement along with Engineer design, agreement has not been executed by the FGEHF with M/s Green Tree Pvt. Ltd. Further offers letters have also not been issued by the Foundation to the eligible members. Further delay in the finalization of all pre-requisites and

execution of development agreement with the developer will increase/escalate the construction cost.

Audit pointed out the matter in November 2013. The Foundation replied that CDA approved the layout plan on 5th June, 2013 on the orders of Honourable Supreme Court of Pakistan subject to 15% green area instead of 08%. Accordingly, a revised Layout Plan was submitted to CDA on 15th August, 2013 the approval of which was still awaited. The reply was not supported with documentary evidence. After the judgment of the Honourable Supreme Court dated 27th February, 2013 work on the Scheme was yet to be started which was already delayed. If contractor, M/s Green Tree Pvt. Ltd. is reluctant to start the work at site, then legal action was to be taken against the defaulting contractor.

The matter was also reported to the PAO in December 2013 but no DAC meeting was convened despite best efforts.

Audit stresses that the delay in launching the project be justified and the pace of development of the scheme be accelerated.

(DP. 1)

Internal Control Weaknesses

6.4.8 Unauthorized/Unjustified allotment of plots to ineligible persons out of specified quota - Rs 389.00 million

According to clause 4.2 of the Brochure of Phase-IV, professionals shall include:

- i) Judges of Civil Courts Islamabad
- ii) Employees of Office of the District Collector Islamabad
- iii) Employees of Housing Foundation
- iv) Law Officers of the Federation posted in the High Court Rawalpindi Bench & Supreme Court, Islamabad
- v) Members of the Islamabad District Courts Bar Association

Audit noted that Estate Wing, FGEHF, Islamabad allotted residential plots in Phase-IV to the officers of Ministry of Housing & Works under specified quota without provision in the Brochure of Phase-IV. Audit further observed that certain officers/officials of Ministry of Housing & Works and Police Department were also included in the category of Professional quota contrary to the provision and criteria provided in the Brochure. In this way, eligible/entitled persons of the waiting list were deprived from the allotment of plots. Had the merit been observed the shelterless government employees on waiting list would have definitely been accommodated. This resulted into unauthorized/unjustified allotment of plots valuing Rs 389.00 million.

The irregularity occurred due to violation of mandate, rules and procedures and weak implementation of internal controls.

Audit pointed out the irregularity in November 2013. The Foundation replied that a separate quota for employee of Ministry of Housing & Works was approved by the Executive Committee in its 109th meeting. Hence, allotments issued to officers of Housing & Works/Members of the Executive Committee were in line with the decision of the Executive Committee of the Housing Foundation. The reply was not tenable because inclusion of specified quota after advertisement of scheme was post bid change as no quota for officers of Ministry of Housing & Works and Members of Executive Committee FGEHF was provided.

The matter was also reported to the PAO in December 2013 but no DAC meeting was convened despite best efforts.

Audit stresses that the 'specified quota' created after advertisement of scheme be withdrawn.

(DP. 11)

6.4.9 Non-recovery of cost of plots and delayed payment charges - Rs 338.34 million

According to clause-9.1(i) and (iii) of the Brochure of schemes, if the allottees fails to pay the dues within the grace period, a surcharge @ 1% per month will be livable on the amount due for the period of default including the grace period of one month. If the allottees fails to pay the dues during the extended period the allotment of the plot shall stand cancelled and the amount paid be refunded after deducting 5% of the amount paid, within four months of the cancellation of allotment.

Audit noted that FGEHF, Islamabad allotted residential plots in various Schemes/Phases in Islamabad. A scrutiny of the record revealed that a number of allottees did not deposit cost of plots on due dates but Housing Foundation neither recovered the principal amount and surcharge on late payment nor cancelled the plots as per term & conditions of the allotment.

Weak internal controls caused non-recovery of Rs 338.34 million on account of cost of plots and delayed payment charges.

Audit pointed out the non-recovery in November 2013. The Foundation replied that notices were issued to defaulter allottees for recovery of outstanding dues. The plots allotted to those allottees who were major defaulters have been cancelled by the Housing Foundation. The reply was not supported with details of plots cancelled due to non-payment by the allottees.

The matter was also reported to the PAO in December 2013 but no DAC meeting was convened despite best efforts.

Audit requires that responsibility be fixed for lapse and action be taken against persons responsible besides recovery of the amount involved at the earliest.

(DP. 7)

Others

6.4.10 Non-provision of Sanitary Sewerage System and Sewage Treatment Plants in Sectors G-13 and G-14 Islamabad causing adverse environmental pollution

As per provision of approved PC-I for development of Sector G-13 and G-14 component of cost estimate for Sanitary Sewerage System and Sewage Treatment Plants (STP) was separately provided in both sectors. For Sector G-13 estimates for Rs 77.88 million provided for Providing/Laying Sanitary Sewerage System and Rs 36.00 million were provided for STP. Similarly for Sector G-14/4, STP was separately provided and approved in the approved PC-I.

Audit noted that development works in Sector G-13 and G-14/4 were shown completed by the FGEHF without linking the Sewerage System of both sectors with CDA Main Sewage line. It was also observed that sewerage lines were not linked with CDA main Sewerage System network and sewage was being dumped in the adjacent Nullah which was creating environmental pollution in the city. Non-construction of STP in Sector G-13 and G-14 for treatment of sewage water was a violation of the terms and conditions of approved PC-I. Open sewage in Nullah is creating environmental pollution and health hazards i.e. Hepatitis, infectious disease, etc.

Audit pointed out the matter in November 2013. The Foundation replied that the process of pre-qualification of contractors was initiated and after selection of specialist contractors the work will be got executed. The department admitted the necessity and importance of STP to avoid environmental pollution.

The matter was also reported to the PAO in December 2013 but no DAC meeting was convened despite best efforts.

Audit stresses that the remedial measures be taken to avoid environmental pollution without delay in the housing schemes.

(DP. 28)

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 repealed Companies Act, 1913 (now Companies Ordinance, 1984) as unlisted public company. The principal activities of the Company are to carry out the business of construction as consultant, advisor, structural engineer, builder, architect, contractor, job contractor and designer and to engage in other allied activities.

7.2 Comments on Audited Accounts

7.2.1 The working results of the Company for the year 2011-12 and 2012-13 as compared to the previous years are tabulated below:

(Rs in million)

Description	2010-11	2011-12	% Increase/ (Decrease)	2012-13	% Increase/ (Decrease)
Contract income	1,038.18	987.95	(4.84)	1,024.87	3.74
Cost of work done (Direct cost)	907.89	851.95	(6.16)	889.20	4.37
Gross Profit	130.29	136.00	4.38	135.67	(0.24)
General & Administrative / indirect cost	69.73	70.43	1.00	71.83	1.99
Operating Profit	60.56	65.57	8.27	63.84	(2.64)
Financial charges	0.22	2.54	1,054.55	2.20	(13.39)
Other Operating income	7.57	11.58	52.97	16.77	44.82
Profit before taxation	67.91	74.61	9.87	78.41	5.09
Provision for taxation	58.08	64.09	10.35	54.16	(15.49)
Profit after taxation	9.83	10.52	7.02	24.25	130.51

Description	2010-11	2011-12	% Increase/ (Decrease)	2012-13	% Increase/ (Decrease)
Accumulated profit	67.84	93.15	37.31	117.97	26.65

(Source: Annual Audited Accounts of NCL).

Note: Increase/decrease (in %age) for has been determined by comparison of 2012-13 with 2011-12 and that of 2011-12 with 2010-11.

The contract income increased by 3.74% from Rs 987.95 million in 2011-12 to Rs 1,024.87 million in 2012-13. The cost of work done increased by 4.37% from Rs 851.95 million in 2011-12 to Rs 889.20 million in 2012-13. The increase in income was less than the increase in cost, resultantly the gross profit margin decreased by 0.24% in 2012-13 whereas in the previous year it increased by 4.38%. However, general and administrative expenses increased by 1.99% from Rs 70.43 million in 2011-12 to Rs 71.83 million in 2012-13 due to which the operating profit decreased by 2.64% from Rs 65.57 million in 2011-12 to Rs 63.84 million in 2012-13. Efforts need to be made to increase more the profitability of the Company.

7.2.2 Trade receivable increased to Rs 763.53 million as on 30th June, 2012 from Rs 717.03 million as on 30th June, 2011 registering an increase of 6.76 %. The receivable decreased to Rs 731.10 million as on 30th June, 2013. Trade receivables included a provision for bad debts of Rs 246.03 million in 2010-11 registering an increase of 5.45% to Rs 260.21 million in 2011-12 which remained unchanged during 2012-13. Efforts need to be made at appropriate level for the recovery of these debts.

7.1.2.5 Trade receivable as on 30th June, 2011 included claims/bills amounting to Rs 188.58 million which remained unchanged from the previous year. However, provision for doubtful claims/bills increased from Rs 153.94 million as on 30th June, 2011 to Rs 157.41 million as on 30th June, 2012 and Rs 160.52 million as 30th June, 2013 registering an increase of 2.25% and 1.98% respectively. In note-17.2.1 to the accounts, it had been stated that those bills/claims were disputed with the clients and cases for settlement of disputes were in process with the government adjuster. The matter needs to be resolved at the earliest as the recovery of these claims/bills is necessary for the improvement of liquidity position of

the Company. Further, the management may justify the reconciliation position of claims/bills prior to submission of the same to government adjuster along with reasons regarding non-settlement of claims/bills with the clients well within the time specified in the agreement clauses.

7.2.3 Trade and other payables as on 30th June, 2011 included an amount of Rs 11.43 million payable to Employees Provident Fund Trust which had been increased to Rs 17.45 million as on 30th June, 2012 and to Rs 20.81 million as on 30th June, 2013. Due to non-remittance of employees Provident Fund, the Company was liable to pay interest to the Trust amounting to Rs 2.08 million in addition to actual provident fund. Audit stresses early clearance of Trust liability besides justification for non-remittance to Provident Fund Trust.

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

The Directorate General Audit Works (Federal) has conducted audit of the accounts of NCL for the first time. Previously the entity was under the auditorial jurisdiction of Directorate General Commercial Audit. Compliance position of PAC's directive as included in the Audit Report for 2012-13 prepared by Commercial Audit was 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	052	-	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
2008-09	04	03	01	75

7.4 AUDIT PARAS

Internal Control Weaknesses

7.4.1 Non-recovery/non-finalization of works account with the Client Departments - Rs 668.51 million

As per Paras 287 & 288 of CPWA Code, read with Paras 46, 52 and 99 of CPWD Code, the accounts of the works should be closed immediately after completion of the work. On completion of work, it should be seen that any adjustments of costs necessary under the rules have been duly made in the accounts.

Audit noted that Managing Director, NCL, Islamabad executed construction agreement with different departments and submitted claims against the work done.

Audit observed that project management executed works and bills/ claims worth Rs 668.51 million were submitted to different client departments for payment. Despite lapse of considerable period, management could not recover its legitimate construction revenue from the client departments till June 2013 as detailed below:

Project Code	Name of Work	Amount Recoverable (Rs)
PC-143	Re-Development Dargah Sehwan Sharif PIL	874,262
PC-144	Construction of Liaqatabad Flyover	30,292
PC-154	Nuclear Medical Cobalt / Simulator Kiran	1,446,625
PC-156	Outside Road Repair Pak Steel	14,487
PC-157	Inside Road Repair Pak Steel	3,633,991
PC-160	Special Education Centre, Sibi	463,776
PC-163	Quetta Water Supply Main Works Phase-II	660,550,702
PC-342	NUST Hostel Sector H-12 Islamabad	1,500,000
	Total Rs	668,514,134

Audit maintains that NCL management could not uphold contractual clauses for its legitimate claims / bills (Misc./other receivable) for the work done against different works up to 30th June, 2013. It reflects inadequate oversight mechanism for effective implementation of internal control and contractual obligations.

Audit pointed out the non-recovery in November 2013. The Company did not reply.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee observed that major portion of outstanding recovery i.e. Rs 660 million pertained to Quetta Water Supply (Phase-II). It was decided that the Ministry would approach Chief Secretary Balochistan to intervene and get the issue resolved. Recovery so far made be got verified from Audit. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP.6)

7.4.2 Non-adjustment / recovery of advances - Rs 166.13 million

As per approved accounts statement short term advances were paid to different suppliers and sub-contractors which were required to be adjusted as soon as possible.

Audit noted that the Managing Director, National Construction Limited, Islamabad paid short term advances to different suppliers and sub-contractors worth Rs 166.13 million up to June 2013 as detailed below:

Description	Amount (Rs in million)
Suppliers	18.56
Sub-contractors	147.57
Total	166.13

Audit observed that the management of NCL failed to adjust/recover long outstanding short term advances worth Rs 166.13 million from different suppliers/sub-contractor up to June 2013.

Weak supervisory and internal controls resulted in non-recovery of advances from the defaulting contractors/suppliers. By not recovering the advances, the Company's resources were overburdened.

Audit pointed out the non-recovery in November 2013. The Company did not reply.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee directed the management of NCL that detailed break-up of advances given to sub-contractors and relevant record regarding payment made against work done be got verified from Audit. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP.3)

7.4.3 Non-recovery of outstanding dues on work done - Rs 37.12 million

According to agreements executed with National University of Science & Technology, Islamabad for execution of works, (i). Construction of NIMS (ii). Construction of Hostel Building (Package-01) and (iii). Construction of Hostel Package-II, the Client (NUST) was required to make monthly payments on account of work done to the National Construction Limited.

Audit noted that Managing Director, National Construction Limited, Islamabad completed the above works and handed over them to the client university. The claims regarding work done, escalation and retention money worth Rs 37.12 million were submitted to NUST for

payment in June 2011. Despite lapse of considerable period, the management could not recover its construction revenue from NUST.

Audit holds that NCL management failed to get implemented the contractual clauses for its due claims/bills for the work done either for want of arbitration or joint inspection to assess the quality of work and specifications provided in the agreements up to 30th June, 2013. This resulted in non-recovery of Rs 37.12 million.

Weak supervisory and financial controls resulted in non-recovery of revenue. By not recovering the subject revenue, the Company is suffering recurring loss in shape of de-valuation of currency.

Audit pointed out the non-recovery in November 2013. The Company did not reply.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee observed that matter of non-recovery of outstanding dues against work done was held up due to arbitration proceedings conducted by Rector NUST. The Committee directed to pursue the matter and effect recovery. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP.10)

7.4.4 Non-remittance of income tax - Rs 6.54 million

According to Income Tax Ordinance, 2001, the Income Tax deducted at source under Section 152 (A1) read with Rule 43 of Income Tax Rules 2002 (Collection and Deduction of tax at source - Tax Payers' Facilitation Guide) was required to be deposited in the Government treasury within seven days.

Audit observed that NCL deducted income tax amounting to Rs 6.54 million from different suppliers and sub-contractors during the year

2012-13 but the same was not deposited into the Government treasury. The amount was lying in the Company's account under head "accounts payable".

Audit maintains that non-deposit of income tax reflected ineffective implementation of rules/regulations, lack of commitment of the management for effective implementation of internal controls.

Audit pointed out the non-remittance of Income Tax in November 2013. The Company did not reply.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee observed that major portion of Income Tax liability i.e. Rs 3.04 million pertained to NUST Project and was lying in ESCROW Account which was frozen due to arbitration. It was directed to the Managing Director, NCL to approach Chairman NUST and get the amount of Tax taken out from ESCROW Account in the light of DAC's instructions and Income Tax Notice. The recovery relating to Quetta Project be adjusted immediately. The record of up to date recovery be produced to Audit for verification. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP.9)

7.4.5 Non-payment of supervision charges by JV partner to NCL - Rs 2.71 million

According to Clause 3.2 (Terms of business) of Agreement/JV signed by National Construction Limited with M/s Abdul Sattar & Co. (ASCO) for Construction of infrastructure works for development of Sector G-11/1,2,3 and G-15/3, Islamabad (Contract Package-01 for Sectors G-14/2 & G-14/3), the first party (NCL) shall monitor the progress of work through a monitoring team of NCL officials whose salary will be charged to the second party (M/s ASCO) on actual basis. This salary charge is over and above the financial arrangement of Clause 7.1 (4.10 %).

Audit noted that NCL, Islamabad took part in bidding for the work “Construction of infrastructure works for development of Sector G-11/1,2,3 and G-15/3, Islamabad (Contract Package-01 for Sectors G-14/2 & G-14/3) and won the bid. The work was awarded to the Company at agreement cost of Rs 1,499.44 million. The date of start of work was 4th September, 2012 and completion 4th September, 2014. Audit observed that the Company has deputed a team of officials of NCL for monitoring of the progress of the work since 4th September, 2012, however, the partner of the JV i.e. M/s ASCO has not paid the salaries as per actual to the Monitoring Team Members. This resulted in non-payment of Rs 2.71 million by M/s ASCO to NCL.

Audit pointed out the non-recovery in November 2013. The Company did not reply.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee observed that the Joint Venture partner did not pay supervision charges as per contract and directed the Managing Director, NCL to effect recovery. The compliance of the DAC directive was not made till the finalization of this report.

Audit stresses early compliance of the DAC’s directive.

(DP.12)

7.4.6 Non-deduction of General Sales Tax - Rs 1.27 million

Pursuant to the Cabinet Decision dated 23rd August, 1997 circulated vide Finance Division Circular No. F.4 (11)/98-CPPRD-II dated 18th April, 1998 read with Sales Tax General Order No. 34/2010 dated 16th September, 2010 issued by the Federal Board of Revenue, all government departments, autonomous bodies, etc. are required to make purchases from an active registered person. In case of purchases made from unregistered, blacklisted and registration suspended persons, all government departments, autonomous bodies, etc. are required to withhold 16% Sales Tax of the supplies received and deposit in government exchequer. In case

of purchases made from registered persons, one fifth (1/5th) of the GST was required to be withheld by the government departments, autonomous bodies, etc. and deposit with the government.

Audit noted that the National Construction Limited made purchases of different material from various suppliers during the years 2011-12 and 2012-13 for execution of its projects located all over the country. In most of the cases, the purchases were made from the unregistered suppliers but the Company neither deducted 16% GST from the unregistered persons nor 1/5th of GST was withheld from the registered persons. This resulted in non-deduction of GST of Rs 1.27 million.

Weak financial controls and lack of commitment of the executive in realizing due public revenue resulted in non-deduction of GST.

Audit pointed out the non-deduction in November 2013. The Company did not reply.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee directed the Managing Director, NCL to reconcile the recoverable amount of GST with Audit and get the relevant record verified. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP.15)

CHAPTER 8

PAKISTAN HOUSING AUTHORITY FOUNDATION (MINISTRY OF HOUSING AND WORKS)

8.1 Introduction

Pakistan Housing Authority Foundation is a Public Company registered with Securities and Exchange Commission of Pakistan under Section 42 of the Companies Ordinance, 1984. The major objectives/services entrusted to PHA Foundation are as under:

- Being one of the implementing arms of Ministry of Housing & Works, PHA Foundation is mandated to eliminate shelterlessness and to reduce the housing shortfall in Pakistan.
- 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.
- 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 respective areas.

8.2 Comments on Budget & Accounts (Variance Analysis)

8.2.1 The table below shows the position of budget and expenditure of PHA Foundation for the Financial Year 2012-13:

(Rs in million)

Head of Account	Original Budget	Expenditure	Excess/ (Saving)	Excess/ (Saving) in%
Non-Development (Operational)	147.90	140.67	(7.23)	(4.89)
Development	1,857.16	59.56	(1,797.60)	(96.79)
Grand Total	2,005.06	200.23	(1,804.83)	(90.01)

Revenue

(Rs in million)

Head of Account	Estimated Receipt	Actual	Surplus/ (Deficit)	% of actual to estimate
Revenue	1,896.59	493.58	(1,403.01)	26.02

8.2.2 Against approved development budget of Rs 1,857.16 million, Pakistan Housing Authority Foundation incurred expenditure of Rs 59.56 million which constituted 3.21% of the budget. The funds were short utilized by Rs 1,797.60 million which showed that development targets were not achieved.

8.2.3 As per Budget Manual of the Federal Government, budget estimates are obligatory requirement of each department containing proposed work program with estimate of funds necessary to execute these programs. The process of preparing estimates in an organized manner involves planning. The development budgeting is based upon the functions, activities and projects.

Audit noted that PHA Foundation Islamabad prepared first ever budget during 2012-13 pertaining to operational activities and development activities. In operational budget an amount of Rs 147.90

million was earmarked for the pay & allowance of PHA establishment, travel and transportation cost and other contingent requirements. The basis of estimation was quite general which were prepared by adding 15% on account of inflation on the expenditure incurred during 2011-12. The estimation for establishment charges is made in view of the number of temporary and permanent posts, the emoluments being drawn against each post and addition of annual increment as per prescribed rate. In development budgeting the funds allocation from various resources like government grants, Authority's own funds, local and foreign borrowings were shown in the budget and allocated to various projects for execution keeping in view the assigned priorities. The development budget amounting to Rs 1,857.16 million was prepared with revenue estimation of Rs 1,896.59 million without such details.

Audit observed that the operational expenditure amounting to Rs 140.67 million was incurred up to June 2013 showing a saving of Rs 7.23 million. Regarding development expenditure no project-wise detail expenditure was provided. The record, however, showed an expenditure of Rs 59.56 million which had been incurred against the total projected amount of Rs 1,857.16 million. This showed that PHA did not perform its primary function of development projects whereas operational expenditure of Rs 140.67 million was incurred without any corresponding development activity. There was short utilization of developments funds by Rs 1,797.60 million.

Audit pointed out the issue in November 2013. The PHA Foundation replied that most of the development works on mega projects remained suspended due to inquiries of NAB and FIA during 2012-13. FIA and NAB have now closed the inquiries and directed PHA to continue the works without further delay. The reply was not tenable as project-wise physical and financial progress was not intimated.

The matter was discussed in the DAC meeting held on 28th January, 2014 wherein the Committee directed the Management of PHAF to prepare budget estimates in rational manner and expedite development activities as per set targets.

Audit stresses that operational expenses be rationalized in accordance with the development activities and measures be taken to improve progress of development works.

(DP.18)

8.2.4 PHA Foundation was created through a resolution issued by Cabinet Division dated 18th May, 1999 titled “Prime Minister’s Housing Authority” which was re-designated as PHA Foundation through another resolution dated 8th March, 2000. Clause 14 of both the resolutions states that the Authority shall maintain proper accounts and other relevant record and annual statement in such form as may be prescribed by rules. Clause-13 of the resolution stipulates that the Authority shall prepare annual budget showing estimated receipts, the current and development expenditure and sums required as grant in aid from the Federal Government. Subsequently the Authority got registered itself from the Securities Exchange Commission of Pakistan on 19th January, 2012 under Companies Ordinance 1984. Section-230 of the Ordinance inter alia states that annual accounts/statements shall be prepared for all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place. Section 230(7) also states punitive measures in case of failure in non-preparation of accounts. Rule 15 of GFR Vol-I also states that every one whose duty is to prepare and render any accounts or returns in respect of public money or stores, is personally responsible for their completeness and strict accuracy and their dispatch within the prescribed time.

Audit noted that PHA Foundation, Islamabad did not prepare Annual Accounts/ Financial Statements from 2009 onwards. The last audited statements available with the Authority were for the year 2004. Similarly no budget estimates were prepared during the entire period of its creation. The first ever budget prepared during 2012-13 severely lacked of plans, objectives, requirement and identification of finances and allocation of resources to meet the plans, estimation of revenues etc.

Audit observed that Authority made financial transactions amounting to Rs 140.67 million and Rs 59.56 million during 2012-13.

Non-preparation of proper budgeting and annual financial statements would lead to severe financial indiscipline, high risk to the transparency of the financial transactions, lack of proper asset evaluation and liquidity position of the Authority.

Audit also observed that there existed a full fledged Finance Wing comprising 30 personnel but the mandatory requirements were never met.

Audit pointed out the irregularity in November 2013. The PHA Foundation replied that its Finance Wing remained under-sourced since establishment in 1999 and first initiative to proper financial management was taken in 2008 after lapse of 9 years by outsourcing the preparation of accounts for the period 1999 to 2004. The work of preparation of financial statements for 2004-05 to 2008-09 was also outsourced. The financial statements and accounts for 2009-2012 were being prepared. The reply was not tenable as PHA was required to prepare annual budget and financial statements under resolution of Cabinet Division which was not done. This obligation could not be dispensed with for want of human resources. Moreover, the stance of being under-sourced was not sustainable.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Management of PHAF informed the Committee that accounts for the period from 1999-2004 were prepared and audited by Chartered Accountant firm. The Accounts for the period from 2004-2009 had been completed and were being audited by a Chartered Accountants firm whereas the financial statements relating to the period from 2009-2012 were being prepared and would be finalized shortly. The chair observed that the audit observation was valid and financial statements/budget should have been prepared by the management timely. The Committee directed the management to probe the matter and take action against the responsible officers who remained posted on the positions concerned but neither maintained accounts nor prepared the budget. A list of officers who remained posted in PHA during the non-maintenance of accounts also be provided to Ministry immediately for further action.

Audit recommends that a detailed inquiry may be conducted to ascertain as to why the annual accounts were not prepared and necessary remedial measures be adopted to streamline the financial management.

(DP.1)

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

This Directorate General conducted audit of the accounts of Pakistan Housing Authority Foundation for the first time. In past, the entity was under the auditorial jurisdiction of Directorate General Commercial Audit. Compliance position of PAC's directive as included in the Audit Report for 2012-13 prepared by Commercial Audit was as under:

Audit Report	Total Paras	Compliance made	Compliance awaited	Percentage of compliance
1999-2000	09	03	06	33.00
2003-04	05	02	03	40.00
2004-05	06	03	03	50.00
2005-06	03	03	-	100.00

8.4 AUDIT PARAS

Irregularity and Non-Compliance

8.4.1 Non-encashment of Performance Security - Rs 28.59 million

As per Clause 10.1 of the Conditions of Contract, the contractor shall provide performance security to the Employer in the form of insurance bond/bank guarantee. The performance security shall be kept intact till issuance of Defect Liability Certificate as per Clause-10.2.

PHA Foundation awarded the work “Construction of C & D Apartments at I-11, Islamabad” to M/s Hajvari Associates Pvt. Ltd in September 1999 at an agreed cost of Rs 252.60 million which was revised to Rs 285.99 million. The work contained 14 C-Type Blocks and 26 D-Type Blocks. Despite expiry of 14 years, the work on five blocks was still to be completed. The performance security was required to be kept intact till the issuance of Defect Liability Certificate but the same stood expired on 28th January, 2012 amounting to Rs 19.08 million and Rs 9.52 million. On the other hand the contractor’s default occurred which required termination of the contract under Clause-63. In such case the department had lost collateral to meet the expenditure on the balance work due to non-encashment of the performance security before expiry date.

Audit maintains that performance securities were not obtained/revalidated/en-cashed due to weak oversight mechanism for implementation of existing internal controls.

Audit pointed out the irregularity in November 2013. The PHA Foundation replied in January 2014 that the performance guarantee had already been sent for encashment and issues relating to the said project were being inquired. Further action would be taken on finalization of the inquiry. The reply was not satisfactory because the performance guarantee had since been expired, therefore, departmental action for its encashment at belated stage was not valid/justified.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee observed that the performance security was not got encashed and the same expired on 28th January, 2012. The Committee directed that a fact finding inquiry be conducted as to why the said security was not got encashed in time and responsibility be fixed. The Committee appointed the Chief Finance & Accounts Officer, Ministry of Housing & Works as Inquiry Officer and directed the management to produce record to the designated Inquiry Officer within 7 days.

Audit stresses for fixing responsibility and action against the person responsible.

(DP.7)

Internal Control Weaknesses

8.4.2 Non-recovery of Rs 889.49 million

As per Design Consultant Agreement, the consultant shall be responsible to pay the Employer double the amount of Consultancy Contract in case the design or execution of work proves to be faulty/defective.

Audit noted that the PHA Foundation, Islamabad started seven residential projects. During execution the cost of the projects increased tremendously up to 49%. The issue was discussed in the 3rd Board Meeting held on 18th May, 2012 under Agenda Item-III. The proceedings indicated that main reasons of cost and time overrun were preparation of Engineer's Estimates without site survey and geo technical investigation, conversion of footing into raft foundation, level difference from 40 to 50 feet resulting in increase in quantities in columns, plinth beams, diversion of nullah, etc. The Board expressed concern and directed the Inquiry Committee headed by Mr. Abdul Jabbar Malano, Director (Engineering) to give conclusive recommendations for fixing responsibility. The Board also directed that FIRs, if necessary be lodged against the officers/officials responsible. The issue was again discussed in 4th Board Meeting held on

28th June, 2012 wherein Board directed to refer the matter to FIA for further investigation. In the 9th Board Meeting held on 31st July, 2013 the Board approved the revised cost and decided that the additional cost of Rs 889.49 million incurred over the original bid cost may be recovered from the allottees of the respective residential projects. The shifting of irregular cost to the allottees which was incurred due to the fault of consultants, contractors and PHA officers was not justified.

Audit pointed out the irregularity in November 2013. The PHA Foundation replied in January 2014 that seven projects remained inactive due to cost and time overruns and inquiries were conducted at different levels i.e. Ministry as well as FIA. The FIA closed its inquiry on 18th April, 2013 and directed to continue works without further delay. The Board of Directors discussed the issue and decided to recover the cost from the allottees. The reply was not acceptable because extra cost incurred due to slack consultancy services and poor contract execution. Shifting the incidence of extra cost to the end-user/allottees was not justified.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee directed the management of PHAF that the recovery and its detailed breakup be got verified from Audit within two days and results be intimated to the Ministry. In compliance of the DAC's directive, recovery of Rs 12.81 million was verified on 11th January, 2014, leaving a balance of Rs 876.68 million yet to be recovered.

Audit stresses early recovery of balance amount of Rs 876.68 million.

(DP.9)

8.4.3 Non-recovery of advances - Rs 79.48 million

As per Rule 11 of General Financial Rules (Vol-I) each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial

rules and regulations both by his own office and by subordinate disbursing officers.

Audit noted from the accounts record of Pakistan Housing Authority Foundation, Islamabad that an amount of Rs 79.65 million was booked as advances against disputed claims as under:

Description	Amount (Rs)
Advance for design	(1,278,814)
Advance for building disputed claims	2,870,050
Advance against disputed claims supervision	66,869,844
Advance for disputed claims core consultant	11,018,534
Total	79,479,614

Audit observed that these advances were given during the period from 2000-01 to 2010-11. The detail of the projects and reasons for these advances against disputed claims were not provided to the Audit despite requisitions. This resulted into non-adjustment/non-recovery of Rs 79.48 million.

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

Audit pointed out the irregularity in November 2013. The PHA Foundation replied in January 2014 that the expenditure was incurred against the work done by core consultants, design consultants, contractors and construction management consultants engaged to implement the Prime Minister's Housing Programme launched in 1999. The Housing Programme was stopped by the subsequent government and the Cabinet approved to complete eighteen (18) commercially viable projects out of forty-two (42) to minimize the loss to Rs 276.29 million from expected loss of Rs 550 million in case all the housing schemes were abandoned, which could be met through expected profit from sale of 18 projects. The activities were carried out in the light of government policy. The reply was not satisfactory because outstanding advances were not adjusted despite

closing of schemes and no record in support of the stance was produced to Audit.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee directed the management of PHAF to bifurcate the advances into two categories i.e. those which were adjustable against the claims and those which were non-adjustable. Proper adjustments be made in the accounts and the non-adjustable advances be recovered from the concerned. It was directed to provide details of such adjustments, recovery and disputed claims to Audit for verification immediately. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP.2)

8.4.4 Undue payment on account of Consultancy Fee and price escalation - Rs 65.34 million

The Project "Construction of C & D Type Apartments at I-11, Islamabad was awarded to M/s Hajvari Associates Pvt. Ltd" in September 1999 at an agreed cost of Rs 252.60 million. The work was required to be completed within 18 months. The contractor was granted 2nd time extension up to 31st July, 2003 with the condition that contractor shall be responsible to pay supervision charges, if work is not completed in extended time. Another condition was that rates/current reference prices shall continue to remain frozen from 26th March, 2002.

Audit noted that the work remained incomplete even after grant of 2nd extension for 10 years. But the Consultancy Fee/Supervision Charges amounting to Rs 62.42 million after July 2003 were being paid by PHA instead of contractor as required under condition of the Extension of Time. This resulted into undue payment of Rs 62.42 million on account of Consultancy Fee. The monthly rate was Rs 867,000 and annual amount came to Rs 10.40 million. Thus the amount paid during last six years for consultancy came to Rs 62.42 million.

Audit observed that the Director (Engineering) PHA, paid an amount of Rs 2.92 million on account of price escalation for re-bar steel, cement, labour and POL as is evident from IPC 38. The escalation was paid on the current rates instead of frozen rates of March 2002. Further the provision of escalation in contract agreement was not produced to Audit to verify the correctness with reference to contractual provisions. This resulted in unjustified payment of Rs 2.92 million on account of escalation.

Audit pointed out the irregularity in November 2013. The PHA Foundation replied in January 2014 that the issues relating the project “Construction of C & D Type apartments in F-11/1” were being inquired and further action would be taken in the light of outcome of the inquiry. The reply was not relevant as nothing was responded with reference to the contents of audit observation.

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

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee directed the management of PHAF to effect recovery of the amount paid unduly to the contractor within 15 days and conduct a fact finding inquiry within a week as to who made/approved these payments to consultant which were to be made by the contractor as per terms and conditions of Extension of Time. The report be furnished in 7 days. The compliance of the DAC’s directive was not made till the finalization of this report.

Audit stresses early compliance of the DAC’s directive.

(DP.8)

Others

8.4.5 Unwarranted expenditure due to improper planning - Rs 179.36 million

As per Clause-2 of the Resolution dated 8th March, 2000 pertaining to the creation of PHA, the function of the Authority shall be inter-alia preparation and promotion plans, for developing housing projects and developing guidelines for the implementation of the housing programs.

PHA Foundation launched a housing scheme for the federal government officers at Kurri Road, Islamabad and topography survey of the site was approved on 25th August, 2011 to be carried out by M/s Progressive Consultant. The scheme since then was confronting a considerable delay of more than two years and no construction activity was started till June 2013. During this period the Authority incurred expenditure of Rs 176.14 million on account of consultancy payment besides miscellaneous expenditure of Rs 3.22 million.

Audit observed that the project cost was estimated for Rs 6.6 billion in 2011. The cost would further increase due to price escalation factor and resultantly the average sale price per unit was likely to Rs 11.5 million. This would not be compatible to the prevailing market prices of other contemporary housing schemes. Further, there was a trend of refund to the allottees which had so far been made for Rs 30.56 million. This indicated a declining trend of potential allottees. All this happened due to improper and poor planning which caused unwarranted expenditure of Rs 179.36 million.

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

Audit pointed out the irregularity in November 2013. The PHA Foundation replied that an amount of Rs 35.43 million has so far been paid to the consultants. The infrastructure work at Kurri Road project was

resumed at site on 22nd March, 2013 with completion period of 18 months. In South side of the project the progress was made, however, on the North side (over 10 acres land) no activity was carried out due to non-possession of land and some technical disputes between PHAF and contractors. The officers of BPS 20- 22 who had deposited upfront payment were asked to deposit the remaining payment making it up to 25% so that they could be included in the balloting process. Some of them could not deposit the required amount and were not included in the balloting. Hence, those unsuccessful members opted for refund of their initial deposited amount. The reply was not tenable because slow progress of development work was due to mismanagement which also compelled the applicants to withdraw their applications for allotment.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee directed the Management of PHAF to take into account the delay, adopt measures to avoid unwarranted expenditure on the scheme and submit report to Audit. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP.21)

8.4.6 Unjustified creation of Management Services Wing in PHAF

PHA established Management Services Wing (MS Wing) containing 209 posts of different cadres to provide maintenance services to the allottees of PHA flats. The main source of income was revenue collection from the allottees in lieu of the services provided to them. Therefore, all the expenditure relating to MS Wing was to be met from its own sources.

Managing Director, Pakistan Housing Authority Foundation, Islamabad sanctioned an amount of Rs 8.07 million for payment of three months salary from June to August 2012 to the employees of MS Wing. An amount of Rs 2.69 million was paid vide cheque No.6196026 dated

12th July, 2012. The Managing Director PHA directed that recovery of the amount will be made from M.S Wing in December 2012. No recovery was made as per direction of Managing Director. Further, the payment was unjustified because as per monthly revenue details, MS Wing had to collect Rs 4.26 million monthly from the allottees of the flats whereas the expected expenditure was Rs 2.60 million. Thus the MS Wing should have surplus funds.

Audit observed that no proper accounts record of MS Wing showing revenue collection and expenditure appeared to have been maintained in PHA or in MS Wing. In the absence of detailed accounts record the payment to MS Wing was not justified. Further, the posts for MS Wing were created without ascertaining proper need and a heavy pool of 209 officers/officials was created just for maintenance services which merely caused a burden on the funds of PHA.

Audit maintains that non-recovery was due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out the unjustified expenditure in November 2013. The PHA Foundation replied that a sum of Rs 2.69 million was paid to Management Services Wing as loan. The Wing was supposed to repay the loan from revenue to be collected from 8 completed projects but unfortunately the proposed collection could not be started due to stay order of the court. The reply was not acceptable because the appointment of considerable pool of 209 personnel was without any bonafide need. Moreover, no progress towards recovery/court case was intimated till the finalization of this report.

The matter was discussed in the DAC meeting held on 28th January, 2014. The Committee directed the management of PHAF that full amount of the loan be recovered and MS Wing be abolished immediately. Relevant record of loan amounting to Rs 2.69 million to MS Wing, its full recovery and abolishment be got verified from Audit.

In compliance of DAC's directive, record showing adjustment of loan amounting to Rs 2.69 million was produced by PHAF and verified by Audit. However, no compliance regarding abolishment of the MS Wing was reported till the finalization of this report.

Audit stresses early compliance of the DAC's directive.

(DP.10)

CHAPTER 9

EVACUEE TRUST PROPERTY BOARD (MINISTRY OF RELIGIOUS AFFAIRS AND INTER- FAITH HARMONY)

9.1 Introduction

Evacuee Trust Property Board (ETPB) is responsible for the management and disposal of evacuee trust property under the Evacuee Trust Properties (Management & Disposal) Act, 1975. The Chairman is the administrative and executive head of the Board. Secretary, Ministry of Religious Affairs and Inter-Faith Harmony (National Harmony Division) is the PAO of the Board.

Major functions of the Board include:

- Maintenance of complete and authentic record of all evacuee trust properties.
- Buying or selling any property, which may be considered beneficial for promoting the objects of any scheme.
- Mortgage or lease any evacuee trust property.
- Incurring expenditure on repair and maintenance of holy shrines.
- Maintenance of religious shrines and provision of facilities to the pilgrims.
- Setting-up or making grant-in-aid to orphanage, widow houses, poor houses and educational, vocational, technical and health institutions.

The Directorate General Audit Works (Federal), Islamabad carries out audit of expenditure on works related activities of the ETPB.

9.2 Comments on Budget & Accounts (Variance Analysis)

The table below showed the position of budget and expenditure of ETPB for the Financial Year 2012-13:

(Rs in million)

Type of Fund	Original Budget	Final Grant	Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development	1,031.98	1,031.98	935.62	(96.36)	(9.34)
Development	476.38	476.38	366.47	(109.91)	(23.07)
Grand Total	1,508.36	1,508.36	1,302.09	(206.27)	(13.67)

- As per Section- 3 (2) of ETPB Ordinance, 1984 the Evacuee Trust has been designated as corporate body. The corporate bodies are required to prepare annual financial statements indicating deficit/surplus, fixed assets, moveable assets, receivables, payables total liabilities, accrued income/liabilities, appreciation/depreciation of assets. Evacuee Trust Property Board, Lahore did not prepare financial statements showing total assets (fixed/current), receivable income, total liabilities, deposits, refundable securities, long term/short term investments. In the absence of such accounts/financial statements the veracity of financial transactions made during 2012-13 could not be ascertained.
- The expenditure position depicted above showed saving of 9% & 23% in non-development and development allocations, respectively, meaning thereby that funds were earmarked without realistic estimation and bonafide requirements which caused underutilization of funds.

The matter was discussed in DAC meeting held on 6th December, 2013 wherein the Committee took serious view of non-preparation of annual accounts on proper format. The Chair directed Secretary, ETPB to devise a proper accounting system for the Board and prepare all annual accounts accordingly within three months time and get the same verified from Audit.

(DP.5)

- As per Receipt and Expenditure Statement of ETPB, Lahore for 2012-13, the expenditure under various heads was incurred for Rs 1,302.09 million against receipts of Rs 1,162.69 million. The excessive expenditure caused a deficit Rs 139.40 million resulting thereby reduction of investments.
- Audit observed that expenditure on development works was decreased from Rs 477.51 million (2011-12) to Rs 366.47 million (2012-13) whereas non-development expenditure increased to Rs 935.62 million from the previous year expenditure of Rs 474.88 million. The inverse relationship of development and non-development expense showed management shift from development to non-development operations. This would add deficit and reduction of investment.

The matter was discussed in DAC meeting held on 6th December, 2013 wherein the Secretary ETPB informed the Committee that the deficit was due to non-realization of profit on investment from M/s Elysium Holding. The matter is now subjudice in Honourable Supreme Court of Pakistan. The Para was deferred being the subjudice matter with direction to pursue the case actively. However, no justification was given for extra-ordinary increase of non-development expenditure.

(DP.10)

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

The compliance position of PAC's directives on Audit Reports relating to the ETPB is as under:

Year of Audit Report	Total Paras	Compliance made	Compliance awaited	Percentage of compliance
97-98 (SAR)	32	24	08	75.00
2000-01	10	05	05	50.00
2004-05	02	-	02	-
2005-06	02	01	01	50.00

Note: Audit Reports for the year 2010-11, 2011-12 and 2012-13 are yet to be discussed by the PAC.

9.4 AUDIT PARAS

Irregularity and Non-Compliance

9.4.1 Unreliable payments - Rs 1,302.09 million

As per Rules 76-77 of Treasury Rules, cash book is a basic and important document to record transaction on occurrence forthwith. The cash book shall be closed monthly and countersigned by the Head of Department with a certificate that the entries in the book are correct and cash balance in chest agrees with the closing balance shown in the cash book.

The cash book of Evacuee Trust Property Board (ETPB), Lahore was closed only in August 2012 while in the other months during 2012-13, the cash book was not closed. Opening/closing cash balance remained uncarried forward. Cancelled cheques were incorrectly shown in cash book. Audit further observed that the cash book was never signed by the Secretary Board or any other responsible officer designated on his behalf for this purpose. Therefore, correctness certificate also remained unrecorded. Various pages were left blank. This resulted in unreliable payments amounting to Rs 1,302.09 million.

Audit pointed out the unreliable payment in October 2013. The management did not respond to the audit observation.

The matter was discussed in DAC meeting held on 6th December, 2013 wherein Audit informed the Committee that the cash book was incorrectly prepared. The transactions pertaining to the year 2011 were entered in the cash book during the following year 2012-13. Entries for the cancelled cheques were made incorrectly and no closing and opening balances were shown on monthly reports. The Chair took serious view of the lapse in the financial transactions and directed the Secretary ETPB to ensure proper maintenance of cash book and get it verified from Audit

within three months. The compliance of DAC's directives was not made till the finalization of this report.

Audit stresses upon the implementation of DAC's directive at the earliest.

(DP.6)

9.4.2 Unauthorized expenditure on account of work charged staff - Rs 71.69 million

The temporary establishment required for execution of work(s) and to be charged to these works is provided in the PC-I of the relevant works. In PC-I this provision is made not more than 2% of the total cost.

Audit noted that Technical Wing of Evacuee Trust Property Board (ETPB), Lahore booked expenditure of Rs 71.69 million in the expenditure statement for the year 2012-13 on account of work charged establishment pertaining to original works (properties). Audit observed that total expenditure incurred on execution of these works was Rs 118.68 million out of which expenditure on work charged establishment was Rs 71.69 million. Thus the expenditure on work charged establishment was 60% of the expenditure on development works. Further, there was no provision in PC-I of the work for work charged establishment. This expenditure was in addition to the expenditure of Rs 2.23 million incurred on contingent staff during 2012-13. This resulted in unauthorized expenditure of Rs 71.69 million.

Audit pointed out the unauthorized expenditure in October 2013. The management did not respond to the audit observation.

The matter was discussed in DAC meeting held on 6th December, 2013 wherein the Committee directed Secretary ETPB to prepare work-wise statement of work charged establishment and get it verified from Audit within fifteen days. The compliance of DAC's directives was not made till the finalization of this report.

Audit requires that DAC's decision be implemented at the earliest.

(DP.9)

Internal Control Weaknesses

9.4.3 Loss of revenue due to non-realization of profit on investment - Rs 613.94 million

As per Section 4(2)(m) of ETPB Act 1975, the Board shall invest money with the prior approval of the Federal Government for any charitable or social welfare purpose.

ETPB, Lahore fixed revenue targets of Rs 1,793.82 million for 2012-13. Profit on investments was to be yielded amounting to Rs 759.34 million. The statement, however, showed that actual profit earned on investment during 2012-13 was Rs 145.40 million with a shortfall of Rs 613.94 million. The substantial reduction of profit resulted in loss of revenue of Rs 613.94 million.

Audit requisitioned investment related record repeatedly from Chief Controller of Accounts office but the concerned officers/officials showed reluctance to produce requisite record.

Audit pointed out loss of revenue in October 2013. The management did not respond to the audit observation.

The matter was discussed in DAC meeting held on 6th December, 2013 wherein the Secretary ETPB informed the Committee that the deficit was due to non-realization of profit on investment from M/s Elysium Holding. The matter was subjudice in Honourable Supreme Court of Pakistan. The Committee directed to pursue the case actively.

Progress towards court case/recovery was not intimated till the finalization of this report.

(DP.13)

9.4.4 Wasteful expenditure - Rs 18.13 million

As per Rule 10 of GFR (Vol-I), every public officer is required to exercise high standards of financial propriety and ensure that public funds are spent in most economical, efficient and effective manner.

ETPB (Technical Wing), Lahore awarded a work “Construction of Commercial Plaza (Haj Complex), Amin Pur Road, Faisalabad” at an agreed cost of Rs 143.17 million vide acceptance letter on 25th June, 2009. Record indicated that just after start of work the project confronted litigation from TMA Faisalabad for stoppage of work. The Chairman ETPB constituted a Committee to resolve the issue. After site visit on 31st March, 2010 the Committee proposed to change the site from Eid Gah Road to Chak No.124/GB Choor Majra Road, Faisalabad. After approval of the competent authority the work was started on 15th April, 2011.

Audit observed that despite litigation at very initial stage the work continued at site and two running bills were paid to the contractor during this period whereas the work should have been stopped till final fate of the litigation. Non-stoppage of work during litigation phase resulted in wasteful expenditure amounting to Rs 18.13 million up to 2nd running bill besides escalation on these two bills for Rs 2.49 million.

Audit pointed out wasteful expenditure in October 2013. The management did not respond to the audit observation.

The matter was discussed in DAC meeting held on 6th December, 2013 wherein the committee noticed that the work executed on abandoned site stood wasted. The Committee directed to get the wasteful expenditure condoned from the competent authority. The compliance of DAC’s directives was not made till the finalization of this report.

Audit requires that DAC’s decision be implemented at the earliest.
(DP.4)

9.4.5 Overpayment on account of price escalation - Rs 7.39 million

As per Clause 70.1 of the condition of contract Part-II, price adjustment factor is to be applied to the amount for the payment of work carried out in a month determined in accordance with clause 60.1 (a, b and e). Further as per Standard Procedure for Price Adjustment notified by

Pakistan Engineering Council, if any adjustable item(s) is not used in a particular billing period then the ratio of current date price and base date price for that particular adjustable items shall be considered as one.

Executive Engineer, ETPB (Technical Wing), Lahore made payment of Rs 11.54 million vide sanction order dated 30th July, 2012 on account of escalation to the contractor for the work “Construction of Commercial Plaza (Haj Complex), Amin Pur Road Faisalabad”. The escalation claim was based on IPC 1-6 and paid vide cash voucher No.322 dated 30th July, 2012. Detail of the work done indicated that escalation was calculated on all adjustable items provided in Appendix-C irrespective of their utilization in a relevant month. This caused excessive percentage of price adjustment contrary to the approved procedure of PEC. Audit further observed that the amount of consultancy fee was also included in the value of work done for calculation of price adjustment whereas the consultancy fee was to be excluded as it was not a permanent work. The completion of work was delayed. The excessive value of work done and higher percentage of the adjustable items resulted in overpayment of Rs 7.39 million.

Audit pointed out the overpayment in October 2013. The management did not respond to the audit observation.

The matter was discussed in DAC meeting held on 6th December, 2013 wherein the Secretary ETPB admitted the recovery pointed out by Audit. The Committee directed to effect due recovery within ten days and get it verified from Audit. The compliance of DAC’s directive was not made till the finalization of this report.

Audit requires that DAC’s decision be implemented at the earliest.
(DP.1)

9.4.6 Loss due to delay in completion of work - Rs 3.33 million

The Chairman ETPB awarded a work “Development of ET Property on Plot No. 69 located at Sector CCA Phase 5-C DHA Lahore”

to M/s Imperial Construction Pvt. Ltd. at a bid cost of Rs 17.48 million on 15th April, 2009 with completion period of 9 months.

Audit noted that planned completion period of 9 months was stipulated with a view to rent out the building at an estimated monthly rent of Rs 100,800 for the whole plaza. The project was, however, completed on 20th December, 2012 after a delay of three and a half years (3-1/2). Audit observed that the Executive Engineer ETPB, Lahore issued several notices to the contractor on account of his failure to complete the work. In the 3rd notice issued on 10th August, 2010 the Executive Engineer pointed out the fault of the contractor for completion of work even up to 18th March, 2010 ignoring the period spent on approval of design by DHA. In the last notice dated 4th December, 2010, the Executive Engineer pointed out loss of Rs 504,000 for 5 months at estimated rent @ Rs 100,800 per month being sustained by the ETPB due to fault of the contractor in completion of work. Audit further observed that Director (Technical Wing) ETPB, Lahore accorded time extension up to 20th December, 2012 against the proposed completion date of 18th March, 2010 without any penalty and recovery of loss of rent for 33 months @ Rs 100,800 per month. This resulted into loss of revenue amounting to Rs 3.33 million.

Audit pointed out loss in October 2013. The management did not respond to the audit observation.

The matter was discussed in DAC meeting held on 6th December, 2013 wherein the Secretary ETPB agreed to effect due recovery from the final bill of contractor. The Committee directed ETPB to effect due recovery and get it verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon the implementation of DAC's directive at the earliest.

(DP.12)

CHAPTER 10

FRONTIER CORPS
(MINISTRY OF INTERIOR)

10.1 Introduction

The Frontier Corps (FC) is a federal paramilitary force. The FC stationed in the Khyber Pakhtunkhwa at Peshawar and in Balochistan at Quetta is known as Frontier Corps Khyber Pakhtunkhwa and Frontier Corps Balochistan, respectively. Both distinct provincial groups report to respective Inspector General. The Secretary, Ministry of Interior is the Principal Accounting Officer.

With a total manpower of approximately 80,000 personnel, the task of these forces is to help in the maintenance of law and order as and when called upon to do so. Border patrolling and anti-smuggling operations are also delegated to the Frontier Corps.

10.2 Comments on Budget and Accounts (Variance Analysis)

According to paragraph 1.02 of Pakistan Public Works Department (Pak. PWD) Code, all original works, ordinary works and special repairs financed by the Federal Government shall be executed through Pak. PWD. Furthermore, item 9 (41) of Annexure to the System of Financial Control and Budgeting circulated by the Finance Division, Islamabad vide O.M No. F.3(2)Exp.III/2006 dated 13th September, 2006 provides that Ministries/Divisions have full powers regarding approved development schemes, subject to release of funds with the prior approval of Financial Advisor as required under Para 13(vii) of the said O.M. The System of Financial Control and Budgeting does not delegate any powers to Heads of the Departments in respect of civil works. However, in case of FC, the development funds were released directly and works were approved and executed through contractors by the FC as executing agency instead of Pak. PWD.

FC (Balochistan), Quetta

The table below shows the position of budget and expenditure Figures for the Financial Year 2012-13 of the FC Balochistan Quetta:

(Rs in million)

Type of Funds	Allocation	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development	97.80	97.80	-	-
Development	171.71	171.71	-	-
Grand Total	269.51	269.51	-	-

The total budget allocation for the year 2012-13 in non-development and development grants was Rs 269.51 million which was utilized in full.

FC (Khyber Pakhtunkhwa), Peshawar

(Rs in million)

Types of Funds	Allocation	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development	71.36	71.36	-	-
Development	36.62	36.62	-	-
Grand Total	107.98	107.98	-	-

The total budget allocation for the year 2012-13 in non-development and development grants was Rs 107.98 million against which an expenditure of Rs 107.98 million was incurred.

Audit noted that:

- There is no variance in allocation and expenditure during the year.

- Development expenditure during 2012-13 decreased by 65.582% against the expenditure for the year 2011-12 (Rs 106.39 million) which indicates that development activities have slowed down despite the fact that projects are still ongoing.

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

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

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	Percentage of compliance
1990-91	01	01	01	-	100.00
1996-97	01	01	01	-	100.00

Note: Audit Reports for 2009-10, 2010-11, 2011-12 and 2012-13 have not been discussed by PAC till the finalization of this report.

10.4 AUDIT PARAS

Internal Control Weaknesses

10.4.1 Payment without verification of ownership of land - Rs 120.00 million including loss of Rs 100.14 million due to delay in finalization of purchase

Accountant General Pakistan Revenues (AGPR), Sub-office, Quetta transferred an amount of Rs 120.00 million to Inspector General Frontier Corps (IGFC) Balochistan for payment to the owner of land on 28th December, 2011.

Revenue records of Balochistan Government showed that 37 acres of land was transferred in the name of IGFC during the period 1972-1978. IGFC Balochistan submitted a report to the Ministry of Interior to inform that the owner of land had accepted compensation of Rs 19.86 million for land measuring 60 acres in 2005.

Audit observed that the owner of the land had accepted compensation for the land for Rs 19.86 million which was communicated to the Ministry of Interior in 2005, but a timely decision was not taken which escalated the price and subsequently an amount of Rs 120.00 million was paid upon recommendation of a committee comprising representatives of Provincial Government, Ministry of Interior and Frontier Corps. Audit further observed that as per revenue records of the Provincial Government, land measuring 37 acres out of the proposed 60 acres was already in the name of IGFC Baluchistan and only the remaining 23 acres was in the name of the private owner. A committee was constituted under the supervision of Additional Secretary, Government of Baluchistan to resolve the issue, the committee considered the claim of the private owner for 60 acres and issued a recommendation for payment of the entire 60 acres of land instead of the 23 acres which were in the name of the private owner. It is pertinent to mention here that said land has not yet been transferred/mutated in the name of Department.

Audit pointed out the irregularities in March 2013. The department replied that the issue was not resolved timely by the Ministry of Interior. It was further stated that payment was made on the recommendation of the committee constituted under the supervision of the Additional Secretary, Government of Balochistan. The mutation / transfer of 60 acres land in the name of IGFC Balochistan was held up due to non-deposit of mutation / registration fee in Government Treasury. The reply was not tenable because the committee has no authority for payment of compensation of Government land to a private individual. Payment of compensation without verification of revenue records and transfer of land was also a violation of the rule of propriety. Audit stresses for fixing responsibility for delay in finalization of the matter, verification of revenue record of land ownership in the name of private owner prior to possession and early transfer of the land in the name of department.

The matter was also discussed in the DAC meeting held on 18th December, 2013, wherein the Ministry apprised that the matter will be reviewed and a report will be submitted to Audit. The Committee directed the Ministry to examine the case and submit its report. The compliance of the DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses early implementation of DAC's directive.

(DP. 1, 2, 3)

10.4.2 Loss due to higher rates - Rs 16.95 million

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

Audit noted that Assistant Director, Medical Services HQ, Frontier Corps, Balochistan made payments of Rs 38.52 million on account of establishment and purchase of Electro Medical Equipment for Frontier Corps Hospital, Balochistan, Quetta.

Audit observed that rates accepted by the department for the equipment were significantly higher than the rates approved in the PC-I of the project. Instances were noted whereby rates accepted by the department were up to 1200% higher than the rates approved in PC-I. For example, rate of Autoclave was provided in PC-I as Rs 400,000 whereas this item was actually paid for Rs 5,200,000 involving excess of Rs 4,800,000. Similarly X-Ray machine (portable), was provided in PC-I for Rs 1,175,000 but was paid for Rs 2,475,000 with an excess of Rs 1,300,000. Audit holds that acceptance of rates higher than provisions in PC-I resulted in a loss to the public exchequer amounting to Rs 16.95 million.

Audit pointed out the loss in October 2013. The department replied that PC-I was prepared in 2010 and rates were obtained from open market at that time. The procurement was made in May 2013 through due process of advertisement and lower rates were accepted. No over and above payments were made and expenditure remained within PC-I cost. The reply was not tenable because delay in procurements resulted in loss to public exchequer. Audit advises for investigation and fixing of responsibility on the person(s) at fault.

The matter was also discussed in the DAC meeting held on 18th December, 2013, wherein the committee directed the department to produce detailed justification of procurement of equipment at higher cost than provision in PC-I along with approval of revised PC-I to Audit for verification. The compliance of the DAC's directive was not made till the finalization of this report.

Audit recommends early implementation of DAC's directive.

(DP. 12)

10.4.3 Excess expenditure due to extra-ordinary increase in steel – Rs 11.58 million

According to PC-I the work improvement of security arrangements at Alamdar Line, HQ Frontier Corps, Quetta, the steel for construction of RCC wall in Alamdar Line was provided for 90 M.Tons.

Audit noted that the work was awarded to M/s Al-Azhar Trading Company for Rs 50.36 million. The PC-I was approved on 16th February, 2010 at a cost of Rs 51.938 million. The item of steel reinforcement was provided in PC-I for 90 M. Tons whereas actually the steel re-inforcement measured and paid for a quantity of 237 M. Tons for the same length of security wall i.e. 2,400 rft and 18' high. This resulted in excess payment of Rs 11.58 million [(237 M. Ton – 90 M. Ton) × Rs 78,800 per M. Ton] to the contractor.

Audit observed that irregularity occurred due to weak internal controls.

Audit pointed out the excess payment in March 2013. The department replied that quantity of steel used in construction of 5 watch towers was also included in the security wall. The reply was not acceptable because quantity was increased up to 163% beyond the PC-I provision whereas the watch tower requires a very small quantity of steel. Payment made without revision of PC-I was irregular.

The matter was discussed in the DAC meeting held on 18th December, 2013 wherein the Committee directed the department to produce reasons/detailed justification of consumption of steel beyond the provision of PC-I along with documentary evidence to Audit within a week for verification. The compliance of the DAC's directive was not made till the finalization of this report.

Audit recommends early implementation of DAC's directive.

(DP.4)

CHAPTER 11

PAKISTAN RANGERS

(MINISTRY OF INTERIOR)

11.1 Introduction

Pakistan Rangers which came into existence at the time of creation of Pakistan is entrusted with the responsibility of safeguarding the borders of the country. The organization was federalized under the Ministry of Defence in 1971. Presently, it is under the administrative control of Ministry of Interior. Pakistan Rangers perform its functions in Sindh and Punjab provinces and is headed by a Director General in each province.

The major functions of Pakistan Rangers include:

- Protection of persons and their property in border areas,
- Apprehending persons unlawfully entering and leaving territory of Pakistan,
- Organization of village defence in the border areas,
- Collection of intelligence in the border areas,
- Coordination with agencies in the prevention and detection of smuggling, and
- Assistance in maintenance of law and order situation when required.

The Directorate General Audit Works (Federal), Islamabad conducts audit of civil works executed by Pakistan Rangers.

11.2 Comments on Budget & Accounts (Variance Analysis)

Para 1.02 of Pakistan Public Works Department (Pak. PWD) Code provides that all original works, ordinary works and special repairs shall be executed through Pak. PWD. Furthermore, item 9 (41) of Annexure to the System of Financial Control and Budgeting circulated by the Finance

Division, Islamabad vide O.M No. F.3 (2) Exp.III/2006 dated 13th September, 2006 provides that Ministries/Divisions have full powers regarding approved development schemes, subject to release of funds with the prior approval of Financial Advisor as required under Para 13(vii) of the said O.M. The System of Financial Control and Budgeting does not delegate any powers to heads of the departments in respect of civil works. However, in case of Pakistan Rangers, the development funds were released directly and works were approved and executed on self-help basis and through contractors by the Pakistan Rangers as executing agency instead of Pak. PWD.

Variance analysis of budget allocation and actual expenditure for the Financial Year 2012-13 is as under:

Pakistan Rangers (Sindh)

(Rs in million)

Description	Allocation	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development	36.54	36.54	-	-
Development	87.42	87.42	-	-
Grand Total	123.96	123.96	-	-

The total budget allocation for the year 2012-13 in non-development and development grants was Rs 123.96 million against which an expenditure of Rs 123.96 million was incurred. There was no variance during the year.

The analysis of the actual expenditure for the year 2012-13 revealed that development expenditure decreased by Rs 16.58 million during the year 2012-13 as compared to the last year (2011-12 for Rs 104.00 million). The reduction in development expenditure constitutes 15.95%.

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

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

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	Percentage of compliance
2008-09	07	07	05	02	71.43

Note: Audit Reports for 2009-10, 2010-11, 2011-12 and 2012-13 have not been discussed by PAC till the finalization of this report.

11.4 AUDIT PARAS

Internal Control Weaknesses

11.4.1 Irregular execution of work - Rs 67.75 million

According to paragraph 1.02 of Pak. PWD Code, all Government financed original works, ordinary and special repairs shall be executed through the agency of Pakistan Public Works Department except as provided hereunder:

- i. Works pertaining to the Light Houses, Mints, Archaeology and Salt Department.
- ii. Minor works costing up to Rs 0.10 million
- iii. All special repair and original works in foreign countries costing Rs 0.10 million under the affairs may be undertaken without reference to Pak. PWD.

Audit noted that the Assistant Director (Works), Pakistan Rangers Sindh awarded PSDP Projects valuing Rs 108.70 million to various contractors and incurred an expenditure amounting to Rs 67.75 million up to June 2013.

Audit observed that PSDP Projects should be executed through Pak. PWD as stipulated in the PPWD Code. Audit holds that execution of works by engaging private contractors instead of Pak. PWD resulted in irregular execution of works valuing Rs 67.75 million.

Audit pointed out the irregular execution of works in August 2013. The department replied that ECNEC had declared Works Section of Pakistan Rangers (Sindh) as Executing Agency for the project on 26th January, 2006. The reply of the department was not acceptable, because approval of ECNEC regarding appointment of Works Section, Pakistan Rangers (Sindh) as executing agency of project was in contradiction to the

ibid code, according to which Pak. PWD is executing agency for execution of all works financed through budgetary grant.

The matter was also discussed in the DAC meeting held on 18th December, 2013 wherein the committee directed that the case be re-examined at Ministry level and necessary codal rules/ provisions on the subject be amended to adopt the Pak. PWD Code, Schedule of Rates and delegation of powers accordingly. The compliance of the DAC's directive was not conveyed to Audit till the finalization of this report.

Audit recommends early implementation of DAC's directive.

(DP.5)

11.4.2 Irregular acceptance of bids - Rs 55.00 million

Rule 25 of Public Procurement Rules, 2004 provides that the procuring agency may require the bidders to furnish a bid security not exceeding five percent of the bid price. Standard clause of contract agreement form CPWD 7 & 8 prevailing in Pak. PWD provides that call deposit @ 2% of bid price shall be submitted by the contractor at the time of submission of bid.

Audit noted that Assistant Director (Works), Pakistan Rangers (Sindh), Karachi awarded 138 minor construction and repair works valuing Rs 55.00 million to a contractor who had only submitted a call deposit of Rs 3,000.

Audit observed that the contractors were required to submit a call deposit of Rs 1.10 million @ 2% of bid price along with sealed tender form, instead of Rs 3,000. In such a situation the tenders were required to be rejected but instead of rejecting the tenders the authority accepted the faulty tenders and work was awarded to the contractor. Audit holds that non-observance of the ibid rule resulted in irregular award of work for Rs 55.00 million.

Audit maintains that the non-observance of prescribed rule was due to weak financial and internal controls.

Audit pointed out the irregularity in August 2013. The department replied that as per para 5 & 6 of General Condition of Tender Form the firms/ contractor has to deposit a pay order amounting to Rs 2,000 in case of registered firm and Rs 3,000 in case of unregistered firm. Accordingly, the firms/contractors had deposited the pay order according to above-mentioned conditions while submitting their sealed tenders. Therefore, their tenders forms could not be rejected due to fulfilling the laid down criteria mentioned in the general conditions. The reply of the department was not acceptable because the amount of call deposit mentioned in general conditions is significantly lower and the minimum amount as per PWD form should have been submitted by the contractor @ of 2% of bid cost. Moreover, it showed that standard forms for bidding as prescribed by PEC or Pak. PWD were not being used for contract/tenders.

The matter was also discussed in the DAC meeting held on 18th December, 2013, wherein the committee directed the department to obtain required security deposit and get it verified from Audit within a week. The compliance of the DAC's directive was not made to Audit till the finalization of this report.

Audit recommends early implementation of DAC's directive.

(DP.2)

CHAPTER 12

HIGHER EDUCATION COMMISSION (MINISTRY OF EDUCATION, TRAININGS AND STANDARDS IN HIGHER EDUCATION)

12.1 Introduction

Higher Education Commission (HEC), formerly University Grants Commission, was established through Higher Education Commission Ordinance 2002, for improvement and promotion of higher education, research and development. The Commission is a corporate body having perpetual succession and a common seal with power, subject to the provisions of the Ordinance, to acquire, hold and dispose of property, both moveable and immovable. The Headquarters of the Commission are located at Islamabad. The Executive Director, HEC is the Principal Accounting Officer.

The Commission, for the evaluation, improvement and promotion of higher education, research and development, may:

- i. Formulate policies, guiding principles and priorities for higher education institutions to promote socio-economic development of the country.
- ii. Review and examine the financial requirements of Public Sector Institutions and provide funds to these institutions on the basis of annual recurring needs as well as development projects and research, based on specific proposals and performance.
- iii. Approve funds for the Public Sector Institutions ensuring that a significant proportion of the resources are allocated for promoting research, establishing libraries and executing projects within the ceiling specified for Departmental Development Working Party (DDWP) and Executive Committee of National Economic Council (ECNEC).

12.2 Comments on Budget and Accounts (Variance Analysis)

Table below shows the position of budget allocation and actual expenditure for the Financial Year 2012-13:

(Rs in million)

Type of Funds	Allocation	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Development Projects	10,198.43	8,866.86	(1,331.57)	(13.06)

The PSDP for the year 2012-13 contained 116 Projects of the Universities all over Pakistan including Azad Jammu & Kashmir having a budget allocation of Rs 10,198.43 million against which an expenditure of Rs 8,866.86 million was incurred with saving of Rs 1,331.57 million.

Following issues had been found during examination of the financial statements:

- Funds of Rs 3,609.61 million were allocated against 26 schemes during the financial year 2012-13 against which an expenditure of Rs 4,555.83 million was incurred by the Commission. There was an excess expenditure of Rs 946.21 million which was 26.21% of the allocation. This showed that internal controls were not exercised efficiently to monitor the expenditure. Furthermore, re-appropriation of funds to utilize savings of other schemes was not made to regularize the expenditure.
- Expenditure was not incurred against three development projects for which a sum of Rs 73.18 million (Rs 50.00 million for Quaid-e-Azam University, Islamabad, Rs 18.18 million for Strengthening of Department of Psychology University of Peshawar and Rs 5 million for University of Veterinary and Animal Sciences, Lahore) was allocated during the year 2012-

13. This indicated that planned targets were not achieved by the Commission. Accordingly in 04 schemes, Rs 94.02 million were allocated against which a very nominal expenditure of Rs 2.85 million was shown incurred which was only 3% of the allocated budget which indicated non-achievement of planned targets.

- Funds of Rs 6,182.02 million were allocated for 76 Projects/Schemes against which an expenditure of Rs 4,065.92 million was incurred which was only 65.77% of the allocation. This indicated that development funds were not utilized efficiently and no appropriate measures were taken to enhance the progress of the projects.

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

Audit of the development infrastructure projects of Higher Education Commission was conducted for the first time by the Directorate General of Audit Works (Federal) during 2011-12 (Phase-II of Audit Plan 2011-12). Results of audit during 2011-12 and 2012-13 were reported through Audit Report for the year 2012-13, which is yet to be discussed by the PAC.

12.4 AUDIT PARAS

Irregularity and Non-Compliance

12.4.1 Award of work beyond permissible limit - Rs 1,573.14 million and Loss to Government due to extra-ordinary delay in award of work - Rs 540.59 million

As per Planning and Development Division, Government of Pakistan O.M. No. 29 (1)/PC/79-Vol.XIV dated 23rd June, 1980, 'If the total estimated cost, as sanctioned increases by a margin of 15% or more, or if any significant variation in the nature or scope of the project 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.'

Para 11 of Project Management Guidelines issued by Planning Commission in August 2008 provides the specific actions required by the Project Directors and sponsoring Ministries/Divisions in the project planning & management of Public Sector Development Projects. Sub-para II(15) states that at the time of award of contract if it is found that cost of the project would exceed the approval limits by 15%, the project be got revised and approved by the competent forum before implementation.

The Project Director, Mirpur University of Science & Technology (MUST) Mirpur (AJ&K) awarded a work "Up-gradation of the University College of Engineering & Technology into MUST (AJ&K)" at an agreed cost of Rs 1,573.13 million to contractor against the PC-I provision of Rs 1,032.55 million which was 52.35% over and above the PC-I cost. The estimate of the above work was approved for Rs 1,261.79 million which was beyond permissible limit of 15% of approved PC-I/Engineer's Estimate.

Audit observed that contract cost of the above work exceeded the approved PC-I cost by 52.35% and the Engineer's estimate by 24.68%. Award of work amounting to Rs 1,573.14 million beyond the permissible limit of 15% of the approved PC-I/Engineer's estimate was irregular.

Audit observed that the PC-I was approved in March 2010 and the estimate was technically sanctioned in May 2010. MUST was required to float the tender immediately after the T.S. as per instructions given by the Finance Division, but it took two years to award the work after T.S. This delay caused the cost overruns even before start of the work. This resulted into loss of Rs 540.59 million.

This violation of mandate occurred due to absence of an oversight mechanism governing effective implementation of internal control.

Audit pointed out the award of work beyond the permissible limit in July 2013. The management replied that scope of work was increased during tendering process. The reply was not tenable because Planning Division's instructions clearly specified that in case of any significant increase in the nature or scope whether or not it involved an increased outlay, the prior approval of the competent forum should be obtained.

The matter was also discussed in the DAC meeting held on 2nd & 3rd January, 2014 wherein the HEC explained that an inquiry regarding enhancement of scope of work and its award without approval of the competent forum had been initiated and outcome of the same was awaited. The committee directed that the inquiry proceedings be expedited besides fixing responsibility on the person at fault. The compliance of the DAC's directive was not conveyed to Audit till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP. 35)

12.4.2 Irregular acceptance of bids beyond the permissible limits – Rs 319.24 million

As per Planning and Development Division, Government of Pakistan O.M. No. 29 (1)/PC/79-Vol.XIV dated 23rd June, 1980, 'if the total estimated cost, as sanctioned, increases by a margin of 15% or more, or if any significant variation in the nature or scope of the project was made, irrespective of whether or not it involves an increased outlay, the

approval of the ECNEC/competent authority shall be obtained in the same manner as in the case of the original scheme without delay.’

Para 11 of Project Management Guidelines issued by Planning Commission in August 2008 provides the specific actions required by the Project Directors and sponsoring Ministries/Divisions in the project planning & management of Public Sector Development Projects. Sub-para II(15) states that at the time of award of contract if it is found that cost of the project would exceed the approval limits by 15%, the project be got revised and approved by the competent forum before implementation.

The Project Director, Islamia University, Bahawalpur awarded the below-mentioned works to contractors in excess of approved cost of PC-I. The PC-1 was required to be revised due to cost beyond permissible limit (15%) which was not done. Detail of works is given below:

(Rs in million)

Name of Work	Name of Contractor	PC-I Cost	Contract Cost	Excess in %
Construction of Girls Hostel at Sub Campus Bahawalnagar, Islamia University, Bahawalpur	M/s Khan Construction Co.	30.16	73.43	143.45
Construction of Academic Block of Agriculture College at Baghdad-ul-Jadeed Campus	M/s Technas Pvt Ltd, Bahawalpur	73.15	87.84	20.0
Construction of Academic Block (phase-1) of Islamia University, Bahawalpur Sub Campus at Rahim Yar Khan.	M/s Tahir Enterprises Engineers	87.95	157.97	79.62
Total		191.26	319.24	

The irregularity occurred due to weak implementation of internal control.

Audit pointed out the irregularity in July 2013. The management replied that matter for revision/readjustment/re-appropriation of allocations of components provided in PC-I was submitted to HEC. The reply of the department was not acceptable because revised PC-I was not got approved.

The matter was also discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee took a serious view of delay in finalization/revision of the PC-I by the university management. The Committee directed the University to get the PC-I revised without further delay. The compliance of the DAC's directive was not conveyed to Audit till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP. 32)

12.4.3 Non-achievement of targets due to ill-planning despite granting Mobilization Advance on unjustified terms and conditions - Rs 146.00 million

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

Para 11 of Project Management Guidelines issued by Planning Commission in August 2008 provides the specific actions required by the Project Directors and sponsoring Ministries/Divisions in the project planning & management of Public Sector Development Projects. Sub-para II(18) states that every activity should be time based and chased rigorously.

The Project Director, Mirpur University of Science & Technology (MUST) Mirpur (AJ&K) awarded a work “Up-gradation of the University College of Engineering & Technology into MUST (AJ&K)” to the contractor at an agreed cost of Rs 1,573.13 million. The Management also granted Mobilization Advance amounting to Rs 146 million to the contractor.

Audit observed the following:

- The work was to be completed in 900 days from February 2012 but even after lapse of 17 months the 1st running bill had not been paid. The contractor was required to complete the work worth Rs 700 million as per work plan. This indicated that despite receiving Mobilization Advance and lapse of more than half of the contract period the contractor showed negligible progress.
- Interest free Mobilization Advance @ 15% of contract cost was granted, which was not feasible as the HEC could not arrange funding (instead of the 1st alternate, the second alternate of giving Mobilization Advance @ 10% of the agreement cost, was to be granted). It was to be given in installments and the contractor was bound to show progress for getting the next installment.
- Mis-management was evident in handling the project as a full-fledged Project Director with full powers as per Planning Commission Project Management Guidelines was not appointed.

In view of the position, undue financial benefit was extended to the contractor and no steps were taken to improve contractor’s performance. This resulted in non-achievement of targets due to ill-planning and granting undue Mobilization Advance on unjustified terms and condition to the tune of Rs 146.00 million.

Audit pointed out the irregularity in July 2013. The management replied that interest free Mobilization Advance was granted as per contract agreement and contractor did not achieve the progress due to non-release of fund at time. The reply was not tenable as the contractor was granted mobilization advance for mobilizing his resources at site for execution of work but despite expiry of seventeen months no progress towards execution of work was achieved which means that contractor utilized government money unduly to own benefit instead of public interest.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014 wherein the HEC explained that the inquiry regarding enhancement of scope of work and undue retention of public money in shape of mobilization advance, its award without approval of the competent forum had been initiated and outcome of the same was awaited. The committee directed that the inquiry proceedings be expedited besides fixing responsibility on the person at fault. The compliance of the DAC's directive was not conveyed to Audit till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP. 37)

12.4.4 Non-recording of detailed measurements in Measurement Books - Rs 138.66 million

Paras 208 & 209 of Central Public Works Account Code provide that all the payment for work done or supplies made should be on the measurement recorded in the Measurements Books.

The Director, Planning and Development, Bahria University Islamabad, got executed works "Construction of Electrical Laboratory at Bahria University, Karachi" and "Construction of Gymnasium at Islamabad" for total work done worth Rs 138.66 million.

Audit observed that detailed measurements of work done were not recorded in measurement books, due to which the authenticity of payment

could not be ascertained. This led to irregular expenditure of Rs 138.66 million (Engineer Laboratory, Rs 66.04 million and Gymnasium, Rs 72.62 million).

Audit observed that irregularity occurred due to violation of codal rules and agreed clauses.

Audit pointed out the irregular expenditure in May 2013. The management replied that use of measurement book in private sector is not applicable. The reply was not acceptable as the Government rules and procedures are applicable in Government funded Public Sector development projects.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee took a serious view of non-maintenance of measurement books which was a basic accounting record for recording measurement of the executed work. The Committee directed that all previous measurement be taken on measurement books, duly certified and test checked by the engineers as per rules and got verified from Audit. The compliance of the DAC's directive was not conveyed to Audit till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP. 67)

12.4.5 Unjustified payment of escalation without provision in the contract - Rs 49.01 million

Clause-10 of the agreement describes that under no circumstances shall any contractor be entitled to claim enhanced rate for any item in this contract.

The Project Director, Faculty Development, Immediate Need Project, (FDINP) Quaid-e-Awam University of Engineering, Science and

Technology (QUEST), Nawabshah paid price escalation amounting to Rs 49.01 million on cement, steel, bricks and wood work to contractors.

Audit observed that escalation was paid beyond agreement provision. The instructions contained in the Schedule of Rates, 2004 (adopted by the University) also described that the Technical Committee of the Standing Rates Committee, Sindh had decided that in case of allowing difference of cost of materials of steel, cement and bricks, the matter should be referred to the Committee for its consideration/ approval. Such approval was not available on record produced to Audit.

Audit holds that payment of Rs 49.01 million was in violation of contract agreement.

Audit maintains that the unjustified payment was made due to weak financial/internal controls.

Audit pointed out unjustified payment in November 2013. The management replied that escalation was paid according to Sindh Government notification. The reply was not tenable as clause 10 of the contract agreement clearly disallowed any claim on account of enhancement of rate.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee took a serious view of allowing price escalation without provision in the contract and even without determination of its pre-requisites like basic prices and sources of indices, etc. The Committee directed that the case be reviewed by the Vice Chancellor of the University at its own level and report within 2 days. The compliance of the DAC's directive was not conveyed to Audit till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP. 125)

12.4.6 Unjustified grant of mobilization advance to the contractor - Rs 7.83 million

As per Rule 19 (vii) of GFR (Volume-I), in selecting the tender to be accepted, the financial status of the individuals and firms tendering must be taken into consideration in addition to all other relevant factors. As per clause-60.12 of the contract agreement, 10% Mobilization Advance shall be granted to the contractor.

The Director Works, University of AJ&K Muzaffarabad awarded a work to the contractor on 31st May, 2012 at an agreed cost of Rs 89.70 million with completion period of 450 days. The contractor was granted Mobilization Advance of Rs 8.90 million. This advance is granted to the contractor for Mobilization of its resources, plant & machinery, labour at site.

Audit observed that no major equipment and labour/supervisory staff was mobilized at site as evident from the fact that relevant appendices-G and K of the bid were left blank and the contractor executed only 11% of the work in 14 months period out of stipulated period of 15 months and amount of Rs 1.10 million only adjusted.

Audit maintains that non-recovery of advance and non-execution of work resulted in undue financial benefit to contractor at the expense of public exchequer.

Audit pointed out the irregularity in July 2013. The management replied that the work was awarded in May 2012 and contractor executed soil and field test to evaluate a detail bearing capacity. The reply was not tenable as soil survey was a mandatory requirement to ascertain bearing capacity for construction of building, therefore, its execution after award was uncalled for.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee directed to expedite recovery besides fixing responsibility for undue financial favour to the contractor. The

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

Audit recommends that DAC's directive be implemented at the earliest.

(DP. 30)

12.4.7 Irregular/Unjustified execution of extra items without provision in PC-I at higher rates - Rs 7.68 million involving overpayment - Rs 1.74 million

BOQ of the work "Construction of Girls Hostel at Lahore" contained item of fair face bricks for exterior surface 4.5 inches for a quantity of 3,500 sft only. Contract Clause 20.3 provides that in case of any work for which there is no rate in the contract shall be payable under (Clause 20.3-a) average market price prevailing at the time of submission of the tender for the material of specified quality.

The Administration of National College of Arts, Lahore awarded a work "Construction of Girls Hostel at Lahore". An item of work "fair face 4.5 inches thick" was provided in the BOQ for a quantity of only 3,500 Sft @ Rs 90 per Sft for Rs 315,000. But subsequently whole exterior was converted into fair face bricks of 9 inch, 13.5 inches and 15 inches and rates of the same were taken from one source. The work was executed beyond the provision of PC-I, BOQ and cost of the same raised from Rs 315,000 to Rs 8,000,000 which was 2440% above the approved cost. This resulted in irregular execution of extra item amounting to Rs 7.68 million.

Audit further observed that the rate of item was analyzed at the time of submission of tender. The rate analysis indicated cost of Fair Face bricks @ Rs 6,000 per thousand including carriage charges and wages of mason were Rs 400 per day.

Audit observed that non-BOQ item i.e. Fair Face bricks having size of 9 inches to 15 inches quantity of 18,713 sft were executed and paid up to 13th running bill.

The rate analysis of 13-1/2" size bricks reflects that cost of bricks was included as Rs 8,000 per thousand and Rs 2,000 carriage added separately. Total cost of bricks was Rs 10,000 per thousand against tender rates of Rs 6,000 per thousand. Similarly the wages of mason were also on higher side i.e. Rs 500 per day instead of Rs 400. After summing all excess rates included in the rate of non-BOQ item, the extra rate for these items comes to Rs 92.80 per sft. Incorrect derivation of rates resulted into overpayment of Rs 1.74 million.

This violation of mandate occurred due to absence of an oversight mechanism governing effective implementation of internal controls.

Audit pointed out the irregularity in August 2013. The management replied that cost was calculated through criteria and procedure assigned in addendum. The reply was not tenable as the average market price was required to be applied as given in the BOQ item.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee took a serious view for execution of costly item fair face bricks 2440% above the BOQ provision and allowing rate higher than set out in the BOQ. The committee directed that inquiry be held on account of execution of an item without provision in the contract and responsibility be fixed besides due recovery from person at fault. The compliance of the DAC's directive was not made till the finalization of this report.

Audit recommends that DAC's directive be implemented at the earliest.

(DP. 55)

12.4.8 Loss due to non-acceptance of first lowest bid - Rs 7.22 million

Rule 38 of Public Procurement Rules, 2004 provides that "the bidder with the lowest evaluated bid not in conflict with any other law, rules, regulation or policy of the Federal Government, shall be awarded the procurement contract".

Audit found that in three cases Project Management of Bahria University procured supplies/contracts by accepting the 2nd lowest bid instead of 1st lowest. This resulted into loss of Rs 7.22 million.

Audit observed that irregularity occurred due to violation of tender conditions and loss was sustained due to non-observing of PPRA conditions for accepting bids.

Audit pointed out the irregularity in May 2013. The Director (Planning & Development) Bahria University replied that in one case, the first lowest bidder did not deposit bid security while in the in second case, bid security was furnished in the shape of cheque instead of CDR. In the third case, the lowest bidder did not identify the origin & specification of equipment. The reply was not acceptable because the bid security was provided by the bidder at the time of first tendering but subsequently letters were written to the same bidders for bidding on the China origin equipment wherein earnest money was not called for from three bidders which indicated that it was not found mandatory requirement. In the other case there was no provision of NIT/rule to reject the bid security in the form of cheque and in third case the lowest bidder offered his bid for European origin products.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee directed to hold the inquiry in all matters relating to execution of development works in Bahria University and report to DAC within a month. The compliance of DAC's directive was not made till the finalization of this report.

Audit advises for making the loss good from person at fault.

(DP. 66, 71, 72)

12.4.9 Overpayment due to allowing higher rates of varied work - Rs 5.46 million

According to contract clause 52.1, all variations referred to in Clause 51 and any additions to the contract price which are required to be determined in accordance with Clause 52 (for the purpose of this Clause referred to as “varied work”), shall be valued at the rates and prices set out in the contract.

The Director (Planning & Projects), International Islamic University, Islamabad awarded a work “Construction of Academic Block” to a contractor at an agreed cost of Rs 107.27 million. The contractor was paid varied / extra work valuing Rs 30.97 million through variation order No. 1. The rates of extra items were available in the Bill of Quantities / Agreement with admissible rates of price adjustment. The price adjustment up to final bill was 9.56% of the total work done but the project management paid higher rates for varied works in violation of the agreed clause by adding 33% (lump sum) over and above the BOQ rates instead of admissible 9.56% above the BOQ rates. This resulted into overpayment of Rs 5.46 million.

Audit maintains that overpayment was made due to ineffective implementation of internal controls.

Audit pointed out the overpayment in March 2013. The university administration replied that the scope of work increased beyond 20% of the contract cost. The reply was not acceptable because contract clause 52.1 clearly provides that BOQ rates shall be applied for varied work. The work was executed under the supervision of a consultant, who did not watch the interest of the university and provided undue financial favour to the contractor.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee observed that consultants had not performed efficiently as they did not carry out soil survey prior to

planning, estimation and designing of the building. The committee directed that an inquiry be held at HEC level with a view to fix responsibility besides making recovery from the person at fault and conveying displeasure to consultant. The compliance of the DAC's directive was not made till the finalization of this report.

Audit recommends that DAC's directive be implemented at the earliest.

(DP. 01)

12.4.10 Mis-procurement of consultancy contract without calling tenders and provision of PC-I - Rs 3.86 million

According to PC-I of the works "Establishment of Electrical Engineering Department at Bahria University, Islamabad, Karachi Campus" and PC-I of "Provision of Indoor Facilities at Bahria University, Islamabad" there was no provision for consultancy charges.

Bahria University paid consultancy charges amounting to Rs 3.86 million for the projects without provision in PC-I. Audit also noted that, consultants were hired without open competition in violation of the PPRA rules. Therefore, incurring expenditure of Rs 3.86 million without PC-I provision and in violation of PPRA rules was irregular as detailed below:

S. No.	Name of Work	Name of Consultants	Expenditure (Rs in million)
01	Construction of Gymnasium at Islamabad (Synthetic floor)	M/s Abbasy and Associates	0.06
02	Construction of Gymnasium at Islamabad (Main Building), Construction, Maintenance -47	-do-	2.18

S. No.	Name of Work	Name of Consultants	Expenditure (Rs in million)
03	Construction of Electrical Engineering Laboratory, Karachi	M/s Mehmood Qaizar Associates	1.62
Total			3.86

Audit observed that irregularity occurred due to weak technical controls.

Audit pointed out the irregular expenditure in May 2013. The Director (P&D), Bahria University replied that the consultancy was paid by university out of its own funds. The reply was not acceptable because financing of a project from different sources was not covered under the rules.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee directed to hold an inquiry in all matters relating to execution of development works in Bahria University and report to DAC within a month. The compliance of the DAC's directive was not made till the finalization of this report.

Audit recommends that DAC's directive be implemented at the earliest.

(DP. 64)

Internal Control Weaknesses

12.4.11 Non-obtaining of Performance Security - Rs 45.97 million

As per clause 10.1 (Performance Security) of PEC standard bidding documents the contractor shall provide performance security equal to 10% or 5% as the case may be, of the contract price to the Employer in the prescribed form within 28 days after the receipt of the letter of acceptance in the shape of bank guarantee provided in Appendix-A to bid.

Audit observed that project management of under-mentioned universities did not obtain performance securities from the contractors as required under the contractual obligations for Rs 45.97 million:

(Rs in million)

DP No.	University	Name of Work	Contract price	10% Performance Bond
26	University of AJ&K, Muzaffarabad	Construction of Boys Hostel at Mirpur	45.79	4.58
26	University of AJ&K, Muzaffarabad	Construction of Faculty of Engineering and Mechanical	52.32	5.23
50	Khyber Medical University, Peshawar	Construction of Academic and Multipurpose Hall	281.02	28.10
33	Islamia University, Bahawalpur	Construction of Girls Hostel at Sub-Campus, Bahawalnagar	73.42	3.67 (5%)
33	Islamia University, Bahawalpur	Providing/fixing Turbine & PVC Pipeline	87.84	4.39 (5%)
Total				45.97

Audit maintains that the violation occurred due to inadequate oversight mechanism for exercise of relevant internal controls.

Audit pointed out the non-obtaining of performance bond in July 2013. The department replied that contractors had been directed to submit performance securities in accordance with the contract clauses. The reply was not tenable as performance bonds were mandatory requirements in

order to safeguard project interest. Therefore, it was a clear lapse at the part the project management.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee directed that displeasure be issued to the project management for non-obtaining of performance bonds in pursuance of contracts besides the recovery of cost of the premium from the contractors. The compliance of the DAC's directive was not made till the finalization of this report.

Audit recommends that DAC's directive be implemented at the earliest.

(DP. 26, 33, 50)

12.4.12 Non-recovery of risk and cost - Rs 9.66 million

Contract Clause 17.1 provides that in case of termination of contract, the employer may complete balance work itself or may employ any other contractor at the risk and cost of the original contractor.

The Administration of National College of Arts, Lahore awarded a work of "Construction of Girls Hostel at Lahore" at an agreed cost of Rs 31.99 million. The work was started on 9th January, 2007 and to be completed by 8th June, 2008. The contractor was paid 15th running bill worth Rs 32.38 million. This amount included Rs 9.87 million paid for non-BOQ items.

Audit observed that the contractor completed the work for Rs 22.51 million against the BOQ amount Rs 31.99 million. The balance scope of work of Rs 9.49 million of first contractor was awarded to another contractor at agreement cost of Rs 19.15 million. Consequently, a sum of Rs 9.66 million (Rs 19.15 million - Rs 9.49 million) was paid excessively against left over work of original contractor which was required to be recovered from original contractor.

Audit maintains that loss occurred due to misuse of authority and absence of oversight mechanism governing effective implementation of internal controls.

Audit pointed out the irregularity in August 2013. The management replied that contracts of both contractors had not yet been concluded. Therefore, liquidated damages would be recovered on the conclusion of the contracts as retention moneys of both contractors were lying with the National College of Arts. The reply was not tenable because as per rules, accounts of the first contractor were required to be finalized prior to award of left over work to other contractor.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee directed that legal notice be issued to the first contractor and due recovery of risk and cost be made at the earliest. The compliance of the DAC's directive was not made till the finalization of this report.

Audit recommends that DAC's directive be implemented at the earliest.

(DP. 56)

12.4.13 Unjustified reimbursement of rebate - Rs 3.75 million

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

Audit noted that the Project Management, Bahria University reimbursed the deducted rebate amount offered by the contractors which became part of contracts vide letters of award. Audit holds that the amount of rebate once agreed/deducted could not be refunded. This resulted in unjustified refunds of Rs 3.75 million to the contractor and loss to public exchequer (Rs 1.75 million @ 2.5% of bid amount of the contract

construction of gymnasium + Rs 2.00 million @ 5% of bid amount of contract Electrical Engineering Department, Karachi).

Audit observed that irregularity occurred due to ignoring the agreed conditions and undue financial favour to the contractor.

Audit pointed out the irregular reimbursement in May 2013. The Director (P&D) Bahria University replied that the rebates were refunded due to price escalation during execution of work and the contractors were saved from financial burden. The reply was not acceptable because the terms of agreement once finalized cannot be altered. Hence, the refund of rebate was not covered under the rules. Moreover, the contractors were also allowed escalation.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee took a serious view on reimbursement of contractual rebate without provision of any rule/contract. The Committee further directed to hold the inquiry in all matters relating to execution of development works in Bahria University and report to DAC within a month. The compliance of the DAC's directive was not made till the finalization of this report.

Audit recommends that DAC's directive be implemented at the earliest.

(DP. 63, 65)

12.4.14 Overpayment due to allowing escalation of percentage basis instead of actual consumption - Rs 3.63 million

According to clause 4.36 (a) & (b) special stipulations of the contract agreement "the difference in price of billets as on the date of opening of Tender and that on the date of purchase of steel by the contractor, as fixed by Pakistan Steel Mills, shall be paid to the contractor. In case of decrease, the rate of the contractor shall be reduced (against written authentic proof from Pakistan Steel Mills)".

“In case of any escalation in the price of cement after the date of opening of tender, the actual cost difference in the ex-factory price shall be paid for the actual quantity of cement consumed as per drawings plus 3% wastage after the date of announcement of any escalation by State Cement Corporation”.

Project Director, Bahria University, calculated the escalation on total contract amount @ 19.49% after deduction of 5% rebate. The escalation was paid @ 14.49% for Rs 7.99 million instead of actual escalation on steel and cement as per agreed clause. Due to application of incorrect mode of calculation beyond the contract clause, an overpayment of Rs 3.63 million was made to the contractor.

Audit observed that overpayment was made due to violation of agreed conditions of the contract.

Audit holds that imprudent contract administration and ineffective implementation of internal controls put an extra burden on the public exchequer in shape of irregular price adjustment.

Audit pointed out the overpayment in May 2013. The Director (Planning & Development) Bahria University replied that the escalation was allowed to meet rapidly increasing the price of steel. The reply was not acceptable. The escalation was not worked out in the light of contract agreement.

The matter was discussed in the DAC meeting held on 2nd & 3rd January, 2014. The Committee took a serious view of payment of escalation on percentage basis on overall work done instead of specified material i.e. steel and cement in contravention of contract and directed to effect recovery after recalculation as per contract and responsibility be fixed on person at fault. The Committee further directed to hold the inquiry in all matters relating to execution of development works in Bahria

University and report to DAC within a month. The compliance of the DAC's directive was not made till the finalization of this report.

Audit recommends that DAC's directive be implemented at the earliest.

(DP. 62)

CHAPTER 13

WORKERS WELFARE FUND/BOARDS (MINISTRY OF OVERSEAS PAKISTANIS AND HUMAN RESOURCE DEVELOPMENT)

13.1 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 Human Resource Development is the Principal Accounting Officer of the WWF/WWBs as per Cabinet Division Notification No. SRO 783(I)/2011 dated 23rd August, 2011.

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. The WWB is headed by a Chairman, assisted by Secretary and eighteen members, both from the government and employees of the Board. The Board is empowered for:

- a) allotment, cancellation, fixation of rent of the houses financed by the money allocated from the Fund,
- b) maintenance/repairs of the houses, and
- c) any other measures for the welfare of workers.

13.2 Comments on Budget & Accounts (Variance Analysis)

The table below shows position of head-wise budget allocation and expenditure for 2012-13:

(Rs in million)

Head of Account	Budget Allocation	Expenditure	Variation Excess/ (Saving)	Excess/ (Saving) in %
Establishment Charges (Boards)	942.74	921.02	(21.72)	(2.30)
Establishment Charges (Regional Fund Offices)	65.00	66.42	1.42	2.18
Scholarships	1,033.50	1,042.80	9.30	0.90
Marriage Grant	1,028.00	355.51	(672.49)	(65.42)
Death Grant	530.75	489.85	(40.90)	(7.71)
Sewing Machines	83.80	0	(83.80)	(100)
Welfare package for families of deceased	4.41	4.41	0	-
Misc. (Others)	5.00	1.18	(3.82)	(76.40)
Release for Haj	20.35	20.35	0	-
Drinking water through NLC water tankers	5.00	12.43	7.43	148.60
Community Centers	12.74	14.30	1.56	12.24
Training Courses	49.50	45.88	(3.62)	(7.31)
Education	5,649.05	6,226.87	577.82	13.77
Development Works	10,501.15	2,994.01	(7,507.14)	(71.49)
New Schemes	114.30	7.04	(107.26)	(93.84)
Matric-tech Programme	234.56	136.72	(97.84)	(41.71)
Total	20,279.85	12,338.79	(7,941.06)	(39.16)

- Funds of Rs 114.30 million were allocated for new schemes but only Rs 7.04 million (6.16 %) were utilized which indicated that planned targets were not achieved by the managers of Funds/Boards.

- An expenditure of Rs 12.43 million was incurred by WWB Karachi on provision of water through NLC tankers against allocation of Rs 5.00 million with an excess of Rs 7.43 million (148.60%) which needed regularization.
- Funds of Rs 5,649.05 million were allocated under the head “Education” against which expenditure of Rs 6,226.87 million was incurred with an excess of Rs 577.82 million (13.77%). The excess was not regularized.
- There was an allocation of Rs 83.80 million for sewing machines but funds were not utilized by the WWBs. This showed that deserving workers were deprived of the intended benefits of the scheme.
- Funds of Rs 10,501.15 million were allocated for development works and Rs 2,994.01 million were utilized involving a saving of Rs 7,507.14 million. During audit it was found that due to lack of ability and capacity, the operating units of WWF failed to take advantage of the available resources. Despite allocation of budget in lump, the department could only utilize 28.51 % of the development budget for the year 2012-13 which was indicative of lackluster performance of the Department.
- Total budget allocation for the year 2012-13 was Rs 20,279.85 million against which an expenditure of Rs 12,338.79 million was incurred. Actual expenditure constituted only 60.84 % of the budget allocation. There was a saving of Rs 7,941.06 million representing 39.16 % of the budget allocation.

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

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

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
1992-93	02	02	01	01	50.00
1994-95	01	01	01	-	100
1995-96	01	01	01	-	100
2000-01	17	17	12	05	70.59
2004-05	06	06	05	01	83.33
2005-06	06	06	05	01	83.33
2008-09	07	07	04	03	57.14

Note: Audit Reports for 2003-04, 2009-10, 2010-11, 2011-12 and 2012-13 have not been discussed by PAC till the finalization of this report.

13.4 AUDIT PARAS

Irregularity and Non-Compliance

13.4.1 Loss due to splitting of works - Rs 193.00 million

Para 59 of CPWD Code provides that a group of works which forms one project shall be considered as one work, and the necessity for obtaining the approval or sanction of higher authority to a project which consists of such a group of works is not avoided by the fact that the cost of each particular work in the project is within the powers of approval or sanction of the minor Local Government or officer concerned.

Governing Body of Workers Welfare Fund, Islamabad approved PC-I of a scheme 'Construction of labour colony in Zone-V Islamabad for Construction of 1008 flats, 500 houses, Amenity Buildings and Infrastructure Work for Rs 4,739.31 million.

Audit observed that the work was splitted up into three packages and awarded for Rs 3,145.00 million at different premium instead of calling tenders for the whole work. The difference in the premium due to splitting of work resulted into a loss of Rs 193.00 million.

Audit further observed that the work of external electrification for Rs 479.70 million, and boundary wall/pillars, gas works, etc. for Rs 135.66 million provided in the PC-I were yet to be awarded and receipt of higher premium was expected due to delay in award of the said portions of the approved work.

Audit holds that had the works been awarded as one package to the more financially sound construction firms, the competitive rates would have been received.

Audit pointed out the loss in October 2013. WWF replied that the work was spilt up in different packages due to difference in nature. The

contractors quoted different premium accordingly. The reply of the WWF was not tenable as the works were of the same nature and split up, for which different premium was allowed to the contractor. Splitting of work into packages was in violation of CPWD Code that deprived WWF of more competitive rates.

The matter was discussed in the DAC meeting held on 8th January, 2014. The Committee directed to stop the practice of awarding works by splitting and constituted an IDC to probe the matter. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.57)

13.4.2 Unauthorized payment due to allowing escalation without provision in PC-I - Rs 155.84 million

Para 4 of Revised System of Financial Control & Budgeting, 2006 provides that the Principal Accounting Officer is supposed to observe two main principles like economy (getting full value of money) and regularity (spending money for the purposes and in the manner prescribed by law and rules).

Audit noticed that Sindh Workers Welfare Board, Karachi paid price escalation to the contractors for various projects without provision in PC-I which resulted in an undue payment of Rs 155.84 million.

Audit further noticed that escalation on labour and diesel was also not provided in contract agreement but was paid to the contractors.

Audit holds that violation occurred due to lack of oversight mechanism for exercising the internal controls.

Audit pointed out the unauthorized payment in July 2013. WWB admitted non-provision of escalation in the PC-I and replied that price

escalation on labour & diesel was paid in the light of Planning Commission letter dated 2nd November, 2006. The reply of the WWB was not tenable as the above referred letter was withdrawn soon after its issuance because it was issued without approval of competent authority and payment of escalation without provision in PC-I stood unauthorized.

The matter was discussed in the DAC meeting held on 8th January, 2014. The Committee directed WWB Karachi to hold an inquiry into the matter and submit its report to the Ministry and Audit within 15 days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.27)

13.4.3 Irregularities in tendering process - Rs 22.42 million and loss - Rs 0.46 million

Rule 12(2) of Public Procurement Rules, 2004 provides that all procurement opportunities over two million rupees should be advertised on the Authority's websites as well as in other print media or newspapers shall principally appear in at least two national dailies one in English and other in Urdu. Further, rule 36 (a)(ix) of ibid states that the bid found to be the lowest evaluated bid shall be accepted.

Further, according to condition G(2) revised TORs/policy guidelines issued on 16th July, 2009 the contractor will be bound to provide vehicle of 1999 model or after 1999 having a good condition.

13.4.3.1 Management of six (6) Workers Welfare Schools awarded contracts to different transporters after calling tenders for transport facility for the students for the year 2008-09.

Audit observed that transport contracts were further extended from the year 2009-10 to the year 2010-11 with 10% increase in previous

contract amount without calling fresh tenders. This resulted in an irregular award of transport contracts for Rs 19.41 million.

Audit pointed out the irregularity in April-May 2012. The Management of Workers Welfare Schools replied in one case (Workers Welfare School Girls Shahdara Lahore) that transport contract for the year 2008-09 was extended due to cancellation of tender of transport for the session 2009. In other five cases, it was replied that due to non-availability of required model buses as per revised TOR, the contracts awarded during the year 2008-09 were extended up to the year 2010-11. The reply was not tenable as the action for extension of contract was not covered under the contract agreement and PPRA rules.

The matter was discussed in the DAC meeting held on 7th January, 2014 wherein the Committee directed WWB to conduct inquiry and submit report to Ministry and Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.54)

13.4.3.2 Management of Workers Welfare School, Bahawalpur called gallop tenders by placing the requirement for hiring transport for students for the year 2008-09 on notice board and awarded the contract @ Rs 0.33 million per month to the 4th lowest bidder on 13th August, 2008.

Audit observed that the contract was awarded to 4th lowest bidder @ Rs 0.33 million per month without wide publicity through national press instead of award to 1st lowest @ Rs 0.29 million per month in violation of PPRA rules. This resulted into an irregular award of transport contract amounting to Rs 3.01 million and loss of Rs 0.46 million.

Audit pointed out the loss in September 2012. The Management replied that tender opening date was fixed for 12th August, 2008 and the school was going to open on 14th August, 2008 hence it was very

important to arrange transport for the students within 2 days. Workers Welfare School further replied that 1st & 2nd lowest bidders could not complete the shortcomings while the 3rd lowest was absent. Hence, contract was awarded to the 4th lowest. The reply was not tenable as the action of Workers Welfare School was not covered under the PPRA rules. Further the 1st lowest bidder provided transport for the year 2007-08 and undertook to deposit the additional security if found deficient and vehicles documents were also to be deposited with the school.

The matter was discussed in the DAC meeting held on 7th January, 2014 wherein the Committee directed WWF to conduct inquiry for fixing of responsibility and submit report within 15 days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.48)

13.4.4 Overpayment due to payment of house rent ceiling and conveyance allowance at higher rates - Rs 18.82 million

Ministry of Housing and Works with the concurrence of the Finance Division (Regulation Wing) vide O.M. No. F-4(8)/92-Policy dated 18th October, 2011 issued revised rental ceiling for hiring of residential accommodation at six specified stations, i.e. Islamabad, Rawalpindi, Lahore, Quetta, Karachi and Peshawar w.e.f 1st July, 2011. According to the notification the rental ceiling of Islamabad was higher than rest of the five cities/stations. Further, as per minutes of the DAC meeting held on 17th January, 2012, the Committee directed to discontinue the payment of house rent ceiling at higher rates in consultation with Financial Advisor and issue revised instructions accordingly.

Finance Division (Regulation Wing) Office Memorandum No. F-3 (1)-R.5/2010 dated 5th September, 2012 also provided payment of conveyance allowance @ Rs 2,720 per month to employees in BPS-11 to 15 and Rs 5,000 in BPS-16 to 19.

Audit observed that Sindh & Balochistan Workers Welfare Boards, Karachi & Quetta continued to pay house rent ceiling to their employees at the rates of rental ceiling specified for Islamabad instead of house rent allowance for the respective stations. This resulted into an overpayment of Rs 8.89 million (2.90 + 5.99).

Audit further observed that conveyance allowance was paid to the employees/staff @ Rs 6,000 (BPS 11 to 15) and Rs 8,000 (BPS 16 to 19) at higher rates over and above the limit notified by Federal Government. Payment of conveyance allowance at higher rates resulted into an overpayment of Rs 9.93 (6.37+ 3.56).

Audit holds that overpayment of Rs 18.82 million on account of HRA & conveyance allowance occurred due to misuse of authority and weak internal controls.

Audit pointed out the overpayment in July/September 2013. The WWBs replied that the Governing Body of WWF, Islamabad, (the competent authority) allowed house rent ceiling to the employees of the Fund and the Provincial Workers Welfare Boards adopted the above mentioned policy and paid HRA/conveyance allowance to the employees accordingly. The reply was not acceptable because rates of house rent ceiling specified for Islamabad were applicable only at Islamabad and not for other cities. Same rate for hiring and conveyance allowance for all the cities was not justifiable. The payment of conveyance allowance at higher rates than the permissible under Finance Division (Regulation Wing) Office Memorandum dated 3rd July, 2012 was also not justified. DAC in its earlier meeting held on 29th January, 2013 also directed to stop the payment at higher rates but the same was being continued.

The matter was again discussed in the DAC meeting held on 8th January, 2014. The Committee directed that the matter may be referred to Ministry of Law for clarification of the status of WWF/WWBs employees and powers of Governing Body to fix remunerations. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.17, 28, 31,32)

13.4.5 Unauthorized payment of scholarship grant, death grant and allotment of flats to ineligible workers of non-entitled organization - Rs 12.29 million

Article 6 of the Workers Welfare Fund Ordinance, 1971 provides that money in the fund shall be applied to the financing of welfare measures of the worker. Worker means a person who was employed in an establishment or industry but does not include any person who was employed in managerial or in any administrative capacity.

Workers Welfare Fund Ordinance, 1971 defined industrial establishment as any concern owing or managing a factory, workshop or other establishment in which articles were produced but did not include any concern or establishment which was owned by government or by a corporation established by government or by corporation the majority of the share of which was owned by government. Para V of eligibility criteria of policy of award of scholarship grant provided that workers of factory/establishment registered under Factory Act, 1934/Mines Act 1923/Shop and Establishment Ordinance, 1969 and the factory/establishment contributing Workers' Welfare Tax or Workers' Profit Participation Fund shall be eligible.

Audit noticed that Sindh Workers Welfare Board, Karachi paid an amount of Rs 10.50 million on account of death grant, Rs 1.79 million on account of scholarship grant and allotted 94 flats to the employees/workers of the Pakistan Steel Mills, Pakistan Security Printing Corporation Karachi & Pakistan Machine Tools Factory a company of State Engineering Corporation, Ministry of Industries, Production & Special Initiatives, Government of Pakistan and Workers Welfare Board itself that were the government-owned establishments. The workers of government establishments were not entitled to get this facility from the Workers

Welfare Fund as defined above. These organizations have their own welfare schemes for the workers and did not fall in the ambit of the organization as defined in Workers Welfare Fund Ordinance. Non-adherence to rules caused unauthorized payments of Rs 12.29 million.

The violation occurred due to weak implementation of internal controls.

Audit pointed out unauthorized payments in July 2013. WWB replied that scholarship grant was allowed to 55 students for Rs 1.57 million, 35 death grants were entertained and only 21 flats were allotted through balloting to low paid employees of Pakistan Machine Tools Factory only before the decision of DAC in its meeting held on 29th January, 2013. The reply was not tenable as the DAC also directed to get the amount recovered from the responsible persons.

The matter was discussed in the DAC meeting held on 8th January, 2014. The Committee directed to review the cases regarding payment to the government owned organizations and WWBs itself and effect recovery, where recovery was not possible the cases may be got condoned from the Ministry. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.18, 22, 23)

13.4.6 Irregular expenditure on account of admission of worker's children in private schools - Rs 7.04 million

Governing Body of the Workers Welfare Fund approved scheme for admission of worker's children in private schools in its 102nd meeting held on 22nd October, 2009 to cope with the increasing demand of admissions in WW Schools. Approval contained following features:

- Survey of available public/private schools would be conducted in the areas where WW Schools did not exist or where admission demand was more than admission capacity.
- Prequalification of public/private schools for selection would be carried out.
- Scheme would be run for two years. Thereafter cost benefit ratio would be compared. If proving successful, scheme would continue.

Audit noted that Punjab Workers Welfare Board, Lahore signed a contract agreement on 6th August, 2010 with Educator School Dharyala Jalip/Pind Dadan Khan and Cadet College, Jhelum for admissions of workers' children.

Audit observed that said schools were selected without required survey and pre-qualification process. No information was available on record regarding admission demands, admission capacity and non-availability of Workers Welfare Schools. This indicated that process was based on pick and choose basis without any predefined selection criteria. Non-adherence to approved policy of Governing Body and incurring an expenditure of Rs 7.04 million during 2012-13 stands irregular.

Audit further observed that despite lapse of four years, no cost benefit ratio was worked out to examine efficiency, economy and effectiveness of the project.

Audit maintains that violation of approved policy of Governing Body occurred due to weak financial & management controls.

Audit pointed out the irregularity in September 2013. WWB replied that the schools were registered in accordance with the policy to provide education to the children of the workers as no sufficient seats were available in already working schools of WWB and students were selected in order of merit. The reply was not tenable as institutions were selected without conducting required survey and prequalification.

The matter was discussed in the DAC meeting held on 7th January, 2014 wherein WWB explained that an inquiry into the matter had been conducted. The Committee took a serious view of the violation of rules and directed that copy of inquiry report and action taken be provided to Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.40)

13.4.7 Loss due to non-preparation of estimates on schedule of rates - Rs 6.27 million

Para 98 of CPWD Manual Chapter VI provides that estimate should be based on the schedule of rates in force and if item was not provided in the schedule of rates, it should be based on current market rate, properly analyzed with reference to basic rates of material.

Pak. PWD Schedule of Rates serves as comprehensive and authentic source of reference of rates for building and road works.

Punjab Workers Welfare Board, Lahore prepared an estimate of a work 'Development of Labour Colony at Defence Road Lahore Package-I' in two parts, (i) based on Pak. PWD Schedule of Rates 2004 (ii) and on current market rates basis. At the time of tendering, the lowest bidder offered 116% above on schedule items and 12% on market rate items. Audit observed that items for construction of road i.e. sub base and base course were available in Schedule of Rates and payable rates including 116% premium as quoted by the contractor arrived at Rs 2,580 and Rs 2,644% cft respectively. While preparing engineering estimates, these items were taken under non-scheduled portion @ Rs 4,957 and Rs 6,341% cft based on market rates.

Inclusion of scheduled items under market items and payment thereof at higher rates by 92% & 140% resulted into loss of Rs 6.27 million.

Audit maintains that loss was due to weak oversight mechanism for exercising the internal control.

Audit pointed out the loss in September 2013. The WWB replied that the items provided in Pak. PWD Schedule of Rates did not cover the lead & lift for various distances and provided a comparison of market rates & scheduled rate plus transportation of material to justify the market rate. The reply was not tenable as the items were not selected from Pak. PWD Schedule or from market rates in toto.

The matter was discussed in the DAC meeting held on 7th January, 2014. The Committee took a serious view of incorporating item analysed on the basis of market rate in the estimates despite its availability in the Schedule of Rates. The Committee constituted an IDC to examine the issue and submit report within 15 days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.36)

13.4.8 Excess payment due to derivation of higher rate - Rs 2.13 million

An item of work 'Making earthen embankment with earth taken from approved borrow pits including cost of excavation placing earth in layers not exceeding 9 inch depth as per approved section including dressing top and slides of the bank within a lift of 5 ft and lead up to 5 mile (8 Km) was provided @ Rs 604.40% cft derived from Pak. PWD Schedule of Rates 2004 (item-10 page-456).

Punjab Workers Welfare Board, Lahore paid the above said item for a work “Development of Labour Colony, at Defence Road Lahore Package-I”.

Audit noted that the items was meant for earthen embankment with 5 feet lift and 100 feet lead @ Rs 184.98 % cft and item-2 page-458 for cost of 5 mile lead under sub head carriage of material for Rs 419.42% cft (326.52+46.45+46.45). This rate was paid for a quantity of 2,288,052 cft.

Audit observed that cost of 100 feet lead and 5 feet lift/carriage was paid twice, once in the original item of earthen embankment and secondly in the item of carriage of 5 miles. Hence cost of carriage of 100 feet lead Rs 43.07 (22.10 +20.97) was paid excessively. This resulted into an excess payment of Rs 2.13 million (2,288,052 x 43.07+ 116%)

Audit maintains that excess payment was made due to weak engineering and financial controls.

Audit pointed out the excess payment in September 2013. WWB replied that the item was only applicable to the lead beyond 100 feet and up to 500 ft. Since the lead involved in the item which was executed at the site was 5 mile hence, the item No. 14 available at page No. 457 as pointed out by Audit cannot be applied on the item which has been executed at the project. The reply was not tenable as the lead was paid twice and required recovery.

The matter was discussed in the DAC meeting held on 7th January, 2014 wherein the WWB explained that rate for 5 mile lead was paid correctly in accordance with Pak. PWD Schedule of Rates, 2004. The Committee directed the WWB to get the facts verified from Audit. The compliance of DAC’s directive was not conveyed till the finalization of this report.

Audit recommends that DAC’s directive be complied with at the earliest.

(DP.38)

Performance

13.4.9 Blockade of funds due to slow progress of welfare project – Rs 1,288.69 million

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

Workers Welfare Fund, Islamabad released an amount of Rs 1,288.69 million (988.69 + 300.00) to M/s Pak Arab Fertilizers WWB, Multan for construction of Mukhtar A. Sheikh Memorial Welfare Hospital at Multan.

WWF accounts record did not reflect 50% receivable share from Pak Arab Fertilizers Multan and utilization of funds amounting to Rs 1,288.69 million for construction of said hospital. MoU signed between WWF and Pak Arab Fertilizer along with TOR of WWB, Multan was also not produced during audit.

Audit maintains that funds of the WWF were blocked unnecessarily due to weak financial and management control.

Audit pointed out blockade of funds in October 2013. WWF replied that the contractor mobilized on site and was granted mobilization advance. Due to resistance of locals, the physical work at site remained held up from June 2012 to June 2013. The situation was beyond the control of WWF. The contractor started the work at site but no claim was received. The reply of WWF was not tenable as no record regarding deposit of 50% share by the Pak Arab Fertilizer or detailed record for award of work/payment of mobilization advance was provided to Audit.

The matter was discussed in the DAC meeting held on 8th January, 2014. The Committee directed WWF to get the relevant record verified regarding 50% share of Pak Arab Fertilizers Multan in accordance with MoU, tendering process and payment of mobilization advance as per

contractual provisions. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.55)

Internal Control Weaknesses

13.4.10 Unauthentic payment of scholarship/university fees – Rs 144.69 million

Eligibility criteria for institution and student of Workers Welfare Board approved by Governing Body from time to time provides that:

Educational Institution means:

- (i) Cadet Colleges/Public Schools being run by the Federal or a Provincial Government
- (ii) All public and private colleges recognized by the Federal/Provincial Government
- (iii) Technical Training Institutes registered with Provincial Board of Technical & Vocational Education/Provincial Technical Education and Vocational Training Authority (TEVTAs)/National Training Bureau (NTB)/National Vocational and Technical Education Commission (NAVTEC)
- (iv) All public/private universities recognized by the Higher Education Commission (HEC).
- (v) All medical colleges/universities registered with HEC as well as Pakistan Medical & Dental Council (PM&DC).
- (vi) All engineering colleges/universities registered with HEC as well as Pakistan Engineering Council (PEC).

Student means:

Regularly enrolled on open merit in the above defined educational institutions.

According to Policy instructions/eligibility criteria of talent scholarship following stipulations were required to be completed i.e. (i) copy of National Identity Card of the workers (ii) Copy of factory registration certificate under Factories Act, 1934 (iii) Copy of factory card (iv) Copy of Social Security Card (R-5) (v) Copy of appointment letter. (vi) Copy of previous passed examination certificate. (vii) Copy of Student Card. (viii) Certificate of enrolment issued from the principal concerned. (ix) Copy of notification regarding registration/ affiliation of the institution concerned with Government/ Directorate/Board.

Audit noted that Scholarship Section of Khyber Pakhtunkhwa Workers Welfare Board, Peshawar paid a sum of Rs 144.69 million to M/s Iqra University during 2012-13. Educational funds were released to Iqra National University without detail of payments/list of entitled students/beneficiaries. Payments were being made without verification of genuineness of children of workers.

Audit observed that while making payment of Rs 47.20 million in June 2013, an effort of verification was made and 142 ineligible/non-entitled/fake cases in Iqra National University were observed by a committee constituted by Chairman Workers Welfare Board, Khyber Pakhtunkhwa and an amount of Rs 19.57 million was deducted from the claim of Rs 72.44 million of Iqra National University.

Audit further observed that the payments to Iqra National University, Peshawar were being made since the year 2007. An amount of Rs 553.99 million had so far been paid by Scholarship Section to M/s Iqra National University which was in addition to the amount directly transferred by WWF, Islamabad and WWB, Khyber Pakhtunkhwa, Peshawar. Recoveries of fake/ineligible cases were to be made from all payments made so far to M/s Iqra National University which was not done.

The violation occurred due to weak oversight mechanism for exercising the internal control.

Audit pointed out unauthentic payments in July-August 2013. WWB replied that the payments were made after completing all codal formalities and as per rules of the Governing Body Workers Welfare Fund, Islamabad. Initial payments during the session 2012-13 were made in urgency by the Main Office WWB and were not transferred to scholarship account as the university concerned was pressing hard for the release of funds while other two payments were made through Scholarship Section after completing all codal formalities. Registration of FIR for fake students was in progress. The reply was not acceptable as proper scrutiny of scholarship cases was not carried out. Audit holds that fake/ineligible cases were being paid since the year 2007. Detailed inquiry into the matter for payment of scholarships to fake/non-entitled students required to be conducted at Ministry's level.

The matter was discussed in the DAC meeting held on 8th January, 2014. The Committee decided that Ministry will hold a departmental inquiry to probe into the matter and submit its report within 15 days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.16)

13.4.11 Wastage of public money on non-functional Zonal Offices - Rs 56.75 million

Governing Body, WWF in its 102nd meeting held on 22nd October, 2009 and 09th March, 2010 approved the establishment of two Zonal Offices of Khyber Pakhtunkhwa WWB at Haripur and Bannu to strengthen the WWB, to provide the benefits out of WWF to the workers at their door step by addressing workers grievances. As per decision, all the Zonal Offices would be made fully functional by 31st January, 2010. Thirty six posts were sanctioned for BPS 02 to 19 and the zonal offices were assigned TOR to act & report in their regions on behalf of WWB.

Audit noticed that the Zonal Offices, Haripur and Bannu incurred an expenditure of Rs 56.746 million during the year 2011-12 and 2012-13, having a strength of 72 staff members without any productive activity and did not perform their functions as defined by the Governing Body. All the activities were being carried out centrally in provincial office of WWB, Peshawar.

Establishment of zonal office without any fruitful and productive activities resulted in wastage of public funds.

The violation occurred due to weak oversight mechanism for exercising the internal control.

Audit pointed out wasteful expenditure in August 2013. WWB replied that being the newly established office, initially, the workload was not diverted to these offices and the competent authority assigned the multiple / required task to these zonal offices from time to time. The reply was not acceptable because the Zonal Offices had not been made functional till the time of Audit (August 2013) and huge recurring expenditure was being incurred without any outcome.

The matter was discussed in the DAC meeting held on 8th January, 2014. The Committee took a serious view of non-implementation of the decision of the Governing Body and decided to hold an inquiry into the matter by the Ministry within 15 days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.06)

13.4.12 Less/non-recovery of installments from the owners - Rs 11.73 million

Para 26 of General Financial Rules (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.

Secretary Workers Welfare Board, Balochistan, Quetta allotted 2002 quarters/houses to the workers in different colonies on hire/purchase basis on installments but failed to recover the due installments during 2012-13 from the workers. Less recovery of installments from the workers/owners resulted in non-recovery of Rs 11.73 million.

Non-recovery was due to weak oversight mechanism for exercising the internal control.

Audit pointed out non-recovery in September 2013. The WWB replied that the major portion of amount pointed out by Audit pertained to Labour Colonies at Hub and Khuzdar, where law & order situation had been worst during those days, resultantly the business activities in both the cities were badly affected and workers of the area could not earn their livelihood. In these circumstances, there was no option except to wait till improvement of law & order situation in the area. The reply of the WWB was not acceptable as the installments were to be recovered in time.

The matter was discussed in the DAC meeting held on 8th January, 2014. The Committee decided that Ministry would issue directions to Balochistan WWB, Quetta to effect recovery without any further delay. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit recommends that DAC's directive be complied with at the earliest.

(DP.33)

13.4.13 Non-recovery of rent of colonies - Rs 10.44 million

According to Section 11-D "Recovery of rent" of Workers Welfare Fund Ordinance, 1971 (amended up-to June 2008) "Where any rent or arrears of rent are due from any person under the scheme, those may be recovered:

- a) By deduction by his employer from his wages, if the board or any person authorized by it in this behalf directs the employer so to do; or
- b) As arrears of land revenue or as a public demand if upon the application of the Board or any person authorized by it in this behalf, a magistrate so directs.

Audit observed during scrutiny of accounts of Khyber Pakhtunkhwa Workers Welfare Board, Peshawar that a sum of Rs 10.44 million was lying outstanding against 4,034 occupants of 28 labour colonies for the year 2012-13. Total outstanding dues for the year 2012-13 were Rs 12.10 million. A sum of Rs 3.00 million was recovered (including Rs 1.34 million as arrears), thus net recovery for the year was Rs 1.66 million leaving an amount of Rs 10.44 million as recoverable. This resulted into non-recovery of rent of Rs 10.44 million.

Non-recovery was due to weak oversight mechanism for exercising the internal control.

Audit pointed out the short recovery of rent in July-August 2013. WWB replied that various efforts were initiated for recovery of rent, arrears/outstanding from the defaulting management/workers for which various notices were served from time to time resultantly an amount of Rs 3.00 million had been recovered and further efforts were underway to recover the remaining outstanding rent. The progress would be submitted in due course of time to Audit. The reply was not acceptable because no concrete efforts were made to recover rent/cost of quarters/flats. No quarter/flat wise demand register was being maintained. Recovery of dues required to be made at the earliest besides maintenance of recovery record to monitor the cases of recovery under intimation to Audit.

The matter was discussed in the DAC meeting held on 8th January, 2014. The Committee decided that Ministry would issue directions to Khyber Pakhtunkhwa WWB, Peshawar to effect recovery without any

further delay. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses for early compliance of DAC's directive.

(DP. 14)

13.4.14 Non-recovery of stamp duty - Rs 7.94 million

Clause 9.1 of Condition of Contact part-IIB (Page-97) provides that the contract agreement would be made on stamp paper of value to be determined at the rate of 0.2 % of the contract value. Cost of stamp duty would be borne by the contractor.

Sindh Workers Welfare Board, Karachi awarded contracts of three schemes for Rs 3,972.80 million for the Construction of Labour Colonies in Karachi, Hyderabad and Kotri to various contractors.

Audit observed that stamp duty @ 0.2 % of contract value i.e. Rs 7.94 million was not deducted from the contractors due to non-execution of contract documents on stamp papers. Non-adherence to contract clauses resulted in undue benefit to contractor for Rs 7.94 million.

Audit maintains that undue benefit to contractor/non-receipt of stamp duty was due to absence of oversight mechanism for exercising financial controls.

Audit pointed out non-recovery of stamp duty in October 2011. SWWB replied that the contracts were executed in 2007 and stamp duty of Rs 0.98 million was deducted/available. Balance recovery of Rs 6.82 million on account of stamp duty would be recovered.

The matter was discussed in the DAC meeting held on 8th January, 2014. The Committee directed WWB Karachi to effect the recovery from the contractors at source and get it verified from Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses for early compliance of DAC's directive.

(DP.52)

CHAPTER 14

MINISTRY OF PLANNING, DEVELOPMENT AND REFORMS

PRIME MINISTER'S PROGRAMME FOR RECONSTRUCTION & REHABILITATION OF AFGHANISTAN

14.1 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.

14.2 Comments on Accounts

The expenditure incurred up to 30th June, 2013 on infrastructure development projects and trainings/scholarships which were audited is as under:

(Amount in million)

S. No.	Name of Work	Up to date Expenditure (Rs)	US\$
1	Allama Iqbal Faculty of Arts Blocks, Kabul University, Kabul	672.54	8.98
2	Sir Syed Post Graduate Science Faculty Block, Nangarhar University, Jalalabad	389.65	5.47
3	Liaquat Ali Khan Engineering Faculty Block, Bulkh University, Mazar-e-Sharif	1,011.61	13.20
4	Hostel with Rehman Baba School, Kabul for 1000 students	1,237.57	14.09

S. No.	Name of Work	Up to date Expenditure (Rs)	US\$
5	Jinnah Hospital Kabul (150 beds along with 50 beds Thalassaemia Center) (extendable to 400 beds)	1,254.45	15.66
6	Nishtar Kidney Center at Jalalabad	561.76	7.54
7	Naeb Aminullah Logari Hospital at Logar	1,161.77	13.56
8	Torkham-Jalalabad Road Additional Carriageway	1,557.67	19.25
9	15 Weigh Bridges & 30 mobile Hot Mixer	93.00	1.17
10.	Training of Afghan Officials	50.80	0.65
11.	2000 scholarships for Afghan students	1,101.02	12.32
	Total	9,091.84	111.89

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

Directorate General Audit Works (Federal), Islamabad has conducted audit of the Prime Minister's Programme for Rehabilitation & Reconstruction of Afghanistan for the first time and results are being reported to the PAC through this report.

14.4 AUDIT PARAS

Irregularity and Non-Compliance

14.4.1 Irregular award of contracts without approval from ECNEC - Rs 10,695.81 million and irregular expenditure - Rs 7,940.02 million

According to Planning & Development Division, Government of Pakistan letter No. 20(1)PIA/PC/2005 dated 14th March, 2005 and Para 14 of System of Financial Control and Budgeting, 2006 the Projects/schemes costing up to Rs 500.00 million shall require approval of Central Development Working Party (CDWP) and schemes costing above Rs 500.00 million shall be approved by ECNEC. Schemes costing Rs 40.00 million shall be approved by Departmental Development Working Party (DDWP).

As per Terms of Reference of the Committee for Reconstruction & Rehabilitation of Afghanistan (CRRA) as envisaged in Chief Executive Secretariat U.O. No. 1(32)/DS(D-3)/2001 dated 29th November, 2001, the CRRA has no authority to approve the projects.

Audit noted that the Project Director of Afghan Projects awarded the following projects costing Rs 10,695.81 million without approval of ECNEC/CDWP:

(Rs in million)

S. No.	Name of Work	Agreed / Estimated Cost	Up to date Expenditure
1	Allama Iqbal Faculty of Arts Blocks, Kabul University, Kabul	648.92	672.54

S. No.	Name of Work	Agreed / Estimated Cost	Up to date Expenditure
2	Sir Syed Post Graduate Science Faculty Block Nangarhar University Jalalabad	389.65	389.65
3	Liaquat Ali Khan Engineering Faculty Block, Bulkh University, Mazar-e-Sharif	1,129.17	1,011.61
4	Hostel with Rehman Baba School, Kabul for 1000 students	951.56	1,237.57
5	Jinnah Hospital Kabul (150 beds along with 50 beds Thalassaemia Center) (extendable to 400 beds)	1,087.00	1,254.45
6	Nishtar Kidney Center at Jalalabad	395.00	561.76
7	Naeb Aminullah Logari Hospital at Logar	1,077.51	1,161.77
8	Torkham-Jalalabad Road Additional Carriageway	4,924.00	1,557.67
9	15 Weigh Bridges	93.00	93.00
Total		10,695.81	7,940.02

Audit maintains that in absence of ECNEC, CDWP and DDWP sanctions/approval, award of works for Rs 10,695.81 million and expenditure of Rs 7,940.02 million incurred was irregular.

Audit observed that the violation of rules occurred due to weak internal controls.

Audit pointed out the irregularity in August 2013. The department replied that these Projects were implemented in Afghanistan and were approved by the CRRRA being the competent forum wherein approval of DDWP/CDWP/ECNEC was not required. The reply was not accepted because there were no rules available to authorize CRRRA to approve such Mega Projects.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Project Management explained that the Prime Minister approved these projects, therefore, approval of DDWP/CDWP/ECNEC was not required. Audit did not agree with the viewpoint as approval of the Prime Minister could not be treated as dispensation from rules/usual requirements/standard procedure regarding consideration/approval by DDWP/CDWP/ECNEC for ensuring technical soundness/viability of the projects. All development projects are approved by the Prime Minister/Cabinet but their technical viability/soundness requires approval of some technical forum. The Chair informed the Committee that Planning & Development Division had started implementation of rules and procedures as applicable in case of PSDP in the projects being executed by Government of Pakistan for Reconstruction and Rehabilitation works in Afghanistan. Approval of such projects by the competent fora i.e. ECNEC, CDWP and DWP as the case may be, was under process. Audit advises for regularization of the expenditure and award of works from the competent forum.

The compliance of DAC's directive regarding regularization of expenditure by competent forum was not made till the finalization of this report.

(DP. 26)

14.4.2 Irregular grant of mobilization advance without bank guarantee - Rs 651.12 million and non-recovery - Rs 318.50 million

As per clause-60.12 (a) of the contract agreement for the work “Construction of Additional Carriageway Torkham-Jalalabad (Afghanistan)” an interest-free mobilization advance up to 15% of the contract price shall be paid by the Employer to the contractor in two equal parts upon submission of a bank guarantee for the full amount of the advance from a Scheduled Bank in Pakistan.

The Project Management Unit of the project “Construction of Additional Carriageway Torkham-Jalalabad (Afghanistan)” paid mobilization advance of Rs 651.12 million to M/s FWO without bank guarantee contrary to the agreement clause. Non-obtaining of bank guarantee against mobilization advance worth Rs 651.12 million put the public interest at risk. Further, only a sum of Rs 332.62 million was recovered i.e. 51% up to May 2007, leaving a balance of Rs 318.50 million.

Audit maintains that the weak supervisory controls resulted in irregular grant of mobilization advance of Rs 651.21 million and non-recovery of Rs 318.50 million.

Audit pointed out the irregularity in August 2013 but the department did not furnish any reply.

The matter was discussed in the DAC meeting held on 10th January, 2014 wherein the Project Management Unit explained that FWO is exempted from bank guarantees as it is a national organization. Audit did not agree with the explanation as there was a clause in the contract agreement which clearly required the contractor to furnish bank guarantees against mobilization advance. The Committee directed that mobilization advance be recovered and responsibility be fixed for non-obtaining bank guarantee and a warning be issued to the officers responsible. The Committee further directed to discontinue practice of

granting mobilization advance without bank guarantee in future. The compliance of the DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses early recovery of the mobilization advance besides fixation of responsibility against the delinquents.

(DP. 31)

14.4.3 Loss sustained due to non-implementation of the agreed clauses and undue favour to the retiring contractor - Rs 404.06 million

Contract Clause 43.1 General Conditions of Contract states that, "the whole of the works and, if applicable, any section required to be completed within a particular time as stated in the Appendix to Tender, shall be completed, within the time stated in Appendix-A for the whole of the works or section, calculated from the commencement date, or such extended time as may be allowed." According to Para 3 of the summary to Prime Minister dated 21st July, 2011, "it was brought out by M/s FWO that due to its commitments in Tribal Areas, Malakand Agency and Hunza Valley (Attaabad), the organization was finding it difficult to operate in Afghanistan, and that the Building Projects being executed by M/s FWO may be assigned to NLC.

Audit noted that Planning & Development Division awarded the work "Construction of Naeb Aminullah Khan Logari Hospital, Logar Afghanistan" to M/s FWO and subsequently assigned to AIRRS Associates, after expiry of the original time for completion agreed with original contractor and exonerated the original contractor from the responsibilities for completion of work up to 31st September, 2010. Due to delay at the part of original contractor and assigning of work to another contractor, a loss of Rs 404.06 million was sustained in shape of additional consultancy of Rs 19.75 million, escalations of Rs 174.32 million and exchange rate claim of Rs 209.99 million.

Audit further noted that the work was assigned to private contractor instead of award of work after retendering. The department did

not take any action against the defaulting contractor M/s FWO and assigned the work without tendering. Audit holds that act of relieving the original contractor without imposing risk and cost charges/penalties under the contract and assigning of work to another contractor was a serious violation of rules and procedures.

Audit observed that loss was sustained due to non-implementation of the agreed clauses of contract, extension of undue favour to the defaulting contractor to save him from imposition of penalties and violation of PPRA Rules.

Audit pointed out the irregularity in August 2013. The department replied in January 2014 that the contract of both projects were assigned to M/s Airrs Associates under contract clause with the approval of the Prime Minister. The reply was not accepted because the original contractor failed to complete the projects which were subsequently assigned to another contractor after expiry of original stipulated time for completion and the original contractor was not penalized for his default.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Project Management explained that both the projects were assigned to M/s Airrs Associates as per sub-clause 3.1 of the contract with the approval of the Prime Minister. Audit did not agree with the explanation of the Ministry and desired that all such correspondence made regarding unwillingness of FWO for execution of work and subsequent assignment of contract to M/s Airrs Associates, may be got verified. The Committee directed that correspondence may be got verified from Audit within one week. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses that loss be made good from the defaulting contractor, award of contract without tendering be regularized and responsibility be fixed for the irregularity.

(DP. 18)

14.4.4 Undue financial aid/Irregular grant of Secured Advance - Rs 151.52 million

According to contract agreement clause-60.11(6) of part-II of PCC, “the sum payable for such material/product brought on the site shall not exceed 75% of ex-factory price of material/product.” And clause-60.11(4) of part-II of Particular Condition of Contract provides that the Contractor shall submit with his monthly statement the estimated value of the materials on site together with such documents as may be required by the Engineer for the purpose of valuation of materials and providing evidence of ownership and payment therefore.

Audit noted that Project Director, Afghan Cell for the work “Construction of Naeb Amin Ullah Khan Logari Hospital Logar Afghanistan” paid secured advance based on Statistical Bulletin instead of admissible 75% of ex-factory rates. Audit further noted that the items in BOQ for which secured advance was granted were not executed. This resulted into undue financial aid and irregular grant of secured advance to contractor for Rs 151.52 million.

Audit observed that irregularity occurred due to ignorance/violation of agreed clauses and procedures.

Audit pointed out the irregularity in August 2013. The department replied that payments were released on account of secured advance to contractor against material as per contract agreement. The reply was not accepted, irregularity may be got condone by the competent authority.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Project Management explained that secured advance was released as per clause 60.11 of the agreement and material was utilized as per site requirement. The amount was also recovered from the payments of the contractor. Audit did not agree as no recovery of secured advance was forthcoming from the record. The Committee directed that adjustment/recovery be made and all relevant record be got verified from

Audit within 15 day. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses for regularization of the irregularity by Finance Division/Competent Authority and justify the undue financial aid along with disciplinary action against the responsible.

(DP. 24)

14.4.5 Non-insurance of works / equipment extending undue benefit to the contractor - Rs 85.72 million

According to clause 23.1 and 23.2 of Part-I, General Conditions of Contract, the contractor has to maintain the insurance of works, third party insurance and insurance against injury to workmen.

Audit noted that six (6) contracts/works worth Rs 8,572.00 million were got executed by the contractors M/s NLC and FWO. During audit of the account record of the projects provided by the Planning & Development Division, it was observed that the contractors did not obtain and furnish mandatory insurances of the assigned works in accordance with contractual deliverables. By not ensuring the compliance with contractual terms and conditions, the Planning & Development Division extended undue benefit and favour to the contractors at the public expense and compromised public interest as all the incidental costs and insurance premium were inbuilt in the bid price. This resulted into undue favour to the contractors at public expenses for Rs 85.72 million @ 1% of Rs 8,572.00 million.

The absence of insurance arrangements, put the workmanship and equipment at risk and made the department and its assets vulnerable.

Audit holds that the violation occurred due to compromise of oversight mechanism and weak internal controls.

Audit pointed out the irregularity in August 2013. The department replied that the management was not responsible for insurance because it

was the responsibility of the contractor. The reply was not tenable because the project management was responsible to get the clause regarding insurance implemented in letter and spirit.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Project Management explained that Ministry was not liable on this account and no claim in case of accident, mishap or default was received during currency of these contracts as it was the liability of the contractor. Audit did not agree with the viewpoint of Project Management as it was the responsibility of the Planning and Development Division to ensure the implementation of agreement clauses. The Committee directed that insurance and recovery if any for the uninsured period be got verified within 15 days. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses early compliance of DAC's directive.

(DP. 19)

Internal Control Weaknesses

14.4.6 Overpayment to contractors due to currency fluctuation - Rs 1,167.21 million

An agreement was executed between Planning & Development Division and NLC and different works/contracts were awarded. Particular Application Part II B were provided in the contract document and clauses 71 & 72 regarding currency & rates of exchange were spelled out as "delete the clauses in their entirety".

Audit noted that the Secretary Finance submitted a secret summary vide No. F.2(3)EF(C-1)2002-773/FS/2010 dated 31st March, 2010 to Prime Minister Secretariat regarding recoupment of foreign exchange losses to sub-contractors which was endorsed by Secretary Planning & Development vide U.O No. 4(1)PIP/PC/2009-10 dated 7th April, 2010. The Prime Minister approved the summary on 9th April, 2010 for payment of foreign exchange to the contractors without going through the fact that

agreement once entered, could not be changed by any authority. An amendment was also signed between Member (Implementation & Monitoring) and Planning Commission, wherein it was highlighted that after signing this amendment remaining value of the contracts shall be converted into US\$. Audit further noted that Planning and Development Division (Special Project Cell) verified and recommended Exchange Rate Claim. Audit is of the view that ERC amounting to Rs 1,167.21 million paid is not covered under the agreement.

Audit maintains that there were no rules or regulations available for post-tender changes in the contract document by the Prime Minister.

In view of the above facts Audit holds that payment against currency exchange to contractor was irregular and a clear overpayment.

Audit observed that overpayment was made due to violation of agreement clause and subsequent amendment/post-tender changes in the agreement which is not covered under rules.

Audit pointed out the irregularity in September 2013. The department replied that the executing agencies were making all payments to their sub-contractors in US\$, and with increase in exchange rate, they were incurring losses. This was not a post-tender change, and this amendment was as per normal provision of the contracts. Therefore, the payments were made in accordance with the approval of the Prime Minister. The reply was not accepted because payment was made through post-bid amendment in the original agreement.

The matter was discussed in the DAC meeting held on 10th January, 2014. The Project Management Unit explained that payment of foreign currency was made on the recommendation of a high powered committee with the approval of Prime Minister, through a summary. Audit did not agree with the post-tender amendments to give undue favour to the contractors at public expense. The DAC directed P&D Division that Terms of Reference of the committee constituted for scrutiny of exchange

rate compensation claim be provided to Audit. The DAC decided to refer the matter to PAC for decision.

Audit recommends that recovery be effected and date-wise ERC be got verified as the ERC was payable only on the payments after 2008.

(DP. 7)

14.4.7 Double benefit of escalation as well as Foreign Currency paid to the contractors amounting to Rs 1,145.80 and Rs 1,167.21 million respectively

Clauses IT.13.1 and IB.13.1 of the contract agreement provide that the tenderer expecting to incur expenditure in other currencies shall indicate in Appendix-B to Tender. But tenderer did not indicate the foreign currency in Appendix-B. In Part-II the whole clause of exchange / currency fluctuation was deleted and no currency fluctuation was payable as per clause-70.1 and 70.2, however, the escalation on specified items was payable as per agreement.

The Project Director of various works paid price escalation for Rs 1,145.80 million. In addition, currency fluctuation for Rs 1,167.21 million against below-mentioned works was also paid through amendment/post-tender change in the contract agreement. The foreign currency fluctuation was paid on the plea of the contractors that they have incurred 90.19% expenditure in foreign currency. Audit maintains that Project Management allowed price escalation on specified items and simultaneous payment of the currency fluctuation being the works executed in Afghanistan, tantamounts to double benefit. Audit requires that any one of the payments made to the contractors be recovered.

(Rs in million)

S. No.	Name of works	Foreign Currency Paid	Escalation Paid
1	Allama Iqbal Faculty of Arts	103.35	70.94
2	Sir Syed Post Graduate Science Faculty	47.72	35.11

S. No.	Name of works	Foreign Currency Paid	Escalation Paid
3	Liaquat Ali Khan Engineering Faculty Block at Bulkh University	207.28	197.57
4	Nishtar Kidney Centre Jalalabad	115.36	91.85
5	Jinnah Hospital Kabul	229.74	254.72
6	1,000 Bed Student Hostel for Rehman Baba School	239.44	264.28
7	Naeib Aminullah Khan Logari Hospital at Logar Afghanistan	224.32	231.33
Total		1,167.21	1,145.80

Audit observed that double benefit was given due to ignorance of facts and irregular amendment in the contract and weak internal controls.

Audit pointed out the irregularity in August 2013. The department replied that Prime Minister's approval was regarding reimbursement of exchange loss of Rs 292.79 million which includes IPC's and EPC's accordingly. Amendment No. 1 was made as per Prime Minister's directive and escalation payments were made as per clause 70.1 of contract agreement which may not be intermingled with ERC which is compensation on depreciation of Pak Rupees. The reply was not accepted because ERC was paid as a result of irregular amendment. On the other hand escalation on labour, POL and all other material were made on the basis of Peshawar rates and payment of ERC on Afghanistan rates. Further, both the benefits of ERC and escalation simultaneously were not allowed.

The matter was discussed in the DAC meeting held on 10th January, 2014 wherein the Project Management Unit (Special Project Cell-Afghan Projects), P&D Division explained that payment of foreign currency was made on the recommendation of a high powered committee with the approval of Prime Minister, through a summary. Audit did not agree with the post-tender amendments as these are not covered under rules and contended that the contractor was benefitted twice, once in the

shape of payment of foreign currency difference/fluctuations and secondly in the shape of price escalation. The DAC decided to refer the matter to PAC for decision.

Audit advises for early recovery of amount involved.

(DP. 14)

14.4.8 Payment to consultant at higher rates - Rs 277.58 million and excess payment than 6% provision - Rs 147.33 million

As per clause 6.2 of the agreements executed with M/s NESPAK for execution of seven (7) projects in Afghanistan, the total fee for consultancy was agreed @ 6% of the project cost (which includes 3% for designing and 3% for supervision of execution).

Audit noted that 6% consultancy fee was paid as compared to other works being executed in Pakistan. Generally, the consultancy ranges from 2.5% to 3.5% in case of open competition, whereas, in this case, the consultancy fee was agreed and paid @ 6%. The Project Management Unit not only agreed to the high percentage of the consultancy fee up to 6% but also paid it beyond 6% prescribed limit. The consultancy was awarded without open competition and as per demand of the NESPAK, without watching the public interest in violation of rules.

The Afghan Special Cell paid excess payment against agreement of Rs 229.73 million whereas 6% limit was also exceeded by Rs 147.33 million which resulted into excess payment of Rs 229.73 million and Rs 147.33 million, respectively.

Audit observed that excess payment was made due to non-observance of agreed clauses and violation of rules and financial propriety.

Audit pointed out the excess payment in July 2013. The department replied that the payment released so far to the consultants, were in accordance with consultancy agreement. Further, when the project

was assigned to M/s AIRRS Associates, 15% overhead charges of FWO were excluded from the contractor's contract price for the balance work. The reply was not accepted because 6% consultancy excluding 15% FWO overhead charges was agreed, between NESPAK and Deputy Chairman Planning & Development, Government of Pakistan. Further, Project Management also awarded the consultancy at higher rate.

The matter was discussed in the DAC meeting held on 10th January, 2104. The department contended that the payment of consultancy charges were made as per agreement and Deputy Chairman Planning & Development had reversed his decision regarding non-payment of consultancy on 15% overheads of NLC & FWO. The Committee directed the project management for verification of the decision of Deputy Chairman Planning & Development. The Committee further directed that payment of consultancy may be restricted to 6% of the project cost excluding consultancy as per contract agreement. The compliance of the DAC's directive was not made till the finalization of this report.

Audit advises compliance of the DAC's directive.

(DP. 01, 33)

14.4.9 Overpayment due to payment of Exchange Rate Compensation claim @ 90.19% instead of 60% in violation of PM Summary - Rs 85.33 million

According to paras 5 & 6 (ii) of Summary for the Prime Minister dated 31st March, 2010, after netting out the effect of the expenditure made to procure goods and services from the domestic market, the net amount payable to the sub-contractors came to Rs 292.79 million. This was subject to deduction on account of payments/commission made to the main contractors. The above payment was also subject to deduction of the part of exchange loss incurred on payments made to the main contractors on account of commission, etc.

Audit noted that Project Director for the work, "Construction of Allama Iqbal Faculty of Arts, Kabul University Afghanistan" paid the

ERC on the basis of 90.19% of total work done instead of actual expenditure of 60% which might have been incurred by the sub-contractors in foreign currency. Similarly, 15% commission of NLC was also required to be deducted from the overall work done. The base rate for calculation taken for the period was of date on which agreement was signed with M/s NLC i.e. 1st October, 2005 whereas this date should have been the date of signing of agreement with sub-contractors which was not provided to Audit. In view of the above facts, the contractor was overpaid for Rs 85.33 million.

Audit observed that overpayment was made due to non-observing conditions of approval accorded by Prime Minister of Pakistan.

Audit pointed out the irregularity in September 2013. The department replied that after the approval of exchange rate claim from Prime Minister, the Planning & Development Division made an amendment in the contract agreement and payments were made to NLC as per amendment No.1. The reply was not accepted because the payment of ERC on the basis of 90.19% of total work done was not justified.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Ministry explained that ERC @ 90.19% was paid on the basis of approval of the Prime Minister and amendment No. 1 in the contract agreement. Audit did not agree with the contention of the Ministry because (i) post-tender amendment is not covered under rules, (ii) the basic theme of the summary was to reimburse the actual expenses made by the contractors in shape of foreign currency, (iii) The proof of incurring expenditure in US dollars as per summary was not provided to Audit. The Committee decided to refer the Para to PAC for final decision.

Audit advises for recovery of the overpaid amount from M/s NLC.
(DP. 11)

14.4.10 Overpayment due to payment of Exchange Rate Claim on escalation - Rs 52.99 million

According to approved summary, the Exchange Rate Claim (although it was not covered in the agreement) was to be paid only on the works to recoup the losses.

The Project Directors, Construction of Allama Iqbal Faculty of Arts, Kabul University and Construction of 200 beds Jinnah Hospital at Kabul paid Exchange Rate Claim even on the escalation. As per principle & procedure prevailing, escalation is payable on local currency component only and in case of foreign currency expenditure incurred by the contractor, only currency fluctuation is admissible.

Audit maintains that payment of currency fluctuations on the amount of price escalation was not admissible as it was a case of double payment of escalation. Due to payment of Exchange Rate Claim against the escalation amount, the contractor was overpaid for Rs 52.99 million.

Audit observed that overpayment was made due to payment of double escalation, benefit to contractor.

Audit pointed out the overpayment in August 2013. The department replied that escalation is catered to compensate the contractor for the increase in price of specified item. The exchange rate loss compensation in the contracts was provided after approval of the Prime Minister. The reply was not accepted because ERC was paid as a result of an amendment in the original contract. Further if amendment was in order then it was limited to the actual excess expenses due to payment of ERC. Both ERC and escalation were compensations for additional expenditure incurred by the contractors. Thus payment of ERC on escalation is a clear overpayment.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Project Management clarified that payments of ERC and escalations were made as per Prime Minister directive and regular

contract provision. Audit did not agree with the Project Management Unit for payment of ERC on escalations because ERC was reimbursable on the basis of actual expenses. This tantamounts to double escalation. The Committee decided to present the issue before PAC for final decision.

Audit advises for recovery of the overpaid amount from the contractor.

(DP. 13)

14.4.11 Overpayment due to allowing full rate instead of reduced rate - Rs 38.05 million

Item No. 305.4.2(2) provides that if the thickness determined as per specification is deficient by more than three (3) mm, but not more than ten (10) mm, payment will be made at an adjusted price as specified below:

Deficiency in thickness as determined by cores	Proportional rate of contract Price allowed
0.0 mm to 3.0 mm	100%
3.1 mm to 5.0 mm	90%
5.1 mm to 10.0 mm	80%

During audit of accounts of the project “Construction of Additional Carriageway Torkham-Jalalabad (Afghanistan)” Audit observed that item 305.1, Asphalt Concrete Wearing Course was provided @ Rs 12,096 per cu.m and item 305-2 Asphalt Concrete Base Course @ Rs 11,200 per cu.m. Measurement sheet provided with IPC indicated that item Asphalt Concrete Base Course was measured for a thickness of 0.08 meter. Thus, rate of Rs 11,200 was to be paid @ 80% of BOQ rate as its thickness deficiency falls between 5.1 mm to 10.0 mm, therefore, rate of item 305-2 comes to Rs 8,960 per cu.m. In this way, an overpayment of Rs 38.05 million was made to the contractor as calculated below:

Quantity (cu.m)	BOQ Rate (Rs/cu.m)	Rate paid (Rs/cu.m)	Rate to be paid (Rs/cu.m)	Excess Rate (Rs/cu.m)	Overpayment (Rs)
36,582.90	11,200	10,000	8,960	1,040	38,046,216

Audit observed that the overpayment caused an undue burden on the exchequer. The violation occurred due to weak internal controls and violation of specifications.

Audit pointed out the overpayment in August 2013 but the department did not furnish any reply.

The matter was discussed in the DAC meeting held on 10th January, 2014. The Project Management Unit and NHA admitted recovery. The Committee directed the NHA to effect recovery and get it verified from Audit within a week. The compliance of DAC's directive was not made till the finalization of this report.

Audit advises early compliance of DAC's directive.

(DP. 32)

14.4.12 Non-recovery from the consultant for expenditure on rectification of damaged work - Rs 20.30 million

Para 3.4 of consultancy agreement provides that, "If the client suffers any losses or damages as result of proven faults, errors or omissions in the design of a project, the Consultants shall make good such losses or damages". Similarly clause 20.2 stipulates "If any loss or damage happens to the works, the contractor shall at his own cost, rectify such loss or damage so that the permanent works conform in every respect with the provisions of the contract to the satisfaction of the Engineer". Further, SP-6 Conditions of Contract Part-II, 12.6.2 (a) states that, "the works shall be executed in accordance with the drawings as approved by the Engineer. The contractor at his cost shall rectify errors, omission, ambiguities, inadequacies and other defects".

Audit noted that in the abstract of cost payment of Rs 1.39 million was also added regarding rectification of beams with SIKA Warp 530 with adhesives sikadur 300 including labour & overhead charges @ 100%. Audit inferred that as it was a design or construction fault and was the

responsibility of the consultant as well as contractor, the expenditure incurred is an overpayment to the contractor for Rs 1.39 million. Rather as per clause 3.4 of the consultant agreement a sum of Rs 20.30 million was to be recovered.

Audit observed that irregularity occurred due to weak financial controls.

Audit pointed out the irregularity in July 2013. The department replied in January 2014 that final bill had been withheld and necessary action would be taken as per contract. No progress towards recovery was intimated.

The matter was discussed in the DAC meeting on 10th January, 2014 wherein the department admitted recovery as pointed out by Audit. The Committee directed the Project Management to recover the amount and get it verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of the DAC's directive.

(DP. 4)

14.4.13 Overpayment due to separate payment of items included in BOQ - Rs 11.83 million

Clause 5 of Preamble of 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 Project Director, “Allama Iqbal Faculty of Arts Kabul University Afghanistan, Construction of 200 beds Jinnah Hospital at Kabul and Construction of Additional Carriageway Torkham - Jalalabad Afghanistan paid item of works supply/installation & connection

of H.T. Cable, and transformer through Variation Order-1. Demolition of Mehtab Qilla main building structure and wall, and an item of work 105-7 Other services were paid to the extent of Rs 11.83 million whereas neither this item was provided in PC-I and BOQ nor its approval was forthcoming. In the light of clause-5 of Preamble to BOQ, it was the responsibility of the contractor. The separate payment resulted in overpayment of Rs 11.83 million.

The subject overpayment caused an undue burden on the exchequer. The violation occurred due to weak internal control and violation of agreement.

Audit pointed out the overpayment in August 2013. The department replied that the project could not be handed over to the authority without electricity, therefore, a separate variation order was prepared with consultation of consultant and client. The reply was not tenable because the cost of item in question was included in the BOQ items.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Project Management explained that at the time of planning phase, the infrastructure of Afghanistan was not accessible and transfer was based on prevailing system in Pakistan i.e. 11/0.415KV rating. Whereas, in Afghanistan this was not applicable and transformer 15-20/0.400KV was furnished. Audit did not agree with the stance and advised to verify the BOQ, as payments were made to consultant for preparation of BOQ based on the requirements/needs in Afghanistan. The Committee directed the management to check the BOQ and satisfy Audit, otherwise recovery be made. The compliance of the DAC's directive was not made till the finalization of this report.

Audit advises early recovery of the overpayment besides disciplinary action against the responsible.

(DP. 23)

14.4.14 Overpayment to consultant without deduction of 15% commission - Rs 7.71 million

According to approval of Member (Infrastructure) the consultancy fee was payable on the total work after deduction of 15% NLC charges.

Audit noted that Project Director, “Allama Iqbal Faculty of Arts Kabul University Afghanistan” calculated and paid the consultancy fee to M/s NESPAK on the total work done without deduction of 15% NLC charges/commission, which resulted into an overpayment of Rs 7.71 million as calculated below:

Description	Amount (Rs in million)
Total payment made	53.45
Payment due after deduction of 15% NLC charges (571.55 – 15%)=485.82	
Design fee (485.82 × 3%)	14.57
Supervision fee (485.82 × 3%)	14.57
Supervision fee for extended period (485.82 ×3%)	14.57
Supervision fee 20%	0.39
Fee for planning of Variation Order No. 2	1.64
Total due amount	45.74
Overpayment (53.45 – 45.74)	7.71

Audit observed that overpayment was made due to deviation from the approval of Member (Infrastructure) and Deputy Chairman Planning.

Audit pointed out the overpayment in August 2013. The department replied that the payment to the consultant was to be made as per contract and payments were made in accordance with consultancy agreement. The reply was not accepted because approval of Member (Infrastructure) was part of agreement.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Committee directed the project management for

verification of the decision of Deputy Chairman M/o Planning & Development along with actual cost of the project. The Committee further directed that payment of consultancy may be restricted to 6% of the project cost excluding consultancy. The compliance of the DAC's directive was not made till the finalization of this report.

Audit advises for early recovery.

(DP. 12)

14.4.15 Overpayment to consultant due to irregular amendment in contract agreement - Rs 6.20 million

As per Contract Agreement, the Clauses 71 & 72 regarding Currency Rate of Exchange, were deleted in their entirety.

Audit noted that the Project Director of the work "Construction of Allama Iqbal Faculty of Arts, Kabul University" paid 6% consultancy for Rs 6.01 million on the irregular claim of the contractor on ERC for Rs 103.35 million. As per agreement clauses 71 & 72, no ERC was payable to the contractor whereas the Project Director paid the Exchange Rate Claim by incorporating irregular amendments/post-tender changes in the contract clauses, which resulted in overpayment on account of consultancy for Rs 6.20 million besides payment of ERC to contractor.

Audit maintains that original clause of contract on account of Exchange Rate itself was undue benefit to the contractor and further payment of consultancy on the ERC was a serious irregularity. This resulted in overpayment of Rs 6.20 million to the consultant.

Audit observed that overpayment was made as a result of irregular amendment.

Audit pointed out the overpayment in September 2013. The department replied in January 2014 that payment was made as per consultancy agreement. The reply was not accepted because the payment was made as a result of an unauthorized post-bid amendment.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Committee directed the project management for verification of the decision of Deputy Chairman M/o Planning & Development. The Committee further directed that payment of consultancy may be restricted to 6% of the project cost excluding consultancy. The compliance of DAC's directive was not made till the finalization of this report.

Audit advises for recovery of the overpayment.

(DP. 37)

14.4.16 Non-recovery on account of escalation paid on variation order - Rs 1.30 million

Clause 52.1 of condition of contract Part-II provides that no escalation on account of material or labour wages shall be allowed on the valuation of variation.

Audit noted that Project Management of Planning Division awarded "Construction of 200 beds Jinnah Hospital at Kabul Afghanistan to M/s NLC at an agreed sum of Rs 1,087.37 million. The work commenced on 24th September, 2007.

Audit observed that the Planning & Development Division allowed price adjustment on the variation order amount which was not admissible. Allowing escalation on variation order resulted in overpayment of Rs 1.30 million as under:

Description	Amount (Rs in million)
Total work done (IPC-48)	21.39
Less cost of variation order	5.21
Net work done	17.17
Amount of escalation paid (EPC-45)	5.34
Amount of escalation admissible	4.04
Excess	1.30

Audit maintained that overpayment was made due to absence of oversight mechanism governing effective implementation of internal controls.

Audit pointed out the non-recovery in August 2013. The department replied that there was neither any overpayment nor any oversight from contractors/consultants. The reply was not accepted being not relevant as no detail/justification for allowing escalation on amount of variation order was given.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Project Management clarified that no escalation was paid on variation order. Audit did not agree with the explanation given and advised that recalculation of price escalation on value of work done be done after excluding work done under variation orders. The Committee directed that recalculation of price escalation be done and adjustment be made accordingly within 15 days and got verified from Audit. The compliance of the DAC meeting was not made till the finalization of this report.

Audit stresses early recovery of the amount involved.

(DP. 20)

14.4.17 Non-recovery of receivable from contractor - Rs 1.37 million

As per NHA Construction Wing Note No. Director (Const-North)/NHA-HQ/10/281 dated 20th April, 2010, it was recommended that payment of salaries amounting to Rs 176,400 of Security In-charge and Security personnel may be paid out of Construction of Torkham Jalalabad Road Main account and the same may be deducted from the next IPC of M/s FWO as recommended by General Manager (Additional Carriageway Torkham-Jalalabad Road Project).

Audit observed that a sum of Rs 1.37 million was not recovered from M/s FWO as per above note and agreement clause.

Audit maintains that the non-recovery occurred due to weak internal controls.

Audit pointed out the non-recovery in August 2013 but the department did not furnish any reply.

The matter was discussed in the DAC meeting held on 19th January, 2014. The Project Management Unit/NHA officials admitted the recovery during discussion. The Committee directed NHA for verification of the recovery by Audit. The compliance of the DAC's directive was not made till the finalization of this report.

Audit advises for early recovery of the outstanding amount.

(DP. 30)

Others

14.4.18 Loss due to award of works to NLC and FWO instead of private contractors - Rs 596.53 million

As per Notification No.25(115)plan coord-11/PC-2001 dated 4th December 2001, a High Powered Committee headed by Deputy Chairman Planning Commission was constituted under the direction of the then Chief Executive vide U.O. No.1(32)/DS(D-3)/2001 dated 29th November, 2001, for Reconstruction and Rehabilitation of Afghanistan, with the following TORs:

- 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.

Further, according to Para 1 of the Chief Executive directive, “There will be a need to build a private-public sector partnership to take upon the envisaged development activity. A well-planned, coordinated and focused approach would be required to be developed under which both the private and public sectors are provided a direction to make a meaningful contribution in the reconstruction effort to Afghanistan”.

According to Public Procurement Rules, 2004 “Save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal/ method of procurement for the procurement of goods, services and works”.

Audit noted that the Project Management Unit of Special Project Cell (Afghan Projects) headed by Member (Monitoring and Implementation) and a High Powered Committee awarded seven (7) construction works to M/s NLC and FWO on negotiation basis instead of award of works through open competition to both public and private contractors. Subsequently, the M/s NLC and FWO subletted 100% works to sub-contractors. It was also noted that FWO assigned the works to private contractors. Evidence on record indicates that private contractors were capable to execute the works but the High Powered Committee did not explore more competitive and viable options. Audit is, therefore, constrained to conclude that both M/s NLC and FWO after retaining their respective shares of profits transferred the work liability to other private contractors. Committee and PMU ignored the private companies, in violation of TORs, Public Procurement Rules, 2004 and directions of the then Chief Executive. Due to violation of TORs, Public Procurement Rules and directions of the then Chief Executive, the public exchequer sustained a loss of Rs 596.53 million due to award of works to NLC and FWO at higher rates.

Audit observed that loss was sustained due to violation of TORs by the High Powered Committee, PPR-2004 and Chief Executive directions.

Audit pointed out the loss in August 2013. The department replied that these Projects were initiated under Prime Minister's special programme for Reconstruction & Rehabilitation of Afghanistan due to peculiar security prevailing environment and urgency, works were started without competition whereas Torkham-Jalalabad Road Project was awarded through open bidding and the firm failed to complete the Project within stipulated time period. In these circumstances Government of Pakistan took a decision to award the works to M/s NLC, FWO, and appointed M/s NESPAK as consultant. It was further clarified that executing agencies FWO and NLC could deploy their uniform work force in Afghanistan because of security. The reply was not accepted because if the CRRA perform its duty in the best public interest then losses in the shape payment of additional overheads paid to NLC and FWO could have been saved.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Project Management explained that the Prime Minister approved these projects. Audit did not agree with the viewpoint as approval of the Prime Minister cannot be treated as dispensation from rules/usual requirements/standard procedure regarding consideration/approval by DDWP/CDWP/ECNEC for ensuring technical soundness/viability of the projects and reasonability of cost. The Committee decided to refer the Para to PAC.

Audit advises for making the loss good and fixing responsibility for this loss.

(DP. 27)

14.4.19 Non-conducting of internal Audit of the consultants expenditure - Rs 494.99 million

Para 3.10 of Consultancy Agreement provides that "The consultants(i) shall keep accurate and systematic accounts and records in respect of the Services hereunder, in accordance with internationally accepted accounting principles and in such form and detail as will clearly

identity all relevant time charges, and cost, and the basis thereof, and (ii) shall permit the Client or its designated representatives periodically, and up to one year from the expiration or termination of this Contract, to inspect the same and make copies thereof as well as to have them audited by auditors appointed by the Client”.

On the request of Ministry of Planning & Development, the audit of the Projects under the Prime Minister’s Programme for “Reconstruction & Rehabilitation of Afghanistan” was commenced w.e.f 24th July, 2013. During audit, it was observed that Mega Projects were being executed in Afghanistan and a huge sum was also paid to the consultants, for detailed designed and construction supervision. Agreements were framed with the consultants along with time period prescribed in the Consultant’s Agreements. As per clause, the consultants were liable to keep all the relevant record systematically, accounts prepared accurately as per clauses provided in the Agreements and the Planning & Development Division is responsible for Audit of the consultant’s accounts record.

Audit is of the view that huge payments were being made to the consultants but record of the consultants as per above clause was not audited by the client and factual position of the accounts record is not verified and produced by the client to Audit. The expenditure of Rs 494.99 million incurred by the client on consultancy is unauthentic and needs verification as per internationally accepted accounting principles which clearly identify all the components before expiry of the contract for audit.

Audit pointed out the irregularity in August 2013. The department replied that as per para 3.10 of consultancy agreement, the consultant was required to maintain all the record. It was further replied that all the record is available and internal audit could be conducted whenever required. The reply was not accepted because as per clause audit was to be carried out by the client whereas it was not conducted by the client department.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Project Management explained that internal audit of NESPAK was being conducted every year by the chartered accountancy

firms. Audit did not agree, because this audit was to be conducted by Ministry of Planning and Development to ascertain the actual expenditure incurred by consultant on consultancy of these projects. The Committee directed that internal audit of consultants be conducted by the Ministry of Planning and Development and record be got verified within 3 months.

Audit advises for preparation of record as per clause of Agreement and conduct internal Audit by client.

(DP. 35)

14.4.20 Non-submission of Vouched Accounts by various departments - Rs 5,519.96 million and release of payments without applying Pre-Audit/Internal Control Checks in absence of Internal Controls in the Project Management Unit, Afghan Cell - Rs 13,506.70 million

According to Para 2.3.13 (viii) of Chapter 2 of Financial Audit Manual (Revised 2012) “Generally, management is responsible for establishing an effective system of Internal Controls to ensure compliance with Laws and Regulations”.

Ministry of Planning & Development launched Prime Minister’s Programme for Reconstruction and Rehabilitation of Afghanistan which included seven projects of construction of buildings and four projects of construction of roads, scholarships to Afghan students, trainings and providing of Weigh Bridges to Afghanistan. While auditing the record of Programme for the year 2012-13 Audit observed that the Project Management was not equipped with proper manpower (like Accounts Officers and Accounts Supporting Staff) for pre-auditing and applying internal checks/internal controls to ensure maintenance of true, correct and reliable account record and application of high standards of financial discipline. Due to least interest of the top Management, the Project Management made payments of billions of Rupees but their basic record i.e. Cash Book, Contractors’ Ledger, General Ledgers, Advances Register, vouchers, vouched accounts and Measurement Book of works were not maintained. In absence of internal checks and controls, huge overpayments were made to the contractors besides incurrence of irregular

expenditure in violation of rules and regulations as pointed out by Audit in this report. Audit further observed that a sum of Rs 5,519.96 million was released to various departments against various projects/activities, but their vouched accounts in support of actual disbursement were not submitted by the respective authorities. This resulted into non-submission of vouched accounts for Rs 5,519.96 million as detailed in the table given below. Audit further observed that a sum of Rs 13,506.70 million was expended on completed and ongoing projects since 2002-03 without having any internal control system. It is worth mentioning that the management released payments to the contractors on the recommendations of the consultants, as such both contractor and consultant took advantage of absence of internal checks.

S. No.	Name of Project	Amount (Rs in million)
1.	Relief items, i.e. supply of wheat (PASSCO), provision of machines and computers, donation of food items, printing of religious books, donations for student kits, cash assistance of GoA, etc.	1,738.10
2.	Feasibility of Chaman-Kandhar Rail Link	17.00
3.	Establishment of NESPAK at Kabul	11.47
4.	Torkham-Jalalabad Road	1,998.42
5.	TV Transmission at Kandhar	3.08
6.	Provision of 100 buses	290.00
7.	19 Mobile Medical Units	58.18
8.	Construction of Internal Roads in Jalalabad	158.89
9.	Training of Afghan Officials	50.80
10.	15 Weigh Bridges and Mobile Hot Mixers	93.00
11.	2000 Scholarships to Afghan Students	1,101.02
	Total	5,519.96

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

Audit pointed out the irregularity in August 2013. The department replied in January 2014 that related documents would be produced to Audit for verification.

The matter was discussed in the DAC meeting held on 21st January, 2014. The Project Management explained that all the relevant record is available which could be verified. Audit informed the committee that despite lapse of 54 days period from audit, no such record was provided to Audit. The Committee directed that complete record as pointed out by Audit be got verified within one month. The compliance of the DAC's directive was not made till the finalization of this report.

Audit recommends that internal controls be strengthened and proper mechanism be observed for checks and balance to forestall wastage of public money.

(DP. 34)

Annexure-1: MFDAC

Seven hundred and ninety-nine (799) Proposed Draft Paras of under-mentioned departments/organizations have been placed in MFDAC for further follow up and compliance at the part of Principal Accounting Officers which are to be complied through Departmental Accounts Committee/verification within the year. In case of non-compliance and after further improvement, paras deemed appropriate will be included in next Audit Report.

S. No.	Name of Department/Organization	No. of PDPs
1.	Capital Development Authority	148
2.	Civil Aviation Authority	182
3.	National Highway Authority	153
4.	Pakistan Public Works Department/Estate Office	157
5.	Federal Government Employees Housing Foundation	27
6.	National Construction Limited	10
7.	Pakistan Housing Authority Foundation	10
8.	Evacuee Trust Property Board	5
9.	Frontier Corps	9
10.	Pakistan Coast Guards	1
11.	Pakistan Rangers (Sindh)	2
12.	Higher Education Commission	65
13.	Workers Welfare Fund/Boards	23
14.	Ministry of Planning, Development & Reforms	7
	Total	799

Annexure-2: Audit Impact Summary

S. No.	Change in Rules/Systems/Procedures	Audit Impact
A. Capital Development Authority		
1.	The DAC held that CDA was bound to submit its estimates of receipts and expenditure for approval of the Federal Government under Section 43 of CDA Ordinance, 1960 as pointed out by Audit. The DAC directed Chairman CDA to ensure compliance of Section 43 of CDA Ordinance, 1960 in letter and spirit. (Para 2.4.11)	This is likely to improve budgetary mechanism in CDA.
2.	DAC directed CDA to review financial rules for appropriate amendments e.g. payment of allowances/exgratia temporary employees and incorporate amendment CDA's Manual. (DP. 65)	This is likely to improve financial and regularity framework in CDA.
3.	DAC directed CDA to prescribe and notify rates of penalty for encroachment and ensure its implementation. (DP. 04)	This is likely to enhance revenue generation of CDA.
4.	DAC directed to retrieve CDA land and take over possession of cancelled plots from illegal occupants/encroachers. (Paras 2.4.7, 2.4.14, 2.4.15)	This was likely to safeguard the CDA immovable assets/land.
B. Civil Aviation Authority		
1.	DAC directed CAA to revise the strategy of fixation of Reserve Price, award of licences and policy for breaking the cartel of the Concessioners. (DP.04)	This will increase CAA's revenue due to improvement of commercial policies.
2.	DAC directed CAA to get the encroachments on its land vacated within one month and process cases of proper leasing as per CAA Rules and PAC directives on the subject to avoid encroachments.(DP.67)	This will help CAA exploit opportunities of revenue by leasing its land.

S. No.	Change in Rules/Systems/Procedures	Audit Impact
3.	DAC directed that issue notices to all Housing Societies working in the new Islamabad Airport vicinity and to publish public notices in the newspapers to prohibit public, residential and commercial use of the land/area falling in the landing/take off path of the aircraft. (DP.117)	This will address public safety issues and environmental hazards.
4.	DAC directed to stop the salaries of the employees having bogus degrees and dismiss them at once as per orders of the Supreme Court Pakistan. (DP.154)	This will improve the human resource management and regulatory framework in CAA.
5.	The DAC directed CAA to follow the Government of Pakistan Rules for promotion and review Promotion Policy in the light of Government of Pakistan recruitment rules. (DP.173)	This will improve the human resource management and regulatory framework in CAA entailing enhanced performance.
6.	The DAC directed CAA to take action against the persons responsible for non-observance of 2% quota for disabled persons and implement regional, provincial and other quotas specified by the Government. (DP.181)	This will improve the human resource management and regulatory framework in CAA entailing enhanced performance.
7.	The DAC directed CAA to conduct survey of all spaces provided to the Government Departments for assessment of actual requirement of space and space under occupation of the Government Departments and make allotments as per actual requirement after execution of proper agreement with each department. (DP.241, 255)	This will increase CAA's revenue due to proper allotment of land/spaces.
8.	DAC directed to constitute IDC to probe the matter regarding payment on account of extra contractual decisions of "The Engineer", payment of prolongation cost and execution of	This was likely to improve financial and regularity framework in CAA through enhanced accountability.

S. No.	Change in Rules/Systems/Procedures	Audit Impact
	defective work causing cracks in runway. (Paras 3.4.2, 3.4.4, 3.4.23)	
9.	DAC directed CAA to conduct inquiries to fix responsibility for loss of revenue, award of work at higher rates, etc (Paras 3.4.9, 3.4.10, 3.4.16, 3.4.29)	This was likely to improve financial and regularity framework in CAA through enhanced accountability.
C. National Highway Authority		
1.	NHA was directed to review and rationalize all the amendments in the NHA Codes in line with government rules, regulations and get these amendments approved from the Finance Division/Auditor General's Department (DP.98).	This was likely to improve financial and regularity framework in NHA. The authentication of NHA administrative codes, manuals & regulations by competent forum will contribute towards streamlining the Authority's operations.
2.	DAC observed that the practice of giving Mobilization Advance in excess of the limit specified in the contract agreement is illegal and against the norms of financial discipline/propriety. The Committee directed NHA that all the post-bid amendments incorporated in the contract agreement should be got vetted from the Finance Division. (Para 4.4.3)	This was likely to improve financial and regularity framework in NHA.
3.	NHA was directed to stop practice of allowing premium on market rate items and to devise mechanism for adding a uniform premium on the scheduled items in the Engineer's Estimates. (Para 4.4.19)	This is likely to improve financial, regularity framework and contract administration in NHA.
4.	DAC directed MoC to issue instructions that in future any consultant firm engaged in design phase of a project shall not be assigned design review in the construction supervision phase to	This is likely to improve project management and contract administration in NHA.

S. No.	Change in Rules/Systems/Procedures	Audit Impact
	avoid conflict of interest situation. (DP 192).	
5.	DAC directed NHA to prepare and complete list of projects which require revision of PC-I and get the approval of Revised PC-I from the competent forum. (DP.137, 140, 10,11, 18, 22, 40, 93, 108, 132, 283, 284, 230, 257)	This is likely to improve project management and contract administration in NHA.
6.	DAC directed to constitute IDC to probe the matter regarding award of work at higher rates and unauthorized utilization of funds (Paras 4.4.21, 4.4.23, 4.4.25)	This is likely to improve project management and contract administration in NHA.
7.	DAC directed NHA to conduct inquiries to fix responsibility for irregular award of works, incurring expenditure without approval/technical sanction and unjustified payment of secured advance (Paras 4.4.1, 4.4.4, 4.4.8, 4.4.26, 4.4.28)	This is likely to improve project management and contract administration in NHA.
D. Pakistan Public Works Department		
1.	DAC directed Pak. PWD to initiate disciplinary action against the officers responsible for issuing cheques under PWP-II in violation of orders of Supreme Court of Pakistan. (Para 5.4.1).	This will improve accountability environment within the Organization.
2.	DAC directed to conduct inquiry and take action for payments for non-existent works, already executed works, bid tampering, non-transparent bidding process, etc. (Para 5.4.3)	This will improve accountability environment within the Organization.
3.	DAC directed Pak. PWD to refer the matter regarding schemes of PWP-II identified by notables to Cabinet Division, Prime Minister Secretariat and Finance Division for seeking	This will formalize the process of PWP schemes.

S. No.	Change in Rules/Systems/Procedures	Audit Impact
	criteria for approval of such schemes. (Para 5.4.12)	
4.	DAC directed to obtain Non-Duplication Certificate from provincial executing agencies before processing development schemes. (Para 5.4.8)	This will safeguard the public interest against suspected loss/fraud.
5.	DAC took serious view of all the payments made without contract agreements as all such payments have no legitimate cover. D.G, Pak. PWD was directed to look into all the pending contract agreements and get those signed after due verification and fulfilling codal formalities. The DAC further directed that appropriate action be taken against the violators of law including absconders for making payment without agreements besides regularization of the cases by approval of contract agreements as per rules. (Para 5.4.10)	This will safeguard the public interest against suspected loss/fraud.
E. Pakistan Rangers		
1.	DAC directed that the case regarding execution of major development works by Pakistan Rangers be re-examined by Ministry of Interior and necessary codal rules and provisions on the subject be got amended to adopt the Pak. PWD Code, Schedule of Rates and delegation of powers accordingly. (Para 11.4.1)	This is likely to improve project management and contract administration in the Organization.
F. Higher Education Commission		
1.	DAC directed HEC to record detailed measurements of work done in the Measurement Books duly certified and test checked by the engineers.(Para 12.4.4)	This is likely to improve contract administration in HEC.

S. No.	Change in Rules/Systems/Procedures	Audit Impact
2.	DAC directed HEC to conduct inquiries and fix responsibility for award of work to other than the lowest bidder, execution of item of work without provision in the contract agreement, grant of unjustified mobilization advance to the contractors, award of work before sanction of detailed estimates, abnormal delay in award of work after approval, enhancement of scope of work, reimbursement of agreed rebate, payment of price escalation without authentic details, etc.(Paras 12.4.1, 12.4.3, 12.4.7 to 12.4.10, 12.4.13)	This is likely to improve financial, regularity framework and contract administration in HEC.
G. Workers Welfare Fund/Boards		
1.	DAC constituted an IDC to probe into the matter regarding grant of mobilization advance without availability of the possession of land, award works by splitting and analysing item on market rate despite availability in Schedule of Rates.(Para 13.4.1)	This is likely to improve contract administration in WWF/Bs.
2.	DAC directed to conduct inquiry into the matter of allowing price escalation without provision in PC-I, irregularities in tendering process, etc. (Paras 13.4.2, 13.4.3)	This is likely to improve financial, regularity framework and contract administration in WWF/Bs.
3.	DAC directed to refer to Ministry of Law for clarification of the status of WWF/WWBs employees and powers of Governing Body to fix remunerations. (Para 13.4.4)	This is likely to improve financial and regularity framework.
4.	DAC directed to review the cases regarding payment to the government owned organizations and WWBs itself and effect recovery. (Para 13.4.5)	This is likely to improve financial and regularity framework.

S. No.	Change in Rules/Systems/Procedures	Audit Impact
H.	Ministry of Planning, Development & Reforms	
1.	PAO informed DAC that as per pointation of Audit, Planning & Development Division has started implementation of rules and procedures as applicable in case of PSDP in the projects being executed by Government of Pakistan for Reconstruction and Rehabilitation of Afghanistan. Approval of such projects by the competent fora i.e. ECNEC, CDWP and DWP as the case may be, is under process. (Para 14.4.1)	This will likely to improve financial governance.
2.	The DAC directed that mobilization advance be recovered and responsibility be fixed for non-obtaining bank guarantee. DAC further directed to discontinue practice of granting mobilization advance without bank guarantee in future. (Para 14.4.2)	This will likely to improve financial governance.

Annexure-3: Comments on Internal Controls

Internal controls are the set of rules, regulations, technical memos, policy instructions and standard operating procedures which have been prescribed by the departments/organizations to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and timely preparation of reliable financial information.

The management of CDA, CAA, NHA, Pak. PWD/Estate Office, FGEHF, NCL, PHA, ETPB, FC, Pakistan Rangers, HEC, WWF/Bs and Ministry of Planning, Development & Reforms 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 ministries/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, loss due to charging cost of plot at lesser rates, non-disposal of plots, non-retrieval of encroached land, execution of projects without approval of ECNEC, non-insurance of works, post-bid amendments to the contracts, undue financial aid to contractors, irregular appointments, defective execution of work, improper planning, unauthorized transfer of funds from lapsable to non-lapsable account, payments without recording detailed measurements of work done in MBs, non-mandated expenditure under the cover of work contingencies, wasteful expenditure, irregular allotment of plots, unauthentic payment of scholarship, etc.
- There are cases of overpayment due to allowing higher/incorrect rates, allowing excessive quantities and payment due to fictitious measurements, non-deduction of rebate, separate payment for inbuilt items, allowing inadmissible premium, incorrect escalation, extra-contractual decisions of “The Engineer”, difference of foreign currency, etc.
- During the audit exercise on a test check basis, cases of non-recovery on account of licence fee, commercialization charges, rent, penalty, taxes, risk and cost charges, cost of plots, secured advance, mobilization advance, etc. were noticed which have been highlighted in this report.

Annexure-A

Ref. to Para 4.4.1.3

Detail of expenditure without approval of ECNEC/CDWP/revision of PC-I

(Rs in million)

S. No.	DP No.	Name of Work/Project	Excess Expenditure
1.	DP. 04	Construction of Gwadar- Ratodero Road Project	3,147.45
2.	DP. 10 & 11	Construction Supervision for Rehabilitation / Up-gradation of Jalalpur – Pirwala Road, Multan	1,619.54
3.	DP. 18	Construction of 2-Lane Bridge over River Chenab at head Muhammad Wala, Multan	1,270.14
4.	DP. 22	Kalat-Quetta-Chaman (N-25), NHA, Islamabad	1,123.00
5.	DP. 108	Larkana-Naudero Lakhi Road	125.00
6.	DP. 132	Construction of Bridge over River Indus including approach Road from Amri to Qazi Ahmed Bridge (N-55)	477.43
7.	DP. 142&143	Construction of 4-Lane Motorway Khanewal-Multan Section (M-4 Extension), 57 Km, (IDB Loan Pak 125)	241.75
8.	DP. 288	Reconstruction of Ratodero-Shahdaskot –Quba Saeed Khan Road from Km 48 to 61 M-8	43.31
9.	DP. 289	Construction of New Chakdara Bridge (Phase-II)	5.38
10.	DP. 290	Sarhad Bypass to Dharki Bypass Road Project N-5 (North Bound) KM 552 to KM 576	16.28
11.	DP. 257	Sorab-Basima-Nag-Panjgur-Hoshab road project N-85	199.90
12.	DP. 230	Khori-Quba Saeed Khan Section Khuzdar Ratodaro Road, 143 Km	3,304.38
13.	DP. 283	Dualization of Sakrand-Benazirabad Road Package-I Km 00+000 to Km 10+000	938.54
14.	DP. 284	Dualization of Sakrand-Benazirabad Road Package-II Km 10+000 to 21+390	597.29
Total			13,109.39

Annexure-B

Ref to Para 5.4.1.1

Statement showing the details of cheques cancelled

S. No.	Name of Development Schemes	Contractor	Cheque No. & date	Amount (Rs)
1	Construction of PCC Streets/Roads, Nullah, Boundary Wall & Brick Soling Streets at different Union Councils, District Chakwal	M/s Raja Sabir Khan & Co.	B-853585/ B08536 dated 19.04.2013	9,189,537
2	Construction of PCC Streets / Roads at different Union Councils, Tehsil Gujar Khan, and Rawalpindi	M/s S.C.S Kazmi & Brothers	B-853587/ B08536 dated 19.04.2013	14,605,038
3	Construction of PCC Streets Boundary Wall of different Union Councils, District Chakwal	M/s M. Khawaj Abbasi	B-853588/ B08536 dated 19.04.2013	8,997,106
4	Const. of PCC Road from Banth Ada to Dhoke Baba Faiz, Tehsil Gujar Khan, District Rawalpindi	M/s S. Ch. Qaiser Hayat	B-853589/ B08536 dated 19.04.2013	1,988,549
5	Construction of PCC Streets/Roads Retaining wall & RCC Culvert at different Union Councils Tehsil Gujar Khan, District Rawalpindi	M/s Allied Aids	B-853590/ B08536 dated 19.04.2013	6,549,149
6	Construction of PCC Street/Roads Retaining Wall RCC Culvert at different Union Councils, Tehsil Gujar Khan Rawalpindi	M/s M.N. Construction Co.	B-853591/ B08536 dated 19.04.2013	18,305,006
	Construction of PCC Road at Farzana Raja Road Tehsil Gujar Khan, Rawalpindi			
7	Construction of PCC Street/Roads Nullah Boundary Wall Compound Wall Brick soling street at different Union Councils, District Chakwal	M/s Raja Sabir Khan & Co.	B-853592/ B08536 dated 19.04.2013	10,610,515

S. No.	Name of Development Schemes	Contractor	Cheque No. & date	Amount (Rs)
8	Construction of PCC Streets/Roads, Nullah, Boundary Wall & Brick Soling Streets at different Union Councils, District Chakwal	M/s Parcon Associates	B-853593/ B08536 dated 19.04.2013	5,203,446
9	Construction of PCC Streets/Roads, Retaining Wall & RCC Culvert at different Union Councils, Tehsil, Gujar Khan, District, Rawalpindi	M/s Allied Aids	B-853594/ B08536 dated 19.04.2013	24,300,879
10	Construction of PCC Streets/Roads at Different Union Councils, Tehsil Gujar Khan.	M/s S.C.S Kazmi & Brothers	B-853595/ B08536 dated 19.04.2013	14,068,378
11	Construction of PCC Streets/Roads & Retaining Wall at Different Union Councils, Tehsil Gujar Khan, District Rawalpindi	M/s Basco Contractor	B-853596/ B08536 dated 19.04.2013	13,253,152
Total				127,070,755

Annexure-C

Ref to Para 5.4.3.2

Payment without execution of work at site

S. No.	Name of Work	Amount (Rs)
1.	Construction of drain, soling, re-soling, nullah and PCC, Village Eserkey, Sheikhpura, PP-169	3,941,747
2.	Construction of PCC, drain and nullah, City Farooqabad, PP-169	3,893,504
3.	Construction of metalled road, Sacha Soda to Gujiyana, Part-II, PP-169	7,880,000
4.	Construction of metalled road and PCC Kakar Gil to Pul Nehr Upper Gogera, PP-169	3,928,093
Total		19,643,344

Annexure-D

Ref to Para 5.4.3.4

Payment for non-existent works (CCD Faisalabad Para 15 & 16 Special Audit PWP-II)

Item	Qty paid	Available site	difference	Rate (Rs)	Amount (Rs)
Making earthen embankment with earth taken from approved borrow pit	4,567 Cu ft	Nil	4,567 Cu ft	1,131.83% Cu ft	96,964
Supply and stacking burnt brick approved quality	57,558 Nos.	19,186	38,372 Cu ft	923.12%	354,219
Laying of soling bricks stacked at site	3,844 Cu ft	1,281	2,563 Cu ft	1,311.60% cu ft	33,616
Sign board	1	Nil	1	25,600	25,600
Making earthen embankment with earth taken from approved borrow pit	8,897 Cu ft	Nil	8,897 Cu ft	1,131.83% Cu ft	100,699
Supply and stacking burnt brick approved quality	89,146	61,243	27903	923.12%	257,578
Laying of soling bricks stacked at site	5,955	4,091	1863	1,311.60% cu ft	24,435
Sign board	1	Nil	1	25,600	25,600
Total					918,711

Annexure-E

Ref to Para 5.4.5.1

Overpayment due to fictitious measurement of existing roads – Special Audit
PWP-II, CCD Faisalabad

Para No.	Name of Work	Item	Qty	Rate	Amount (Rs)
13 & 14 (SAR)	Construction/ repair of carpet road Officer colony UC-221, Faisalabad NA-83	Excavation or cutting removing of rubbish in all kinds of soil etc.	74,493 Cu ft	1,752.78% Cu ft	1,305,698
-do-	-do-	Sub-base	13,783 Cu ft	3,961.15% Cu ft	545,965
-do-	-do-	Base course	17,981 Cu ft	3,914.14% Cu ft	703,909
-do-	Construction of carpet road Baba Farid Road, UC-220, Faisalabad NA-83	Excavation or cutting removing of rubbish in all kinds of soil etc	40,630 Cu ft	1,752.78% Cu ft	712,155
-do-	-do-	Sub-base	19,400 Cu ft	3,961.15% Cu ft	768,463
-do-	-do-	Base course	12,804 Cu ft	3,914.14% Cu ft	501,243
-do-	-do-	P/L hot mix bituminous concrete etc	38,800x 1/2"= 1,616.68x 0.02832= 45.78x2.355 =107.82 Ton	7,544.05 P.Ton	813,409
Total					5,350,842

Annexure-F

Ref to Para 5.4.7.1

Award of works without tenders

Para No.	Division	Number of Schemes	Amount (Rs in million)
1 (SAR)	CCD-VIII, Islamabad	27	1,422.78
2 (SAR)	CCD-IV, Islamabad	33	1,241.59
2 (SAR)	PCD, Batkhela	3	728.00
(SAR)	PCD, Nowshera	3	445.00
6 (SAR)	CCD-I, Peshawar	37	250.48
1 (SAR)	CCD, Bannu	34	160.00
10 (SAR)	CCD-II, Peshawar	27	100.00
1 (SAR)	CCD, DI Khan	11	70.00
1 (SAR)	CCD, Abbottabad	43	45.09
3 (SAR)	PCD-III, Islamabad	24	38.63
DP 223	Central E/M Quetta	08	23.23
1 (SAR)	CCD-II, Peshawar	11	15.00
Total		261	4,539.80

Annexure-G

Ref to Para 5.4.7.1

Detail of unmatched call deposits

Para No.	Division	Number of Schemes	Amount (Rs in million)
23 (SAR) & DP 276	CCD, Gujranwala	490	1,243.67
14 (SAR) & DP 123	PCD, Sahiwal	644	976.93
6 (SAR) & DP 267	CCD-Muzaffargarh	936	3951.24
16 (SAR)	CCD, Bahawalpur	15	81.82
11 (SAR)	CCD-II, Lahore	162	26.20
9 (SAR)	CCD-V, Karachi	65	237.97
8 (SAR)	CCD, Sialkot	718	2245.00
11 (SAR)	CCD, Multan	563	1,491.78
10 (SAR) & DP 106	CCD-I, Lahore	409	1147.41
25 (SAR)	CCD, Faisalabad	1,071	341.44
DP 419	CCD, Bannu	14	38.77
DP 45	PCD, Batkhela	48	19.42
DP 23	CCD, Old Quetta	06	213.87
DP 395	CCD-VIII, Islamabad	47	782.28
Total		5,188	12,797.80

Annexure-H

Ref to Para 5.4.7.1

Detail of retention of call deposits

S. No.	Para No.	Name of Division	Amount (Rs in million)
1	36 (SAR)	CCD-VIII Islamabad	27.03
2	05 (SAR)	PCD Sahiwal.	20.50
3	23 (SAR)	CCD-IV Islamabad	18.42
4	19 (SAR)	CCD-IV Islamabad	11.71
5	21 (SAR)	CCD Multan	9.55
6	18 (SAR)	CCD-I Lahore	3.01
7	13 (SAR)	CCD Multan	2.91
8	02 (SAR)	CCD Sargodha	2.49
9	20 (SAR)	CCD Larkana	0.38
Total			96.00

Annexure-I

Ref to Para 5.4.7.1

Award of work at higher premium

S. No.	Para No.	Name of Division	Amount (in million)	Remarks
1.	15 (SAR)	CCD, Multan	53.18	Works were awarded by allowing Premium above more than 10% on rates of 2012.
2.	10 (SAR)	CCD-IV, Islamabad.	59.40	Works were awarded by allowing Premium above more than 10% on rates of 2012.
3.	08 (SAR)	PCD-II, Islamabad.	9.60	Works were awarded by allowing Premium above up to 32% on rates of 2012.
4.	07 (SAR)	Store & Workshop Division, Islamabad.	6.08	Allowed 40% above on total cost including an item analyzed on market price after adding contractor profit and other charges on cost of the item obtained from market through quotations.

S. No.	Para No.	Name of Division	Amount (in million)	Remarks
5.	05 (SAR)	Store & Workshop Division, Islamabad.	11.14	Allowed premium @ 37-40% above against approved rate of 4-5% above in TS estimate.
6.	06 (SAR)	Store & Workshop Division, Islamabad.	0.26	Higher rate of premium was accepted than sanctioned in TS estimate.
Total			139.66	

Annexure-J

Ref to Para 5.4.7.1

Award without advertisement in newspapers with nation-wide circulation

Para No.	Division	Number of Schemes	Amount (Rs in million)
3 (SAR)	CCD-IX, Karachi	09	50.00
3 (SAR) & DP 338	CCD, Hyderabad	30	209.50
8 (SAR)	CCD, Sukkur	02	7.50
10 (SAR)	E/M-I, Karachi	04	532.49
11 (SAR)	CCD, Bahawalpur	289	397.34
3 (SAR) & DP 65	CCD-I, Karachi	12	100.00
14 (SAR)	CCD-I, Karachi	17	175.20
3 (SAR) & DP 335	Store & Workshop, Karachi	2	2.96
9 (SAR)	CCD, Larkana	110	50.00
5 (SAR)	C E/M-II, Karachi	3	4.46
17 (SAR)	CCD Muzaffargarh	122	321.81
1 & 3 (SAR)	Store & Workshop, Islamabad	54	115.55
DP 53	CCD-VI, Karachi	29	273.14
DP33	C.E North Islamabad	45	2132.27
DP 219	CCD-IV, Islamabad	01	24.93
DP 307	PCD-I Karachi	199	1,225.32
Total		928	5,622.47

Annexure-K
Ref to Para 5.4.8

Unauthorized execution of development schemes

Zone/ Province	No of Directives	No. of schemes approved	Schemes fully implemented	Schemes in progress	Funds Released	Funds utilized	Unspent balance
Khyber Pakhtunkhwa	63	701	483	67	2,090.18	1,657.89	432.29
Punjab (North)	72	270	65	135	3,670.15	1,854.58	1,815.57
Punjab (Central)	198	4,037	2,509	922	7,920.59	6,304.53	1,616.06
Punjab (South)	94	1,176	638	379	5,467.54	4,177.20	1,290.34
Sindh	25	276	138	135	1,850.70	1,544.28	306.42
Balochistan	1	5	0	0	100.00	100.00	0
Total	453	6,465	3,833	1,638	21,099.16	15,638.48	5,460.68

Annexure-L
Ref to Para 5.4.9

Invitation of tenders prior to accord of technical sanctions by competent authority

S. No.	Para No.	Name of Division	Amount (Rs in million)
1	3 (SAR) & DP 257	CCD, Muzaffargarh	3,951.24
2	06 (SAR) & DP 407	CCD, Bahawalpur	3,726.87
3	5 (SAR) & DP 398	CCD-VIII, Islamabad	2,113.94
4	24 (SAR)	CCD, Sialkot	1,703.89
5	10 (SAR)	CCD, Multan	1,491.78
6	02 (SAR) & DP 310	PCD-I, Karachi	1,312.63
7	DP 155	PCD-IV, Islamabad	545.59
8	15 (SAR)	CCD-I, Lahore	1,093.22
9	18 (SAR)	CCD, Gujranwala	930.02
10	13 (SAR) & DP 354	CCD, Sargodha	887.88
11	DP 322	CCD-IX, Karachi	807.85
12	10 (SAR) & DP 67	CCD-V, Karachi.	765.25
13	13 (SAR)	PCD, Sahiwal	733.52
14	02 (SAR) & DP 51	CCD-VI, Karachi	616.33

S. No.	Para No.	Name of Division	Amount (Rs in million)
15	7 (SAR)	CCD-II, Lahore	521.37
16	DP 117	CCD, Larkana	107.40
17	9 (SAR)	CCD, Faisalabad	100.00
18	12 (SAR)	CCD, Jhang	94.52
19	DP 337	CCD, Hyderabad	81.37
20	DP 328,330	Store & Workshop Division, Karachi	54.66
21	4 (SAR)	CCD, Jhang	27.55
22	DP 150	CCD, Jhang	20.50
23	DP 27 & 28	CCD (old) Quetta	18.91
24	5 (SAR)	CCD, Jhang	17.15
25	3 (SAR)	CCD, Jhang	14.12
26	DP 146	CCD, Mirpurkhas	9.30
27	DP 227	Electrical & Mechanical-I, Quetta	5.00
Total			21,751.86

Annexure-M

Ref to Para 5.4.10

Unauthorized expenditure without acceptance of contract agreements

S. No.	Para No.	Division	Amount (Rs in million)
1	17 (SAR)	CCD PPWD Multan	1,483.64
2	42 (SAR)	CCD-VIII Islamabad	1,103.03
3	14 (SAR) & DP 268	CCD Muzaffargarh	958.50
4	07 (SAR)	CCD PPWD Sialkot	853.81
5	17 (SAR)	CCD Gujranwala	753.57
6	DP 161	CCD-II Islamabad	705.18
7	DP 393	CCD-VIII Islamabad	641.55
8	07 (SAR)	CCD PPWD Faisalabad	590.75
9	01 (SAR)	PCD-I PPWD Karachi	455.04
10	DP 43	PCD PPWD Batkhela	451.41
11	04 (SAR)	CCD Bahawalpur	299.52
12	10 (SAR)	CCD PPWD Sargodha	274.84

S. No.	Para No.	Division	Amount (Rs in million)
13	02 (SAR)	CCD PPWD Jhang	254.95
14	12 (SAR)	CCD Bahawalpur	203.07
15	08 (SAR)	CCD-IV Islamabad	189.17
16	01,02,17 (SAR) & DP 112	CCD PPWD Larkana	137.40
17	DP 370	CCD PPWD D.I. Khan	68.75
18	12 (SAR)	CCD-VI PPWD Karachi	60.09
19	08 (SAR)	CCD PPWD Bannu	58.67
20	DP 222	Central E/M-I PPWD Quetta	15.72
21	02 (SAR)	CCD PPWD Faisalabad	14.40
22	04(SAR)	CCD-III Peshawar	10.78
23	DP 96	CCD-I PPWD Lahore	10.00
24	01 (SAR) & DP 336	CCD PPWD Hyderabad	15.45
25	DP 199	CCD PPWD Sukkur	7.15
26	05 (SAR)	CCD-I PPWD Karachi	5.49
27	DP 198	CCD-II PPWD Lahore	3.62
Total			9,625.55

Annexure-N

Ref to Para 5.4.11

Non-obtaining of performance security/Non-insurance of works/equipment

A. Non-obtaining of Insurance				
S. No.	Para No.	Division	No. of works	Amount (Rs in million)
1	2 (SAR)	CCD-VIII Islamabad	27	1,636.19
2	9 (SAR) & DP 217	CCD-IV PPWD Islamabad	32	1,194.50
3	6 (SAR)	CCD-I PPWD Karachi	49	538.85
4	25 (SAR) & DP 137	CCD PPWD Sialkot	05	595.38
5	9 (SAR) & DP 85	PCD-II PPWD Islamabad	56	302.06
6	2 (SAR)	CCD-III Peshawar	17	150.00
7	6 (SAR) & DP 69	CCD-V, PPWD Karachi	19	449.71
8	2 (SAR)	CCD-I PPWD Karachi	12	94.55
9	7 (SAR)	CCD-VI, PPWD Karachi	07	61.10
10	4 (SAR) & DP 341	CCD PPWD Hyderabad	01	41.25
11	6 (SAR)	CCD PPWD Gujranwala	01	32.89
12	3 (SAR)	PCD-I PPWD Karachi	02	29.35
13	10 (SAR)	E/M-I PPWD Karachi	01	22.82
14	8 (SAR) & DP 116	CCD PPWD Larkana	02	22.12
15	DP 01	PCD PPWD Batkhela	03	69.08
16	DP 323	CCD-IX PPWD Karachi	01	367.26
17	DP 287	Store & Workshop Division PPWD Islamabad	01	7.09
18	DP 249	CCD PPWD Faisalabad	01	81.19
19	DP 420	CCD PPWD Bannu	02	1.50
Total			239	5,696.89
B. Non-Obtaining of performance security				
1	6 (SAR)	CCD-II Lahore	10	14.94
2	14 (SAR)	CCD-I PPWD Lahore	08	14.86
3	17 (SAR)	CCD PPWD Bahawalpur	11	12.60
4	2 (SAR)	CCD-IX PPWD Karachi	06	11.79
5	11 (SAR)	CCD PPWD Sargodha	03	7.47

6	9 (SAR)	CCD-VI PPWD Karachi	07	6.11
7	4 (SAR)	CCD-I PPWD Karachi	08	5.68
8	5 (SAR)	CCD PPWD Gujranwala	01	2.86
9	8 (SAR)	CCD PPWD Jhang	01	2.80
10	4 (SAR)	CCD PPWD Larkana	01	1.92
11	DP 13 & 21	CCD-V PPWD Islamabad	02	40.29
12	DP 02&40	PCD PPWD Batkhela	05	19.67
13	DP 215	CCD-IV PPWD Islamabad	01	28.67
14	DP 323	CCD-IX PPWD Karachi	01	36.73
15	DP 296	CCD-II PPWD Peshawar	01	95.08
16	DP 420	CCD PPWD Bannu	02	5.34
17	DP 76	CCD-III PPWD Islamabad	01	18.07
18	DP 138	CCD PPWD Sialkot	01	1.88
Total			70	326.76

Annexure-O
Ref to Para 5.4.12

(i) Fund granted to MPAs

S. No.	Para No.	Name of Division	Nos. of MPA	Amount (Rs in million)
1.	2 (SAR) & DP 259	CCD-Muzaffargarh	10	816.65
2.	5 (SAR)	CCD-Bahawalpur	15	239.71
3.	1 (SAR)	PCD-Sahawal	5	72.90
4.	7 (SAR)	PCD-Batkhela	8	220.00
5.	2 (SAR)	CCD-Abbottabad	2	30.00
6.	1 (SAR)	PCD-Nowshera	3	19.93
7.	1 (SAR)	CCD-Sialkot	11	920.44
8.	7 (SAR)	CCD-Sargodha	3	41.97
9.	1 (SAR)	CCD-Sargodha	10	263.00
10	DP 57	CCD-VI Karachi	01	9.82
11	DP 66	CCD-V Karachi	02	34.96
Total (i)			70	2,669.38

(ii) Fund granted to Notables

S. No.	Para No.	Name of Division	Nos. of Notables	Amount (Rs in million)
1.	1 (SAR) & DP 259	CCD-Muzaffargarh	4	193.40
2.	8 (SAR)	CCD-Bahawalpur	2	59.64

3.	2 (SAR)	PCD-Sahawal	9	54.45
4.	2 (SAR)	PCD-Nowshera	1	1.45
5.	3 (SAR)	CCD-Sialkot	3	71.28
6.	10 (SAR)	CCD-Jhang	2	16.98
7.	3 (SAR)	CCD-Multan	3	258.56
8.	2 (SAR)	CCD-Gujranwala	9	98.78
9.	1 (SAR)	CCD-Gujranwala	11	233.77
10.	6 (SAR)	CCD-Sargodha	1	121.08
Total (ii)			45	1,109.39
Grand Total (i & ii)				3,778.77

Annexure-P

Ref to Para 5.4.14

Irregular invitation of tenders and allocation of funds without Admin Approvals

S. No.	Para No.	Name of Division	No. of schemes	Amount (Rs in million)
1	07 (SAR) & DP 408	CCD Bahawalpur.	1,326	3,726.87
2	15 (SAR)	PCD-I Karachi.	51	600.0
3	09 (SAR)	PCD Sahawal.	346	531.35
4	04 (SAR)	CCD-I Lahore.	54	253.13
5	13 (SAR)	CCD-II Lahore.	45	160.00
6	11 (SAR)	CCD Jhang.	27	130.00
7	DP 133	CCD PPED Sialkot	5	31.35
8	01 (SAR)	CCD Jhang.	8	23.00
9	DP 329	Store & Workshop PPWD Karachi	1	5.77
10	05 (SAR)	CCD Sukkur.	1	3.50
11	02 (SAR)	CCD Sukkur	1	1.95
12	06 (SAR)	CEM-II Karachi.	1	1.21
Total			1,866	5,468.13

Annexure-Q

Ref to Para 5.4.15

Irregular release/transfer of funds in violation of ECP directions

S. No.	Para No.	Name of Division	Amount Released (Rs in million)	Date of release/transfer	Remarks
1.	22 (SAR)	CCD Gujranwala	252.58	22.01.2013 to 30.04.2013	A sum of Rs 40.198 was expended.
2.	4 (SAR)	CCD Sialkot	373.80	22.01.2013 to 30.04.2013	A sum of Rs 148.189 was expended.
3.	9 (SAR)	CCD-I, Lahore	135.00	15.03.2013 & 29.03.2013	-
4.	3 (SAR)	CCD-II, Lahore	90.00	15.03.2013 & 28.03.2013	-
5.	22 (SAR)	CCD, Faisalabad	324.96	15.03.2013 to 28.03.2013	-
Total			1,176.34		

Annexure-R

Ref to Para 5.4.16

Misuse of authority/change of operational jurisdiction

S. No.	Para No.	Name of Division	Amount Released (Rs in million)	Remarks
1.	05 & 9 (SAR)	CCD, Sialkot	310.00	-Schemes of Mandi Bahauddin under CCD, Sargodha were transferred to CCD, Sialkot on the desire of individual (Rs 290 million). -Funds amounting to Rs 20 million pertaining to NA-

S. No.	Para No.	Name of Division	Amount Released (Rs in million)	Remarks
				79(CCD Gujranwala) were transferred to NA-114.
2.	03 (SAR)	PCD, Sahiwal	193.84	Works of CCD Sahiwal Division were transferred to CCD-I Lahore without cogent reason on 22.01.2013.
3.	14 (SAR)	CCD, Jhang	70.00	-A sum of Rs 50 million transferred by DBA on 03.12.2012 to CCD Faisalabad. -A sum of Rs 20 million transferred by DBA on 24.12.2012 to FESCO.
Total			573.84	

Annexure-S

Ref to Para 5.4.17

Unauthorized transfer of funds and release- violation of PLA

1	2	3				7	8	9
		Amount withheld from PLA-I & transferred to PLA-IV						
PDP. No/ SAR	Name of Division	2009-10	2010-11	2011-12	2012-13	Released withheld amount from PLA-IV	Balance	Retention of PWP-II Funds in PLA-III
DP 372 & SAR	CCD-Multan	34.39	199.83	621.63	8.88	864.73	0	0
DP 03 & SAR	CCD-Batkheela	0	0	20.00	28.22	48.22	0	0
DP 77	PCD-III I/abd	0.28	3.96	6.35	0	10.59	0	0
DP 241	CCD-	14.47	22.75	192.33	0.19	225.74	4.00	0

& SAR DP 263	F/abad CCD- M/ghar	0	164.65	223.80	39.03	301.33	126.15	0
& SAR DP 210	CCD-IV I/abad	0	5.81	37.94	0	43.75	0	0
& SAR DP 325	CCD-9 Karachi	0	1.90	6.10	10.98	18.98	0	0
& SAR DP158	PCD-IV I/abad	0	0.83	14.72	0	15.55	0	0
DP169 & 178 DP 70	CCD-II I/abad CCD-V Karachi	0 0	0 1.16	36.71 1.15	0 5.78	36.71 8.09	0 0	0 0
DP 134 DP 308	Sialkot PCD-I Karachi	11.04 0	28.49 2.31	4.90 26.18	0 6.00	44.43 34.49	0 0	0 0
DP 413	CCD- B/pur	0	93.09	0	0	0	93.09	17.75
DP 34	E/M-I LHR	0	0	0	0	0	0	22.18
DP 59	CCD-I Karachi	0	0	0	0	0	0	4.83
DP 80	PCD-III I/abad	0	0	0	0	0	0	60.43
DP 140	CCD- SLKT	0	0	0	0	0	0	390.61
DP 209	CCD-IV I/abad	0	0	0	0	0	0	16.65
DP 288	S&W I/abad	0	0	0	0	0	0	34.75
DP 303	CCD-I Quetta	0	0	0	0	0	0	31.84
DP 121	PCD Sahiwal	0	0	13.22	0	0	13.22	0
DP 277 & SAR	CCD- G/wala	0	0	0	15.57	15.57	0	0
SAR	PCD-II ISD	0	0	31.45	12.94	31.45	12.94	0
SAR	Jhang CCD-I	0 0	0 0	0 0	2.84 2.50	0 0	2.84 2.50	7.40 0
SAR	LHR CCD- Bannu	0	0	22.84	2.85	22.84	2.85	0
SAR	CCD- L/kana	0	0	0	2.03	0	2.03	0
SAR	CCD- S/godha	0	0	0	0.38	0	0.38	0
SAR	CCD- S/godha	0	0	44.79	0	36.75	8.04	0
SAR	CCD- D.I.Khan	0	0	36.52	0	36.52	0	0
SAR	CCD-II LHR	0	0	12.27	0	12.27	0	0
SAR	CCD MP/ Khas	0	0	0	0	32.32	0	0
Total		60.18	524.78	1,352.90	138.19	1,840.33	268.04	586.44

Annexure-T

Ref to Para 5.4.19

Statement showing unauthorized excess/deviations from the approved scope of works by different Divisions of Pak. PWD

S. No.	Para No.	Division	Amount (Rs in million)
1.	05,06 (SAR)	CCD-III Peshawar	2.58
2.	06,15,16,17,20,22 (SAR)	CCD Sialkot	31.89
3.	09 (SAR)	PCD-I Karachi	19.71
4.	04,08,09,13,14,24 (SAR)	CCD Gujranwala	13.13
5.	17 (SAR)	CCD-I Lahore	6.47
6.	09,11 (SAR)	CCD D.I. Khan	7.77
7.	05 (SAR)	PCD-III Islamabad	1.52
8.	8,12,16,18,19,20,22,25 (SAR)	CCD Sargodha	40.55
9.	04,05,09 (SAR)	CCD-II Lahore	12.19
10.	04,07 (SAR)	CCD-II Peshawar	3.27
11.	8,17 (SAR)	CCD-I Lahore	16.28
12.	04 (SAR)	CCD-I Peshawar	0.39
13.	08,09(SAR)	PCD Nowshera	3.73
14.	03,06,08,11,18 (SAR)	CCD Faisalabad	13.37
15.	03 (SAR)	E/M-I Karachi	0.68
16.	22 (SAR)	CCD Multan	0.33
17.	08 (SAR)	CCD-IX Karachi	23.54
18.	05,07,10 (SAR)	CCD Bannu	5.43
19.	07 (SAR)	CCD-III Peshawar	2.07
20.	06 (SAR)	CCD Sukkur	4.77
21.	05 (SAR)	CCD-V, Karachi	0.55
22.	08,09,12,15,16,18,19,20, 21,22,25,26,27,28,29,32, 35, 39 (SAR)	CCD-VIII, Islamabad	92.37
23.	20 (SAR)	CCD Multan	1.27
24.	6 (SAR)	CCD Faisalabad	5.98
25.	19 (SAR)	CCD-I, Lahore	1.28
26.	4 (SAR)	CCD-II, Lahore	1.70
27.	DP 247	CCD Faisalabad	6.51
28.	DP 225	CE&M-I Quetta	1.27
29.	DP 142 & 132	CCD Sialkot	29.50

S. No.	Para No.	Division	Amount (Rs in million)
30.	DP108,104,99,97, 101	CCD-I Lahore	17.53
31.	DP 149	CCD Jhang	3.14
32.	DP 78	PCD-III Islamabad	1.87
33.	DP 317 & 318	CCD-IX Karachi	14.06
34.	DP 414 & 415	CCD- Bannu	5.10
35.	DP 357	CCD Sargodha	5.40
36.	DP 251	CCD Abbotabad	0.97
37.	DP 347	CCD-III Peshawar	9.79
38.	DP 41, 06 & 42	PCD Batkhela	43.20
39.	DP 212 & 218	CCD-IV Islamabad	11.52
40.	DP 204	CCD Sukkur	2.08
41.	DP 406 & 401	CCD- Bahawalpur	12.36
42.	DP 278	CCD Gujranwala	1.97
43.	DP 311 & 309	PCD-I Karachi	5.88
44.	DP 382 & 378	CCD- Multan	14.79
45.	DP 177	CCD-II Islamabad	1.69
46.	DP 193 & 187	CCD-II Lahore	18.65
47.	DP 188	CCD-II Lahore	10.84
48.	DP 159	PCD-IV Islamabad	2.33
49.	DP 71	CCD-V Karachi	7.14
50.	DP 36	CE&M-I Lahore	1.08
51.	DP 299	CCD-II Peshawar	8.08
Total "A"			549.57

Extra/ Substituted items

S. No.	Para No.	Division	Amount (Rs in million)
1.	18 (SAR) & DP 131	CCD Sialkot	1.57
2.	19 (SAR)	CCD Gujranwala	3.50
3.	20 (SAR)	CCD Gujranwala	2.88
4.	11 (SAR)	PCD-I Karachi	14.34
5.	3 (SAR)	CCD Larkana	2.67
6.	05 (SAR)	CCD-II Peshawar	0.64

7.	31, 33 (SAR)	CCD-VIII, Islamabad	111.07
8.	09 (SAR)	CCD-I, Karachi	3.24
9.	07 (SAR)	CCD-V, Karachi	2.59
10.	10 (SAR)	CCD-VI, Karachi	12.47
11	DP 269	CCD Muzaffargarh	3.21
12	DP 37	CE&M-I Lahore	21.50
13	DP 73	CCD-V Karachi	1.35
14	DP 316	CCD-IX Karachi	12.28
15	DP 417	CCD- Bannu	1.50
16	DP 359	CCD Sargodha	18.15
17	DP 18	CCD-V Islamabad	31.50
18	DP 220	CCD-IV Islamabad	21.32
19	DP 388	CCD-VIII Islamabad	4.72
Total "B"			270.50
Grand Total (A & B)			820.07

Annexure-U

Ref to Para 5.4.19

Unauthorized expenditure beyond the provision of Administrative Approval/PC-I

S. No.	Para No.	Division	Amount (Rs in million)
1.	14, 18 (SAR)	CCD-IV, Islamabad	6.78
2.	07 (SAR)	CCD, Jhang	2.15
3.	07 (SAR)	CCD-I, Peshawar	9.41
4.	04, 05, 06, 07, 10 (SAR)	PCD, Nowshera	12.78
5.	10, 21 (SAR)	CCD, Gujranwala	12.87
6.	03, 04 (SAR)	PCD, Batkhela	36.33
7	DP 72	CCD-V Karachi	2.26
8.	DP 304	CCD-I Quetta	1.12
9.	DP 29	CCD (Old) Quetta	8.47
Total			92.17

Annexure-V

Ref to Para 5.4.22

Unauthorized/Non-mandated expenditure under the cover of works contingencies

S. No.	Para No.	Name of Division	Amount (Rs in million)	Remarks
1	12 (SAR)	CCD-I, Lahore	54.65	Purchase of computer & Misc charges 2% O/M charges were also consumed
2	26 (SAR)	CCD-Gujranwala	20.94	2% O/M charges were also utilized on Misc items of work.
3	05 (SAR)	CCD-Sargodha	2.74	POL, R/M of vehicles & Misc charges photocopies
4	11 (SAR)	CCD-VIII, Islamabad	2.48	Purchase of computer & Printers & Misc expenses
5	16 (SAR)	CCD-Gujranwala	2.41	Pay of work charged staff, utility bills and POL charges of Minister's vehicles
6	02 (SAR)	CCD-Multan	2.07	POL, R/M & utility bills
7	05 (SAR)	CCD-Multan	1.79	Work charges Pay & allowance
8	08 (SAR)	PCD-Sahiwal	1.74	POL charges & Misc expenses photocopies and stationery
9	14 (SAR)	CCD-II, Lahore	1.59	POL
10	18 (SAR)	CCD-Jhang	1.53	POL charges & Misc expenses photocopies and stationery
11	08 (SAR)	CCD-Multan	1.51	POL & R/M of vehicles
12	12 (SAR)	CCD-Faisalabad	1.42	POL, R/M of vehicles & utility bills
13	16 (SAR)	CCD-Jhang	1.20	POL and daily wages staff expenses
14	16 (SAR)	CCD-I, Lahore	1.05	POL
15	07 (SAR)	CCD-IV, Islamabad	1.05	POL charges & Misc expenses photocopies and stationery
16	15 (SAR)	CCD-Sargodha	1.02	Eid-milan party
17	11 (SAR)	CCD-Muzaffargarh	0.94	POL, R/M vehicles
18	05 (SAR)	CCD-Hyderabad	0.90	Misc charges, utility bills, Courier charges

S. No.	Para No.	Name of Division	Amount (Rs in million)	Remarks
19	06 (SAR)	PCD-II, Islamabad	0.83	POL charges & Misc expenses photocopies and stationery
20	23 (SAR)	CCD-Sialkot	0.82	Pay of work charge staff, utility bills and courier charges etc.
21	06 (SAR)	CCD-Larkana	0.51	Utility bills
22	24 (SAR)	CCD-Sargodha	0.11	Pay of work charge staff
22	21 (SAR)	CCD-Sargodha	0.73	Rent of office building
23	DP 125	PCD-Sahiwal	1.89	POL charges & Misc expenses photocopies and stationery
24	DP 25	CCD (Old) Quetta	0.66	POL charges & Misc expenses photocopies and stationery
25	DP 196	CCD-II Lahore	4.87	POL, Repair/Maintenance of Vehicles, Purchase of Computer/Laptop etc....
26	DP 319	CCD-IX Karachi	187.26	Pay & allowances of work charge staff
Total			298.71	

Annexure-W

Ref to Para 5.4.24

Overpayment due to allowing higher rates, less deduction of shrinkage and non-utilization of available earth

S. No.	Para No.	No. of Works	Division	Particulars of overpayment	Amount (Rs in million)
1.	07, 08, 09, 12, 14, 15, 16, 17, 18, 19, 20, 22, 23, 25, 27, 28, 30, 32, 37, 38 (SAR)	20	CCD-VIII, Islamabad	Less deduction of voids from the item of earth work	207.79
2.	35 (SAR)	01	CCD-VIII, Islamabad	Higher rates were paid for item of earth work	6.85

S. No.	Para No.	No. of Works	Division	Particulars of overpayment	Amount (Rs in million)
3.	29 (SAR)	01	CCD-VIII, Islamabad	Available earth was not utilized	0.86
4.	13 (SAR)	01	PCD-I, Karachi	Available earth was not utilized	0.38
5.	29 (SAR)	01	CCD-VIII, Islamabad	Cost of labour for sorting and stacking was not deducted from the item of cutting of soft rock	0.72
6.	15 (SAR)	01	CCD-IV Islamabad	Cost of labour for sorting and stacking was not deducted from the item of cutting of soft rock	3.65
7.	12 (SAR)	01	PCD-II Islamabad	Cost of labour for sorting and stacking was not deducted from the item of cutting of soft rock	0.28
8.	03, 09 (SAR)	06	CCD-I Peshawar	Cost of labour for sorting and stacking was not deducted from the item of cutting of soft rock	3.52
9.	11 (SAR)	01	CCD, Larkana	Murum was used on machine crushed stone in violation of specification	1.65
10.	04 (SAR)	04	PCD-II, Islamabad	Murum was used on machine crushed stone in violation of specification	0.38
11.	01 (SAR)	15	CCD, Bahawalpur	Murum was used on machine crushed stone in violation of specification	1.37
12.	12 (SAR)	01	CCD, Sialkot	Murum was used on machine crushed stone in violation of specification	0.26
13.	15 (SAR)	46	PCD, Sahiwal	Murum was used on machine crushed	2.01

S. No.	Para No.	No. of Works	Division	Particulars of overpayment	Amount (Rs in million)
				stone in violation of specification	
14	08, 10 (SAR)	31	PCD Batkhela	Voids and stacking charges were not deducted from excavation of rock.	21.43
15	4 (SAR)	1	CCD-II, Lahore	Item surface dressing was paid in the work without execution and at higher rates	1.70
16	7 (SAR)	1	E&M-I Division, Karachi	Higher market rates were paid instead of scheduled item rates.	1.58
17	DP 389	1	CCD-VIII Islamabad	Available earth was not utilized	5.86
18	DP 391	47	CCD-VIII Islamabad	Non-deduction of voids from the item of earth work	6.58
19	DP 394	1	CCD-VIII Islamabad	Non-deduction of voids from the item of earth work	2.34
20	DP 404	1	CCD Bahawalpur	Murum was used on machine crushed stone in violation of specification	5.08
21	DP 412	23	CCD Bahawalpur	Murum was used on machine crushed stone in violation of specification	2.34
22	DP 386	1	CCD-VIII Islamabad	Higher for the extra item without detail nomenclature and rate analysis	14.05
23	DP 358	1	CCD Sargodha	Available earth was not utilized	1.27
24	DP 119	1	PCD Sahiwal	Higher market rates were paid instead of scheduled item rates	8.03
25	DP 400	1	PCD-IV Islamabad	Application of higher rates of steel	132.10
26	DP 08	10	PCD Batkhela	Cost of labour for	10.41

S. No.	Para No.	No. of Works	Division	Particulars of overpayment	Amount (Rs in million)
				sorting and stacking was not deducted from the item of cutting of soft rock	
27	DP 09	1	PCD Batkhela	Cost of labour for sorting and stacking was not deducted from the item of cutting of soft rock	7.70
28	DP 46	1	PCD Batkhela	Cost of labour for sorting and stacking was not deducted from the item of cutting of soft rock	17.57
29	DP 141	4	CCD Sialkot	Non-deduction of Shrinkage	2.98
30	DP 366	1	CCD Nowshera	Non-deduction of Voids	0.86
31	DP 244	1	CCD Faisalabad	Non-deduction of Crust	9.59
32	DP 246	1	CCD Faisalabad	Non-deduction of existing road	5.18
33	DP 172	1	CCD-II Islamabad	Non-utilization of Stone Blast available at site	2.26
34	DP 87	1	CCD- II Islamabad	Cost of labour for sorting and stacking was not deducted from the item of cutting of soft rock	0.54
		230	16 Divisions		489.17

Loss/Overpayment due to award of work at higher rates

Sr. No	PDP No.	Name of Formation	Amount in million	Remarks
Punjab Region				
1	130	CCD Pak. PWD Sialkot	333.88	Rates accepted on the basis of Pak. PWD CSR-2012 were higher than prevailing market rates.
2	260	CCD Pak. PWD M.Garh	78.79	Rates accepted on the basis of Pak. PWD CSR-2012 were higher than MRS Govt. of Punjab.
3	248	CCD Pak. PWD Faisalabad	21.19	Rates accepted on the basis of Pak. PWD CSR-2012 were higher than MRS Govt. of Punjab.
4	356	CCD Pak. PWD Sargodha	14.00	Rates accepted on the basis of Pak. PWD CSR-2012 were higher than MRS Govt. of Punjab.
5	31	D.G office/Chief Engineer office Pak. PWD Islamabad	13.01	Rates accepted on the basis of Pak. PWD CSR-2012 were higher than MRS Govt. of Punjab.
6	82	PCD-II Pak. PWD Islamabad	5.06	Rates accepted on the basis of Pak. PWD CSR-2012 were higher than MRS Govt. of Punjab.
7	107	CCD-I Pak. PWD Lahore (5 Cases)	21.54	Rates accepted on the basis of Pak. PWD CSR-2012 were higher than MRS Govt. of Punjab.
8	98	CCD-I Pak. PWD Lahore	2.75	Rates accepted on the basis of Pak. PWD CSR-2004+3993% were higher than Pak. PWD CSR-2012.
9	373	CDD Pak. PWD Multan	18.27	Rates accepted on the basis of Pak. PWD CSR-2012 were higher than MRS Govt. of Punjab.
10	236	CCD Pak. PWD Faisalabad	489.86	35% on account of over heads and 10% contractor profit was included in the bid rates of NHA CSR-2009 whereas rates are already includes 15% overhead and 10% contractor profit.
11	405	CCD Pak. PWD Bahawalpur	7.10	Rates accepted on the basis of Pak. PWD CSR-2012 were higher than MRS Govt. of Punjab.

Sr. No	PDP No.	Name of Formation	Amount in million	Remarks
Sindh Region				
12	340	CCD Pak PWD Hyderabad (4 Cases)	5.54	Rates accepted on the basis of Pak PWD CSR-2012 were higher than MRS Govt. of Sindh.
13	61	KCD-I Pak. PWD Karachi	0.56	Rates accepted on the basis of Pak. PWD CSR-2012 were higher than rates Sindh CSR-2012.
14	50	CCD-IV Pak. PWD Karachi	2.03	Rates accepted on the basis of Pak. PWD CSR 2012-20% below was higher than CSR Pak. PWD 2004+Premium.
KPK Region				
18	416	CCD Pak. PWD Bannu	0.95	Rates were accepted on the basis of Pak. PWD CSR-2012 and premium was also allowed.
19	253	CCD Pak. PWD Abbottabad	8.41	Rates accepted on the basis of KPK MSR-2009 were higher than Pak. PWD SR-2004+ Premium and length was also increase from PC-I.
Balochistan Region				
20	300	CCD-I Pak. PWD Quetta	14.29	Rates accepted in 2009 on Pak. PWD CSR-2004+124% & 132% premium were higher than that of Pak. PWD CSR-2012.
		Total	1,037.23	

Lack of supervisory control and monitoring

S. No.	Name of Division	No. of schemes
1.	CCD, Faisalabad	1,071
2.	CCD Bahawalpur	464
3.	PCD Sahiwal	645
4.	CCD, Multan	458
5.	CCD, Muzaffargarh	180
6.	CCD-IV, Islamabad	33
7.	CCD-V, Islamabad	5
8.	PCD-II, Islamabad	55
9.	PCD-III, Islamabad	9
10.	CCD-VIII, Islamabad	33
11.	Store & Workshop Div, Islamabad	33
12.	CCD-I, Lahore	325
13.	CCD-II, Lahore	150
14.	CCD-III, Peshawar	17
15.	CCD, D.I.Khan	15
16.	CCD Jhang	182
17.	CCD Sargodha	213
18.	CCD Sialkot	635
19.	CCD Gujranwala	500
20.	PCD Nowshera	176
21.	PCD Batkhela	19
22.	PCD-I, Karachi	49
23.	CCD-I, Karachi	12
24.	CCD-V, Karachi	21
25.	CCD-VI, Karachi	26
26.	C E&M-II Division, Karachi	3
27.	CCD Hyderabad	30
28.	CCD Sukkur	2
29.	CCD Larkana	110
Total		5,471

Annexure-Z

Ref to Para 5.4.41

Unauthorized/unjustified execution of work without contour Plans and test checks

S. No.	Para No.	No. of Works	Division	Amount (Rs in million)
1.	07, 08, 09, 12, 14, 15, 16, 17, 18, 19, 20, 22, 23, 25, 26, 27, 28, 29, 30, 32, 35, 37, 38 (SAR)	38	CCD-VIII, Islamabad	113.86
2.	24 (SAR)	04	CCD-VIII, Islamabad	13.45
3.	16 (SAR)	21	CCD-IV, Islamabad	23.64
4.	08 (SAR)	01	CCD, Batkhela	10.10
5.	08 (SAR)	01	CCD, Sargodha	8.30
6	DP 24	06	CCD Old Quetta	82.20
7	DP 221	08	C E & M-I Quetta	13.72
8	DP 339	07	CCD Hyderabad	56.50
10	DP 324	11	CCD-IX Karachi	63.71
11	DP 312	01	PCD-I Karachi	9.72
12	DP 113	09	CCD Larkana	14.48
13	DP 115	07	CCD Larkana	3.84
14	DP 144	13	CCD Mirpurkhas	24.74
15	DP 126	11	PCD Sahiwal	17.51
16	DP 387	13	CCD-VIII Islamabad	21.69
Total		151		477.46

Annexure-AA

Ref. to Para 6.4.5

Detail of illegal benefit of appointments/promotions in violation of sanctioned strength and promotion criteria/rules

Name	Initial Year	Appointment Designation	Promotion Year	Promotion Designation	Status of availability of post	Mode of Promotion
Syed Kazim Abbas	1992	Assistant	2004	Assistant Director	Without availability	Through executive order without DPC.
	-	-	2012	Deputy Director	-	-do-
S. Ahmed Ali	1992	Assistant	-	Assistant Director	Without availability	-do-
Muhammad Ali Awan	1992	Assistant	-	Assistant Director	Without availability	-do-
Rana Muhammad Munir	1991	Sub-Engineer B-11	2004	Assistant Director	Without availability	-do-
	-	-	2012	Deputy Director	Without availability	-do-
Muhammad Jamil Khan (Diploma)	1990	Sub-Engineer B-11	2004	Assistant Director	Without availability	-do-
	-	-	2012	Deputy Director	Without availability	-do-
Mrs Rizwana Sohail (Matric)	1990	LDC	2013	Assistant Director	Without availability	-do-
Malik Zafar Abbas (BA LLB)	1991	Assistant	1991	Law Officer B-17	Available	-do-
	-	-	2002	Law Officer B-18	Available upgraded	-do-
	-	-	2008	Director B-19	Without availability	-do-