



**SPECIAL AUDIT REPORT
ON
THE ACCOUNTS OF
FDA CITY HOUSING SCHEME,
FAISALABAD**

**HUD & PHE DEPARTMENT
GOVERNMENT OF THE PUNJAB**

AUDIT YEAR 2014-15 and 2015-16

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor-General conducts audit under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with section 8 of the Auditor-General's (Functions, Powers, Terms and Conditions of Service) Ordinance 2001. The Special Audit of the project "FDA City Housing Scheme Faisalabad" was carried out accordingly.

The Directorate General of Audit Works (Provincial), Lahore conducted the Special Audit of the project "FDA City Housing Scheme Faisalabad" during 2014-15 and 2015-16 for the period 2004-05 to 2013-14 with a view to reporting significant findings to the stakeholders. Audit examined the economy, efficiency and effectiveness aspects of the project. In addition, Audit also assessed on test check basis, whether the management complied with applicable law, rules, and regulations in managing the project. The Audit Report indicates specific actions that, if taken, will help the management to realize the objectives of the project.

All the observations included in this report have been finalized in the light of written responses and discussion in SDAC meetings held in November, 2015 and April, 2016.

The report is submitted to the Governor of the Punjab, in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before the Provincial Assembly.

Dated: 24-11-2016

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(Rana Assad Amin)
Auditor General of Pakistan

TABLE OF CONTENTS

EXECUTIVE SUMMARY

SECTIONS	Page No.
1. INTRODUCTION	1
2. AUDIT OBJECTIVES	3
3. AUDIT SCOPE AND METHODOLOGY	3
4. AUDIT FINDINGS & RECOMMENDATIONS	4
4.1 Organization and Management	4
4.2 Financial Management	7
4.3 Procurement and Contract Management	20
4.4 Construction and Works	28
4.5 Asset Management	34
4.6 Monitoring and Evaluation	36
4.7 Environment	37
4.8 Sustainability	37
4.9 Overall Assessment	37
5. CONCLUSION	38
ACKNOWLEDGEMENT	40
Annexure – A & B	41 to 43

ABBREVIATIONS & ACRONYMS

AA	Administrative Approval
ADP	Annual Development Programme
B&R	Buildings and Roads
C.E	Chief Engineer
Cft	Cubic Feet
CVT	Capital Value Tax
DFR	Departmental Financial Rules
DNIT	Draft Notice Inviting Tender
EIA	Environmental Impact Analysis
EM	Estate Management
FDA	Faisalabad Development Authority
FD	Finance Department
JMF	Job Mix Formula
KM	Kilometer
MB	Measurement Book
M&R	Maintenance & Repair
MRS	Market Rates System
NESPAK	National Engineering Service (Pvt) Pakistan
PC-I	Planning Commission Proforma-I
P/L	Providing / Laying
PDWP	Provincial Development Working Party
PFR	Punjab Financial Rules
Pft	Per Foot
RRMTI	Road Research & Material Testing Institute
Sft	Square Feet
TSE/TS	Technical Sanction Estimate
TST	Triple Surface Treatment
UD Wing	Urban Development Wing
PE	Polyethylene

EXECUTIVE SUMMARY

Director General Audit Works (Provincial), Lahore conducted Special Audit of the Project “FDA City Housing Scheme Faisalabad” for the financial years 2004-05 to 2013-14 to evaluate the financial performance, achievements of the project objectives and the desired benefits as envisaged in PC-I. The project was selected for special audit because of a complaint received by the Auditor General of Pakistan.

FDA, UD Wing, Faisalabad, launched the housing scheme namely “FDA City Housing Scheme Faisalabad” with approved cost of Rs. 2,745 million in November 2004. Later on PC-I was revised to Rs. 3,626 million in September 2006. The execution of work for Project was split into different Packages.

Package-I, II & III were awarded at contract cost of Rs 821.031 million, 1,289.97 million and 49.076 million in January 2007, February 2008 and January 2010 respectively. A separate work of construction of Project Management Unit was also allotted with agreement cost of Rs36.153 million in November 2008. Expenditure of Rs 3,219.616 million had been incurred against revised PC-I cost of Rs 3,626.00 million as on 15.05.2014. Project objectives and targets, as envisaged in the PC-I, could not be evaluated and quantified because the authority was not maintaining any socio-economic data to be used as the basis of evaluation of the project.

The FDA city has turned out to be a sick project; major reason is the inordinate delay in its completion. As per original PC-I the project was to be completed in two years i.e. up to November, 2006 but it was still incomplete at the time of finalization of this report in September 2016. Complaints lodged by the allottees, investigations by NAB and litigation have further tarnished the image of the project in general public and media. Also, the management could not provide the amenities required for a modern housing scheme, as initially promised. Land acquisition process of Punjab Government was not adopted.

During audit non production of record to the audit team remained a major issue. Audit could not formulate its opinion on some of the very important issues like land acquisition process, payments and alleged changes in the master plan etc.

The system of internal controls as laid down in the departmental codes/instructions was not effectively implemented. During audit, various observations indicating lapses in financial management, contract management, construction & works and as set management etc. were noticed.

Key audit findings

Audit findings categorized into issues related to organization and management, financial management, contract management, construction & works, assets management, monitoring and evaluation, environment and sustainability were as under:

- Non production of record by LAC, Director FDA City and Director Town Planning was a major issue. Further, non - maintenance of detailed record by Director Estate Management-II, non-disposal of complaints regarding conversion of commercial plots into residential plots and non completion of inquiry by DG FDA UD Wing were also observed.
- Scrutiny of Financial Management revealed irregularities of Rs 3,004.680 million including non-recoveries on account of development charges, installments of cost of plot and capital value tax etc. acceptance of tenders over and above the admissible limit, overpayment due to higher rates, non-receipt of vouched account and payment of price variation in excess of contingencies.
- Under Contract management, irregularities of Rs 941.922 million including non-recoveries of liquidated

damages for non-completion of work in stipulated period, non-receipt of performance securities, unjustified payment of price variation in extended period and undue payment on account of allowing full tendered rate were observed.

- Scrutiny of Construction and works depicted irregularities of Rs100.727 million including non-recovery on account of non-reduction of rate of bulk bitumen and overpayment due to higher rate.
- Examination of Asset Management revealed irregularities of Rs 9.714 million including loss due to payment of non-mutation of land in FDA's name which was out of FDA City boundaries.

Recommendations

Audit observed that besides non production of record, most of the irregularities were either due to weak technical, supervisory and financial controls or poor contract management. Principal Accounting Officer needs to strengthen internal controls regime in the department in the light of following recommendations:

- i. Adherence to contractual obligations needs to be ensured at every stage of execution.
- ii. Action needs to be initiated and responsibility be fixed against the officers concerned for the delay and violation of rule besides effecting recoveries.
- iii. Complete accounts of Land acquired and allotted should be maintained showing area of land, cost of land paid and cost of land received.

1. INTRODUCTION

1.1 Faisalabad Development Authority (FDA) launched a housing scheme named as “FDA City Housing Scheme Faisalabad” in 2004-05 in order to meet the increasing housing demands in Faisalabad. The scheme was funded through FDA Budget for 2004-05. It covered an area of 1256 acres. The master plan for the scheme was prepared keeping in view optimum utilization of the land to fulfill the requirements of a modern housing scheme.

1.2 The scheme consisted of 8920 plots of 1 Kanal and 5 & 10 Marlas and allied public facilities such as recreational parks, playgrounds, commercial, residential and public buildings. Total cost of the project as per original PC-I, approved in November 2004, was Rs. 2745 million and was planned to be completed in two years. The PC-I was revised to Rs 3626 million in September 2006. No timeframe is stipulated in the revised PC-I.

1.3 The scheme also included roads, overhead water tanks, water supply lines, sewerage & drainage system, underground electricity distribution system and Project Management Unit (PMU) Building.

1.4 Main objectives of the scheme were as under:-

- To meet increasing housing demand in Faisalabad
- To fulfill requirements of modern housing infrastructure
- To improve environment, and
- To improve quality of life

1.5 Physical and financial progress as on 15.5.2014 was as under:

Table-1

(Rs in millions)

Original cost	Completion as per original PC-I	Revised PC-I cost	Actual expenditure 2013-14 (Rs.)	Percentage of expenditure
2745.00	24 months	3626	3219.616	89%

1.6 Summary of year-wise financial results i.e. FDA Budget, funds released and actual expenditure incurred upto 15.05.2014 is as under:

Table-2 Allocation and utilization of fund

(Rs in million)

Sr. No.	Year	Budget Allocation	Expenditure incurred	Percentage of funds utilized
1	2004-05	50.000	7.397	15%
2	2005-06	700.000	29.470	04%
3	2006-07	2228.000	219.511	09%
4	2007-08	2857.170	368.094	13%
5	2008-09	2000.000	515.716	26%
6	2009-10	1727.000	603.398	35%
7	2010-11	1140.000	650.272	57%
8	2011-12	717.000	348.328	49%
9	2012-13	447.497	294.969	66%
10	2013-14	580.000	182.461	31%

Table-3 Head wise Expenditure detail

(Rs in million)

Year	Contractor	Sui gas / Wapda/ Others Deptt.	4% Deptt. Charge	Consultant	Mutation fee	Work charge	Contingencies	Total
2004-05	-	-	-	-	6.289	0.260	0.848	7.397
2005-06	10.715	-	0.429	4.614	8.869	2.144	2.707	29.470
2006-07	120.683	69.585	7.611	3.072	12.693	3.770	2.097	219.511
2007-08	306.070	-	12.243	33.530	11.591	1.919	2.742	368.094
2008-09	467.138	-	18.686	19.9524	3.744	2.929	3.267	515.716
2009-10	538.135	7.273	21.525	23.120	6.090	5.415	1.760	603.398
2010-11	528.481	76.309	21.131	14.978	0.790	3.744	4.838	650.272
2011-12	290.302	18.856	11.612	19.967	0.406	5.377	1.807	348.328
2012-13	219.136	36.342	8.350	6.7406	5.378	9.561	9.460	294.969
2013-14	47.605	107.674	1.767	5.033	-	9.843	10.539	182.461
Total	2528.265	316.039	103.354	131.007	49.561	44.702	39.217	3219.616

Table-4

The detail of contract wise expenditure and progress of work was as under:

(Rs in millions)

Name of Work	Name of Contractor	Original Contract amount	Amount paid	Date of Start	Stipulated Date of Completion	Status of Works
Package I, A & F Blocks	M. Arshad & Co.	821.031	1024.777	12.01.07	12.07.08	Work in progress
Package II, B,C,D & F	M/s Hassan Zaman	1289.97	1339.566	15.04.08	14.10.09	Work in progress
Project Management Unit	M/s Siddiqu& Sons	36.153	41.661	15.11.08	14.11.09	Work in progress
Package III, deposit work	M/s Khan Enterprises	49.076	41.889	01.12.10	31.08.14	Work in progress
Construction of Main entrance gate	M/s National Progressive International	11.452	21.241	07.07.06	07.12.06	Work in progress
Construction of approach road at FDA City	M/s Friend engineer	9.920	11.777	23.09.05	22.12.05	Work in progress

The above table depicts that the management could not complete the project within given timeline as fixed in PC-I i.e. 24 months. Resultantly, the envisaged benefits could not be reaped as yet.

2. AUDIT OBJECTIVES

- 2.1 To analyze the overall performance vis-à-vis planned targets, achievement of objectives, cost & time overrun and timely accrual of benefits/outcomes.
- 2.2 To assess whether resources were properly utilized for the purpose for which they were provided.
- 2.3 To review compliance with applicable rules, regulations and procedures.

3. AUDIT SCOPE AND METHOLODGY

- 3.1 Audit methodology included data collection, examination/analysis of record and discussions with engineering staff. Site visits were also performed to have a physical view of the scheme.

3.2 Audit scope included the examination of accounts of the scheme for the financial years 2004-05 to 2013-14.

4 AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 The Project was executed by the FDA UD (Wing) Faisalabad, under the administrative control of HUD & PHE Department, Govt. of the Punjab, Lahore. The scheme was headed by Chief Engineer FDA who was supported by Director Engineering, Director Estate Management, Director Land Development, Director Town Planning and Director Finance, FDA UD (Wing) Faisalabad.

4.1.2 Job descriptions of the said staff were well defined in the delegation of Powers of FDA UD (Wing) Faisalabad. The Sub-Engineer was supposed to be present at site throughout execution of the work. The Sub Divisional Officer was required to visit the site in routine and was responsible for 100% checking of work. Executive Engineer was supposed to visit the site occasionally. The Chief Engineers and Director Engineering concerned were also required to carry out physical inspections of the schemes under execution.

4.1.3 As per laid down procedure, the contractor was required to submit the bills through Sub-Engineer which were also countersigned / checked by M/s NESPAK being Supervisory Consultants of the scheme.

4.1.4 The accounts of FDA were maintained in Directorate of Finance FDA UD (Wing), Faisalabad and all payments and receipts were maintained centrally.

4.1.5 Audit findings related to Organization & Management observed during audit were as under:

4.1.5.1 Non-production of record

Section 14(2)(3) of Auditor General of Pakistan's Functions & Powers Terms and Conditions of Service Ordinance 2001 provides that it is mandatory for the officer in-charge of any office to produce all requisite record and to extend all facilities to audit and any authority hindering the

auditorial functions of Auditor General regarding inspection shall be personally responsible and shall be subject to disciplinary action under E & D Rules / PEEDA Act.

4.1.5.1.1 Directors of Administration, Finance, Estate management, Land Acquisition Collector of FDA Faisalabad did not produce basic record of FDA City Housing Scheme, Faisalabad for audit which inter alia include the procedure adopted for land purchase, detail of payments & receipts, bank statements, changes made in the site plans, category of land used for the scheme and other documents (Annex-A). The matter of non-production of record was brought to the notice of Head of the department and concerned directorates during audit in May, 2014 and August, 2015 but all efforts were in vain. In the absence of the complete record, Audit could not determine whether the land acquisition was as per rules.

Weak supervisory & administrative controls resulted in non-production of record/concealment of facts regarding FDA City Housing Scheme Faisalabad.

Audit pointed out non-production of record in May 2014 and again in August, 2015. The department did not reply inspite of issuance of reminders.

The matter was discussed in SDAC meeting held on 13-11-2015 and 21.01.2016. The authority replied that the record related to para 2 & 3 was produced to audit during verification. Audit contended that the record produced by Director EM-II was not complete and only a statement was presented which was not correct. The statement revealed that cost of land paid was Rs 83,306,000 whereas, as per Director Finance FDA, cost of land was Rs 950,000,000. In respect of para 10 & 13 it was stated that the record was with the bank. The authority promised to get the record verified. The committee took this lapse/discrepancy seriously and directed the authority to reconcile its record with Director Finance FDA in the first instance. The committee further directed that complete record be got verified from audit within 7 to 10 days. No compliance of committee's directive was reported till finalization of this report.

Audit recommends early production of record and disciplinary action against officer / person concerned.

(Para 02&03 for the year 2014-15)

(Para 10&13 for the year 2015-16)

4.1.5.1.2 Auditor General of Pakistan took up this audit on the basis of a complaint and media reports. In order to examine the contents of the complaints record relating to the conversion of commercial plots into residential plots and conversion of public areas into residential plots was requisitioned but the same was not provided to Audit. Detail of issues the record for which was not produced is given below:

- i. The area of main road planned for CNG Station and two parks was converted into 54 residential plots (Plot No. 138 to 192). Thus, commercial area for road was sold out at residential plots rate and FDA suffered a loss of Rs 150 million.
- ii. In Block A-7, common area Hospitals (21 Kanal), sports complex (59 kanal), schools (41 kanal), main Mosque (7 kanal), community center (18 kanal), commercial zone (26 kanal), fire center, park A-3 and land of grid stations had been abolished from the scheme. Land of Rs. 360.750 million was converted into residential plots by making changes in master plan and beneficiaries were deprived of the benefits of these amenities.
- iii. Block A-I kept for FDA Complex valuing Rs 640 million was also converted into plot No. 107 to 135.
- iv. A park of Block F-I near graveyard was also converted into plot No. 109 to 122.
- v. Director, FDA purchased land of Vol. No. 486 & 498 which was outside the boundary of the FDA City Housing Scheme. After purchasing of said land, cash compensation was allowed to the land owners, which was against the exemption procedure.
- vi. In cases where land exemption procedure was adopted, land exemption more than 30% was offered to the land owners.
- vii. Land of Sq. No. 560 of chak No. 5 JB was purchased and payment of Rs 9.610 (m) was made to the land owners. Later on, the land was returned leading to blockage of government money.

The management of the FDA city was asked by audit to produce record related to the above mentioned issues but the same was not produced to Audit in spite of repeated reminders. These issues were already in the knowledge of the management. However, no action/inquiry was conducted to scrutinize the issues by the management.

Weak supervisory and administrative controls resulted in non-production of record to audit and non-initiation of inquiry by the management.

Audit pointed out the irregularity in May 2014. The department did not reply inspite of several reminders.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority stated that issue had already been inquired and closed by NAB Punjab. Audit contended that the record on the subject matter may be provided to Audit and departmental inquiry should also be initiated. The committee agreed with view point of Audit and directed the authority that an inquiry be carried out by DG, FDA within 90 days. No compliance of the committee directive was reported till finalization of this report.

Audit recommends early provision of record and completion of inquiry and action against the persons responsible.

(Para 05 and 17 for 2014-15)

4.2 Financial Management

4.2.1 Cash flows/release of funds was regulated by the Finance Directorate, FDA UD (Wing), Faisalabad through its cash management plan depending on the cash flows. The accounts were maintained centrally in the Finance wing.

4.2.2 Payments were regulated by the provision of contract agreements, Departmental Financial Rules (DFR) and MRS. The issues, relating to the financial management observed during audit involving an amount of Rupees 3004.680 million were as under:

4.2.2.1 Doubtful payment to land owners - Rs945.235 million

As per Rule 2.10 of PFR Volume-I, same vigilance should be exercised in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in r/o his own money.

Director Finance, FDA UD (Wing), Faisalabad made payment of Rs 823.323 million to the land owners through Bank Al-Falah by pay orders. Further, an amount of Rs 121.912 million was paid from FDA (PLA) through cheques without detailed / back up data. The terms and conditions of payment to land owners were not available in record. Hence, this payment was doubtful. Further, the FDA purchased the land on cash basis instead of FDA's policy of land acquisition based on exemption.

Weak Supervisory and Financial Controls resulted in doubtful payment to Land Owners amounting to Rs 945,235,000.

Audit pointed out the irregularity in May 2014. The department did not reply inspite of several reminders.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority stated that all payments were made after approval of competent authority. The committee did not agree with the reply of authority and directed that detailed verification of records i.e. orders / agreements with bank etc may be got verified from Audit within 30 days. No compliance of the committee's directive was reported till finalization of this report.

Audit recommends detailed record verification.

(Para 22 for 2014-15)

4.2.2.2 Excess payments of cost of land– Rs 748.974 million

As per Rule 2.33 of PFR Volume-I, every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant subordinate to him.

As per break up of Land Use Distribution in the site plan of the FDA City Housing scheme, it was observed that the Authority paid cost of land for Phase-II of the scheme @ Rs 2,352,000 per acre i.e. same as the price per acre of Phase-I. On the contrary, cost of land per acre in Phase-II was decided to be paid @ Rs 600,000 per acre by the authority through its front men. In the accounts of FDA, the land cost per acre was booked for Rs 2,352,000, therefore, the FDA sustained a loss of Rupees 748.974 million.

Weak supervisory and financial controls resulted in excess payment of Rs 748,974,000.

Audit pointed out the irregularity in May, 2014. The department did not reply inspite of issuance of several reminders.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority replied that land was purchased @ Rs 2,352,000 per acre on the basis of sale price of 30% exempted land as per approved policy. The total cost was not Rs 600,000 per acre. Department further contended that the rate of state land was Rs 1,650,000 per acre and it was private land. The committee did not agree with reply and directed the authority that matter may be probed by administrative department within 90 days. No compliance of the committee's directive was reported till finalization of the report.

Audit recommends early completion of probe and recovery of loss from the officials/officers concerned.

(Para 06 for 2014-15)

4.2.2.3 Overpayment to the land owners–Rs 517.070 million

As per rule 2.33 of PRF Vol-I, every Govt. servant is personally responsible for any loss sustained by the Govt. due to fraud or negligence on his part.

Director Estate Management-II, (FDA City) FDA, Faisalabad made payment to the land owners on account of 30% exemption amounting to Rs 950,280,000 for 403.92 kanal. However, in mutation deed of Revenue Department the cost of land was shown as Rs 433,235,000. So the authority either made overpayment of

Rs 517,070,000 (950,280,000 – 433,235,000) to land owners or understated the cost of land in the books of accounts.

Weak supervisory and financial controls resulted in overpayment of Rs 517,070,000.

Audit pointed out overpayment in August, 2015. The authority did not reply.

Para was also discussed in SDAC meeting held on 21.04.2016. The authority replied that payment against exemption was made as per Chief Minister's directives but CM directive / clear instructions were not shown to audit. However, the Department did not clarify the difference in payment figures. The committee directed the authority to get the complete record verified by audit within 10 days. No compliance of committee's directive was reported till finalization of this report.

Audit recommends early recovery.

(Para -7 for 2015-16)

4.2.2.4 Non-obtaining of vouched account –Rs339.501 million

As per rule 2.33 & 2.20 of PFR Vol-I, every person is personally responsible for any loss sustained by the department due to negligence or fraud. Further, every payment should be supported with a voucher containing detailed particulars of payment recorded in the cash book.

4.2.2.4.1 Director Finance, (FDA UD-Wing), Faisalabad made advance payment of Rs 23,461,705 to bank Al-Falah for publishing and printing of application forms without maintaining a cash book. Further, the vouched account of the expenditure was not forthcoming in any other record i.e. detail of Forms/brochures, printing material, name of supplier and detail of payment etc.

Weak supervisory and financial controls resulted in non-obtaining of vouched account of Rs 23,461,705.

Audit pointed out the irregularity in August 2015. The authority did not reply.

Para was also discussed in SDAC held on 21.04.2016. The authority stated that a lump sum contract was made with Bank Al-Falah and the bank was responsible for publishing of forms, receipt of application. After balloting, the bank was responsible to return the amount of unsuccessful applicants. Audit contended that as per record Rs 65,000 were returned by the bank to authority which showed that bank was having some accounting arrangement with the department. The committee did not agree with the authority's view point and directed the authority to obtain vouched account from said bank within 10 days and get it verified from audit. No compliance of Committee's directive was reported till finalization of this report.

Audit recommends submission of vouched account for audit and regularization of expenditure by the competent Authority.

(Para -9 for 2015-16)

4.2.2.4.2 Director Finance, FDA (UD-Wing), Faisalabad made advance payment of Rs 316,039,016 to various departments i.e. Sui Gas / WAPDA etc. from 2007 to March 2014 on account of provision of facilities of gas and electricity. The said departments neither provided required facilities nor furnished vouched account of amount paid.

Weak supervisory and financial controls resulted in irregular expenditure due to non-receipt of vouched account of Rs 316,039,000.

Audit pointed out the irregularity in May 2014. The authority replied that the work had not been finalized by the respective departments. The vouched account would be obtained soon on completion of the works.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority replied that vouched account would be submitted to audit during next annual Audit. The committee did not agree with the reply and directed the Authority that vouched account be obtained and got verified from audit within 30 days. No compliance of the Committee's directive was reported till finalization of this report.

Audit recommends early compliance of the committee's directive.

(Para 14 for 2014-15)

4.2.2.5 Irregular expenditure due to payment of price variation in excess of contingencies - Rs 191.685 million

According to Para 2.26 of Building and Roads Department Code the unforeseen expenditure (price variation) should be met from the provision of 2% contingency of the estimated cost of work.

Director Engineering, FDA City Housing Scheme, Faisalabad awarded a work "Construction of road, water supply, sewerage & drainage Package -I" to a contractor in January 2007 with agreement amount of Rs 821,031,000. While approving T.S. Estimate the provision for contingencies and petty establishment charges were made for Rs 16,408,000 whereas payment on account of price variation was made to the contractor for Rs 208,093,000 over and above the budgeted amount.

Weak supervisory and financial controls resulted in irregular expenditure of Rs 191,685,000.

Audit pointed out the irregularity in May 2014. The authority replied that the revised TSE was under process which would be produced to audit after approval of the competent authority. Reply of the authority was not tenable because payment of price variation should have been capped to Rs 16.408 million.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority reiterated its previous stance. The committee directed the authority to expedite the approval of revised TSE and PC-I. No compliance of the committee's directive was reported till finalization of this report.

Audit recommends early recovery besides taking action against the person(s) responsible.

(Para 39 for 2014-15)

4.2.2.6 Loss due to non-receipt of installments of plots - Rs 98.494 million

As per Rule 4.1 of PFR Vol-I, it is ordinarily the duty of the departmental controlling officer to see that all sums due to govt. are regularly received and checked against demand and that they are paid into treasury.

Director Estate Management-II, FDA UD (Wing), Faisalabad did not recover installment of cost of plots, development charges, price of auction of plots and shops from allottees worth Rs 98,494,000.

Weak supervisory and financial controls resulted in loss due to non-receipt of installments of plots of FDA City amounting to Rs 98,494,000.

Audit pointed out the non recovery in May 2014. The department did not reply.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority stated that against total demand of Rs 3,800.330 million, an amount of Rs 3,701.836 million was recovered and for balance amount of Rs 98.494 million notices had been issued. The committee accepted the view point of the authority and amount of para was reduced to Rs 98.494 million and the committee directed the authority to effect recovery within 90 days. No compliance of the committee's directive was reported till finalization of this report.

Audit recommends early recovery of the government revenue.

(Para 11 for 2014-15)

4.2.2.7 Loss due to refund of cost of plots to allottees on their request Rs 71.640 million

As per application for allotment of plot, an applicant was required to deposit initial amount of Rs 80,000 for 05 marla, Rs 160,000 for 10 marla and Rs 320,000 for 01 Kanal and as per terms and conditions of allotment letter, if the allottee failed to deposit his installment in time he will be charged @ 13.5% penalty per annum. In case he did not deposit two installments continuously, his plot would be cancelled after 15 days.

Director Finance, FDA UD (Wing), Faisalabad refunded an amount of Rs 71,640,000 to various allottees who surrendered their plots to FDA without any justification. The FDA refunded the whole amount without imposing any penalty.

Weak supervisory and financial controls resulted in refund of Rs 71,640,000 without non recovery of penalty.

Audit pointed out the loss in May 2014. The authority did not reply in spite of reminders.

Para was also discussed in SDAC meeting held on 13.11.2015. The authority replied that Director General FDA allowed refund of the whole deposited amount to some of the allottees on humanitarian grounds. The committee did not accept the view point of authority and directed to provide allotment rules in support of refund or matter be got regularized from competent Authority / Finance Department. No compliance of the committee's directive was reported till finalization of this report.

Audit recommends compliance of the SDAC directives.

(Para 08 for 2014-15)

4.2.2.8 Less Payment of TMA fee, CVT and Registration fee by FDA - Rs 31.024 million

As per rule 4 and 3 of Punjab Local Government Tax on Transfer of immoveable property rules 2001, Section 162 of income tax ordinance 2001, TMA fee, Registration fee and CVT will be levied @ 1%, 2% and 3% as soon as the mutation is sanctioned on a registered sale deed or orally transferred at the rate fixed.

As per accounts record of Directorate Estate Management-II, (FDA City), Faisalabad, 160 to 500 land owners surrendered their land to the FDA for FDA City Housing Scheme during 2004-05 to 2012-13. FDA got transferred the land and made exemption of Rs 950,280,000 in the shape of cash payment in lieu of 403.92 Kanal of land. However, while making payment of TMA fee, CVT and Registration fee, the value of land in mutation deed was shown Rs 433,235,000 instead of Rs 950,280,000 by the FDA, as tabulated below:

(Rs in millions)

Nature of payment	Total payment made	Payment shown in Revenue Register	Payment to be made	Payment made	Less Payment
	950.000	433.235			
TMA Fee 1%			9.503	4.33	5.171
CVT 2%			19.006	8.665	10.341
Registration Fee 3%			28.510	12.990	15.512
Total					31.024

Weak supervisory and technical controls resulted in less payment of Rs 31,024,000 due to concealment of facts.

Audit pointed out the issue in August, 2015. The authority did not reply.

Para was also discussed in SDAC meeting held on 21.04.2016. The authority stated that TMA fee, CVT fee and Registration fee was deposited by the authority on the challan generated by Revenue Department, Punjab on the basis of Fard Jamabandi. Audit contended that fees were deposited against land valuing Rs 433.235 million whereas payment to land owner was made for Rs 950.28 million. Hence TMA fee, CVT fee and Registration fee was to be paid by FDA on Rs 950.28 million. In this way, FDA understated the value of land as compared to actual payment made to land owners besides making less payment into the government treasury. The committee accepted the view point of audit and directed the authority to revisit its accounts for correction and get the record verified within 10 days. No compliance of committee's directive was reported till finalization of this report.

Audit recommends early payment of correct TMA fee, CVT and Registration fee into the government treasury.

(Para -4, 5, 6 for 2015-16)

4.2.2.9 Loss due to acceptance of tender beyond permissible limit – Rs 28.395 million

As per Serial No.1 (ii) of Delegation of Financial Power Rules, 2006, quoted tendered amount will not exceed by 4.5 percent of the technical sanctioned amount.

Director Engineering FDA City Housing Scheme Faisalabad awarded a work "Construction of road, water supply, sewerage and drainage" in FDA City Housing Scheme Faisalabad Package-I to a contractor in January 2007 with agreement amount of Rs 821.631 million against estimated amount of Rs 713.432 million. It came to 15.08% above the estimates against the permissible limit of 4.5%. The contractor, however, offered rebate of 6.60%. Even after the rebate the agreement cost was 3.98 % more than the permissible limit.

Weak supervisory and financial controls resulted in loss to authority of Rs 28,394,616 (Rs. 713,432,570 x 3.98%).

Audit pointed out loss in May 2014. The authority replied that the governing body of FDA had accorded admin approval on the basis of rates received in competitive tendering. The governing body of FDA was competent to accord administrative approval as already accepted in similar para No. 113 for the year 2000-01 which was settled by the PAC in its meeting held on 01.11.2006.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority reiterated its previous stance. Audit contended that as per instruction of Finance Department, government of the Punjab, tender would have not been accepted beyond the limit of 4.5% of TSE amount. The committee agreed with the view point of audit and directed the authority to provide relaxation of rule from Finance Department within 7 days. No compliance of the committee's directive was reported till finalization of the report.

Audit recommends early recovery of loss.

(Para 34 for 2014-15)

4.2.2.10 Loss due to non-recovery of capital value tax from land owners-Rs 14.925 million

As per rule/section 162 of income tax ordinance 2001, the purchaser of immovable property will pay CVT @ 2% of the cost of purchase of land / property.

Director Finance, FDA U.D (Wing), Faisalabad did not recover CVT from the allottees of one kanal plots in FDA City Housing Scheme Faisalabad of Rs 14.299 million.

Weak supervisory and financial controls resulted in loss of Rs 14,299,000 to authority.

Audit pointed out the loss in May 2014. The department did not reply.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority replied that against total demand of CVT of Rs 31.437

million, an amount of Rs16.512 million had been recovered and for balance amount of Rs14,925,000 notices had been issued. Further, CVT was collected at the time of transfer of plots. The committee accepted the view point of the authority and amount of para was reduced to Rs14,925,000. The committee directed the authority to recover CVT within 30 days. No compliance of the committee's directive was reported till finalization of this report.

Audit recommends early recovery of loss from concerned.

(Para 10 for 2014-15)

4.2.2.11 Non-recovery on account of unidentified application forms - Rs 8.880 million

As per balloting condition, 25% deposit of successful candidates should be remitted to the "Collection Account" of FDA City through bank Al-Falah.

Director Estate Management-II, (FDA City), UD-Wing, FDA, Faisalabad did not recover the cost of the plots due to un-identified 45 number forms against the successful candidates / applicants. A sum of Rs 943.120 million was shown in the said "Collection Account" instead of 952.000 million. Further, cash book did not show the receipt of 8.880 million against the unidentified 45 forms.

Weak supervisory and financial controls resulted in non-recovery of Rs 8,880,000.

Audit pointed out non-recovery in August 2015. The authority did not reply.

Para was also discussed in SDAC meeting held on 21.04.2016. The authority stated that an amount of Rs 951.840 million had been deposited in FDA account in connection with transfer of FDA city successful applications. The committee directed the authority to get the detailed record verified within 10 days. No compliance of Committee's directive was reported till finalization of this report.

Audit recommends early probe and the recovery.

(Para -11 for 2015-16)

4.2.2.12 Overpayment due to allowing higher rate -Rs 8.857 million

As per notification issued by Finance Department vide RO (Tech) FD/2-3/2004 dated 02-08-2004, all the rate analysis of non-schedule / non standardized item should be prepared by applying input-rates notified by the Finance Department for the relevant quarters.

4.2.2.12.1 Director Engineering, FDA City Housing Scheme, Faisalabad awarded a work "Construction of road, water supply, sewerage and drainage" in FDA City Housing Scheme, Faisalabad Package-I to a contractor in January 2007 with agreement amount of Rs 821,631,000. During execution of work, the authority measured and paid an item "Supplying laying joints & test polythene pipe i/c laying of brackets complete in all respect" by incorporating the extra items instead of the more economical items of MRS i.e. P/L MS Blind Pipe (Ch23 item 14 b, c & f) in MRS of concerned quarter.

Weak supervisory and technical controls resulted in over-payment of Rs 8,628,691.

Audit pointed out the overpayment in May 2014. The authority replied that the cost of labour for the said job referred to in the audit observation did not apply in this case as PE pipe / PE fitting. It required special labour and special instruments for which cost was not covered in the MRS item. Reply of the authority was not correct because no record was shown in support of reply.

Para was also discussed in SDAC meeting held on 13.11.2015. The authority reiterated its previous stance. The committee directed the authority to get the detailed record verified within 7 days. No compliance of the committee's directive was reported till finalization of this report.

Audit recommends early recovery from concerned.

(Para 36 for 2014-15)

4.2.2.12.2 Director Engineering, FDA City Housing Scheme, Faisalabad awarded two works, construction of PMU office and construction of disposal work in FDA City Housing Scheme Faisalabad to two different contractors. During execution of work, an item of work P/L Tuff tile 60 mm thick 7000 PSI was measured and paid in excess because it was not based on MRS input material rate as tabulated below:

(Amount in Rupees)

Sr. No	Para No.	Items	Quantity	Rate Paid @ RsP.s ft	Rate to be paid	Difference	Amount Over paid
1	35	P/L Tuff tiles 7000 psi	30771 sft	57	50	07	215,396
2	55	P/L Tuff tiles 7000 psi	4224 sft	100	73.23	26.77	113,099
Total			34995sft	-	-	-	228,495

Weak supervisory and financial controls resulted in overpayment of Rs 228,495.

Audit pointed out the overpayment in May 2014. The authority replied that the rates were not invited on the basis of percentage below or above the schedule rather the rates asked for in the tender were non-schedule rates. The contractor quoted non-schedule item rates which were duly approved. However, the analysis for the purpose of estimation was prepared based on some sub works including preparation of bed etc. Audit had not taken into account the extra labour required for preparation of bed, grouting, compaction etc. The reply of the authority was not accepted because no record in support of reply was shown to audit.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority reiterated its previous stance. The committee directed to get the record verified within 7 days. No compliance of the committee's directive was reported till finalization of the report.

Audit recommends early recovery of the overpaid amount.

(Para 35, 55for 2014-15)

4.2.2.13 Unjustified payment of compensation in cash without the approval by the Govt.

As per rule / summary approved by the Chief Minister through the Secretary HUD&PHE dated 05.05.2005, the FDA Authority was authorized for purchase of Land @ 30% exemption in the shape of developed plots only.

Director Estate Management-II, (FDA City), FDA, Faisalabad made payment of Rs 950,280,000 to the land owners on account of cost of exempted land in cash during 2004-2013. Whereas, as per summary approved by the Chief Minister, the authority was required to make compensation in the shape of developed plots for 403.92 kanal instead of making payment of Rs 950.280 million

Weak supervisory and financial controls resulted in unjustified payment of Rs 950,028,000.

Audit pointed out the unjustified payment in August 2015. The authority did not reply.

Para was also discussed in SDAC held on 21.04.2016. The authority replied that payment against exemption was made as per CM directives but no directive from the CM in this regard was shown to audit. The committee directed to get the complete record verified by audit within 10 days. No compliance of Committee's directive was reported till finalization of this report.

Audit recommends early regularization of expenditure by the competent authority.

(Para -8 for 2015-16)

4.3 Procurement and Contract Management

4.3.1 Procurement of the material by the FDA was not involved as the same was supplied by the contractor and payments made on MRS basis. Civil works were executed in accordance with the approved specifications and design.

4.3.2 Payments to the contract or were regulated by the framework provided in the DFR and Department's Codes/instructions.

4.3.3 Issues relating to non-observance of contractual obligations involving Rs941.922million observed during audit were as under:

**4.3.3.1 Unjustified payment of price variation for extended period
- Rs 559.906 million**

According to clause-55(8) no escalation shall be allowed to the contractor in respect of the period extended for the completion of the work due to his own fault.

Director Engineering, FDA City Housing Scheme, Faisalabad awarded two works to different contractors. The contractors did not complete their works in stipulated time period. As per findings of supervisory consultants M/s NESPAK, the works were delayed by the contractors due to deployment of old, defective machinery and unskilled workmanship. But contractors were paid price variation beyond stipulated period after October, 2010 for Rs 559.906 million as tabulated below:

(Rs in millions)

Sr. No.	Para No.	Work	Agreement amount	Starting date	Date of completion within stipulated period	Price variation paid beyond stipulated period
1	33	Const. of roads sewerage drainage Block B,C,D,F	1289.970	15.04.08	14.10.09	351.813
2	38	Const. of roads in FDA City Package- I	821.031	12.01.07	12.07.08	208.093
Total						559.906

Weak supervisory and technical controls resulted in unjustified payment of Rs 559,906,000 due to price variation in extended period when contractor was at fault.

Audit pointed out the matter in May 2014. The authority replied that the extension in time beyond the stipulated period was granted by the competent authority and price variation was paid as per contract clause. Reply of the department was not correct because no price variation was admissible in extended period because according to the supervisory consultant's reports, work was delayed by contractor due to slow pace of work, poor workmanship, use of old machinery and non-deployment of technical staff.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority replied that work was delayed due to non-possession of land and non-suitability of weather for earth work. The contractors were not at fault and extension in time was granted by competent authority. Audit reiterated its previous stance that time extension without penalty was neither justified nor price variation in extended period was admissible. The committee directed the authority to get the record verified from audit in support of reply within 7 days. No compliance of committee's directive was reported till finalization of this report.

Audit recommends early recovery besides taking disciplinary action.

(Para 33 & 38 for 2014-15)

4.3.3.2 Non-recovery of liquidated damages due to non-completion of work in stipulated time - Rs 211.100 million

According to Clause 39 of contract agreement, the time allowed for carrying out the work as entered in tender shall be strictly observed by the contractor. If contractor fails to complete work within stipulated period, he shall pay as compensation an amount equal to one percent of the amount of contract subject to maximum of 10%.

Director Engineering, FDA City Housing Scheme, Faisalabad awarded two works to two different contractors but the contractors neither completed their works within stipulated time nor department recovered liquidated damages from the contractors for Rs211.100 million as tabulated below:

(Rs in million)						
Sr. No.	Para No.	Name of Work	Agreement amount	Date of Start	Date of completion	penalty @ 10%
1	27	Const. of roads sewerage drainage Block B,C,D,F	1289.970	15.04.08	14.10.09	128.997
2	28	Const. of roads in FDA City Package I	821.031	12.01.07	12.07.08	82.103
Total						211.100

Weak supervisory and technical controls resulted in non recovery of liquidated damages of Rs 211,100,000.

Audit pointed out the non-recovery in May 2014. The authority replied that the extension in time beyond the stipulated period was granted by the competent authority. Reply of the authority was not tenable because the supervisory consultant M/s NESPAK already pointed out in their reports that work was delayed by contractor due to slow pace of work, poor workmanship, use of old machinery, lack of coordination between technical team & contractor, and non-deployment of technical staff by contractor. Hence, contractor was at fault.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority replied that work was delayed due to non-possession of land by private owner besides the weather was not suitable for earth work. The contractor was not at fault. The committee directed the authority to get the record verified from audit in support of reply within 7 days but no compliance of committee's directive was reported till finalization of this report.

Audit recommends early recovery from concerned.

(Para 27 & 28 for 2014-15)

4.3.3.3 Undue financial benefit by not obtaining performance security Rs - 105.530 million

As per Finance Department Notification No.RO(Tech)FD1-2/83-VI (P) dated 06.04.2005, performance security in the shape of bank guarantee is to be obtained at the rate of 5% of contract sum from the contractor if the cost of work exceeds Rs 50.00 Million.

Director Engineering, FDA City Housing Scheme, Faisalabad awarded below mentioned two works in January 2007 and February 2008. The contract cost of works was more than 50.00 million but performance security in the shape of bank guarantee or in cash was not obtained from the contractors.

(Rs in million)

Sr. No.	Para No.	Name of work	Contract amount	Amount of performance Security not obtained
1	42	Const. of roads water supply sewerage Package-II of FDA City Housing Scheme	1289.970	64.489
2	43	Const. of roads sewerage and drainage in FDA City Housing Scheme	821.03	41.051
		Total		105.530

Weak supervisory and financial controls resulted in undue financial benefit to the contractor of Rs 105.530 million.

Audit pointed out the irregularity in May 2014. The authority replied that the performance security in the shape of bank guarantee was obtained from the contractor. The reply of the authority was not tenable because no record in support of reply was shown.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority reiterated its previous stance. Audit contended that the performance securities expired in August 2009 and June 2011 respectively which were not revalidated. The committee upheld the view point of audit and directed the authority to get the irregularity condoned from Finance Department, Government of Punjab. No compliance of committee's directive was reported till finalization of this report.

Audit recommends early condonation of irregularity from Finance Department.

(Para 42 & 43 for 2014-15)

4.3.3.4 Undue financial aid due to payment on full tendered rate during running payments - Rs 54.237 million

As per Clause 47-A of the contract agreement, if the contractor quotes disproportionate / imbalance rates, the items having higher quoted rates would be paid at estimated rate till the completion of work.

Director Engineering, FDA City Housing Scheme, Faisalabad awarded a work "construction of roads, sewerage and drainage Package-I" in FDA City Housing Scheme Faisalabad to a contractor in January 2007 with agreement amount of Rs 821.031 million. The contractor quoted

disproportionate rates of various items but such items were paid at full quoted rates instead of estimated rates.

Weak supervisory and technical controls resulted in undue payment of Rs 54,237,122 to the contractor by allowing full rates during running payment.

Audit pointed out the irregularity in May 2014. The authority replied that the work was completed and payment made on the rates as per tendered rates duly accepted by the competent authority. Reply of the authority was not to the point. Undue benefit was provided to the contractor by making payment on quoted rates.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority stated that work had been completed and payment was made as per tendered rate. The committee did not agree with the reply and directed the authority to apply clause of agreement in true spirit and produce financial comparative statement on work done basis and get the record verified within 30 days. No compliance of the committee's directive was reported till finalization of the report.

Audit recommends verification of record, early recovery or regularization.

(Para 25 for 2014-15)

4.3.3.5 Irregular award of works in violation of Procurement Rules- Rs 11.149 million

As per rule 12(1) read with 13(1) of Punjab Procurement Regulatory Authority's (PPRA) Rules 2009, " Procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the PPRA's website in the manner and format specified by regulation by the PPRA from time to time". These procurement opportunities may also be advertised in print media. However, under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of the advertisement.

Director Engineering, UD-Wing, FDA, Faisalabad awarded below mentioned four works of supply to the suppliers / contractors for Rs 11.149 million without approval of T.S. Estimate and advertisement in

national newspapers/PPRA's website for wide publicity and healthy competition to achieve competitive rates.

Sr. No.	Supply items	Amount (Rs)
1	Transformers 100+200 KVA	6,541,200
2	HT, LT Poles 35'/30'	2,358,150
3	Conductor all aluminum	528,171
4	Hardware/ Accessories	1,721,526
	Total	11,149,047

Weak supervisory and financial controls resulted in irregular award of works of Rs 11,149,000.

Audit pointed out the irregularity in August 2015. The authority did not reply.

Para was also discussed in SDAC meeting held on 21.04.2016. The Authority stated that T.S. Estimate of work was sanctioned by competent authority and works were executed on emergency basis on the direction of Chief Minister. The committee directed the authority to get the complete record i.e. quotations and analysis of rates verified within 10 days besides condonation of irregularity from PPRA. No compliance of Committee's directive was reported till finalization of this report.

Audit recommends condonation from PPRA/competent forum at the earliest.

(Para 16 & 17 for 2015-16)

4.3.3.6 Non-provision of basic facilities in FDA City Housing Scheme, Faisalabad.

As per brochure and offer made to Public to purchase plots in the FDA City Housing Scheme, Faisalabad; the authority committed to provide the following basic facilities/ requirements in the FDA City Housing Scheme, Faisalabad.

- Construction of 54 parks and 1 park of 84 kanal, play ground
- Space for hospitals clinics
- Space for shopping centers
- Space for school
- Space for grave yard

- Jamia Masjid
- Intercom/telephone connection to all plots.
- Underground electricity
- Two separate sources of sweet water
- Installation of tubewell on Jhang branch canal

Director Engineering, FDA City Housing Scheme Faisalabad did not provide the above mentioned facilities in the scheme. Hence objectives of the project could not be achieved and allottees were permanently deprived of the basic facilities due to negligence.

Weak supervisory and technical controls resulted in non provision of basic facilities in FDA City Housing Scheme Faisalabad.

Audit pointed out the irregularity in May, 2014. The authority did not reply inspite of issuance of several reminders.

Para was also discussed in SDAC meeting held on 13-11-2015 and 21.04.2016. The authority replied that all the facilities pointed out in para had been provided in the scheme. The authority also stated that underground electrification was partially provided on main roads only with the approval of governing body and as per revised PC-I. The committee directed the authority to get the record i.e. original plan, governing body's decision and revised PC-I verified from audit within 15 days. No compliance of the committee's directive was reported till finalization of this report.

Audit recommends early provision of all the amenities committed by the FDA.

(Para16 for 2014-15 & Para 14 for 2015-16)

4.3.3.7 Non-fulfillment of agreement obligations by the consultants M/s NESPAK.

As per Appendix-A Sheet 1 to 5 description of services / terms of reference of Agreement of consultants various duties mentioned in Annex-B were to be performed by M/s NESPAK.

During execution of project "FDA City Housing Scheme Faisalabad" neither M/s NESPAK fulfilled its duties nor authority took any action in this regard.

Weak supervisory and technical controls resulted in non-fulfillment of agreemental obligations by M/s NESPAK.

Audit pointed out the irregularity in May 2014. The department replied that all the obligations as per TOR had duly been fulfilled by M/s NESPAK. Reply of the authority was not tenable because no record was shown in support of reply.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority replied that consultancy services of M/S NESPAK were hired for package-I and II and project had been completed. The committee did not agree with reply of authority and directed that M/S NESPAK be asked to prepare complete reports as per consultancy agreement. No compliance of committee's directive was made till finalization of this report.

Audit recommends early provision of the reports prepared by the consultant to substantiate its performance.

(Para 56 for 2014-15)

4.4 Construction and Works

- 4.4.1 Design and drawings were prepared by the field engineers concerned and got vetted from supervisory consultants M/S NESPAK.
- 4.4.2 Cost estimates of the scheme were prepared according to the approved specifications and design on the basis of MRS.
- 4.4.3 For allotment of work, tendering process as laid down in the rules was followed and the works were awarded on competitive basis after due comparison of quoted rates with the rates approved in the cost estimates.
- 4.4.4 Progress of work was supervised through periodic progress reports and physical inspection of works by the field engineers for ensuring both quality and quantity.
- 4.4.5 The issues noticed during audit amounting to Rs100.727 million were as under:

4.4.5.1 Extra payment to consultant due to non-completion of FDA City project - Rs 86.949 million

As per Part-II(Remuneration S.No.2) of the consultant agreement, the consultant's total remuneration price shall not exceed the contract price for 24 month. In case of time overrun, the payment against supervision charges will be recoverable from the concerned contractor on pro-rata basis for the actual staff required for the balance work to be determined by the client.

Director Finance, FDA city Faisalabad made payment of Rs 86,949,600 to the supervisory consultant M/s NESPAK beyond agreement period of 67 months after August 2008 (i.e. from September 2008 to March 2014). On the contrary, this amount was required to be recovered from contractor who was at fault for non-completion of work in time. As per findings of supervisory consultant M/s NESPAK, the contractor's progress of work was slow due to use of old machinery, poor workmanship, deployment of unskilled labour and lack of coordination between contractor and technical staff.

Weak supervisory and financial controls resulted in non recovery of extra payment made to NESPAK from contractor of Rs 86.949 million.

Audit pointed out the irregularity in May 2014. The authority replied that the project could not be completed in time due to non acquisition of land for the project from the private land owners. Therefore, extension in time limit had to be granted by the competent authority as per circumstances. The reply of the authority was not acceptable because payment was to be made as per agreement.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority stated that project could not be completed in time due to non acquisition of land from private land owners. Hence, time extension was granted by the competent authority. Further, staff of M/S NESPAK had been reduced from time to time. Audit pointed out that as per record i.e. consultant's letter and progress reports, work was delayed due to slow progress of the contractor. The committee directed the authority to get the complete record verified within 7 days. No compliance of committee's directive was reported till finalization of the report.

Audit recommends early recovery besides taking disciplinary action.

(Para 15 for 2014-15)

**4.4.5.2 Non-recovery on account of use of unpacked bitumen-
Rs7.129million**

As per instructions notified on Web Site of Finance Department, Govt. of the Punjab regarding payment of item P/L premixed bitumen carpet, in case un-packed (Bulk) bitumen is used, the rate shall be reduced @ Rs 4.5 per kg. Moreover, payment shall be made to the contractor as per “Job Mix Formula” or “Bitumen” used in the work / project.

4.4.5.2.1 Director Engineering, FDA City Housing Scheme Faisalabad awarded a work “construction of roads, sewerage and drainage Package-I” in FDA City Housing Scheme Faisalabad to a contractor in January 2007 with agreement amount of Rs821.031 million. During execution of work an item of work “P/L Plant Premixed Bitumen Carpet” including compaction density etc. with 4.50% bitumen by using unpacked (Bulk) supply was measured and paid for 1697089 Sft with 2” thickness, 1792809 Sft with 1.5” thickness and 537.5 Sft with 1.75” thickness respectively without making recovery @ Rs 4.50 per kg.

Weak supervisory and technical controls resulted in non-recovery of Rs 6,708,225.

Audit pointed out the non-recovery in May 2014. The authority replied that the contractor was paid by reducing the rate @ 4.50 per kg. Reply was not tenable because no record was shown to Audit.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority admitted the recovery and stated that an amount of Rs 2,515,119 was recovered and balance amount of Rs 4,193,136 would be recovered. Record i.e. certificate of recovery by Director Finance, FDA, Faisalabad was verified and para was reduced to Rs 4,193,136. The committee directed the authority to make balance recovery within 30 days. No compliance of the committee’s directive was reported till finalization of this report.

Audit recommends early recovery from concerned.

(Para 32 for 2014-15)

4.4.5.2.2 Director Engineering, FDA City Housing Scheme, Faisalabad awarded a work construction of approach road at FDA City Housing Scheme Faisalabad to a contractor in September 2005 with agreement amount of Rs 9.920 million. During execution of work, an item of work “P/L Plant Premixed Bitumen Carpet” including compaction density etc with 4.50% bitumen by using un-packed (Bulk) supply was measured and paid for 36690 Sft with 2” thickness (service road), 90656 Sft with 2” thickness (main road), 36690 Sft with 1” thickness (service road), 90656 Sft with 1.5” thickness (main road) without making recovery @ Rs 4.50 per kg.

Weak supervisory and technical controls resulted in non-recovery of Rs 421,212.

Audit pointed out non-recovery in May 2014. The authority replied that the packed bitumen was used in the work. Reply of the authority was not acceptable because no record was shown in support of reply.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority stated that packed bitumen was used in the work because bitumen in bulk was not available from the approved refinery. The committee directed that non availability certificate from Nation Refinery Limited and invoices of packed bitumen be got verified by audit within 7 days otherwise recovery be made within 30 days. No compliance of the committee’s directive was reported till finalization of this report.

Audit recommends early recovery.

(Para 31 for 2014-15)

4.4.5.3 Overpayment due to allowing excess lead – Rs 2.808 million

As per approved lead chart of Provincial Highway Division, Faisalabad read with Director P&D Punjab Highway Department circular letter No. SP/21-P-2 dated 11th January, 1979 lead for carriage of stone of 66 kilometer was required to be paid from Kirana quarry (Sargodha) to site of works i.e. FDA City Housing Scheme, Faisalabad via Chinot.

Director Engineering, FDA City Housing Scheme, Faisalabad approved the rate analysis for the item of work ‘Granular Sub-Base and WBM Base Course’ by taking lead from Kirana quarry, (Sargodha) to site

of works i.e. FDA City Housing Scheme, Faisalabad via Chiniotas 90 km instead of admissible lead of 66 kilometers.

Weak supervisory and technical controls resulted in overpayment of Rs 2.808 million.

Audit pointed out overpayment in May 2014. The authority replied that the payment was made as per tendered rates duly accepted by the competent authority in the acceptance letter. The reply of the authority was not supported with approved lead chart.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority stated that the payment was made as per tendered rates on the basis of lead and lift. Audit contended that the actual distance comes to 66 KM which should have been paid. The committee agreed with the view point of audit and directed the authority that lead chart on actual distance vetted by R.T.A / C&W be obtained and got verified within 7 days. No compliance of Committee's directive was reported till finalization of this report.

Audit recommends early recovery and its verification.

(Para 37 for 2014-15)

4.4.5.4 Overpayment due to higher rates - Rs 2.471 million

As per Rule 2.10 of PFR Volume-I, same vigilance should be exercised in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of his own money.

Director Engineering, FDA City Housing Scheme, Faisalabad awarded a work "construction of roads, sewerage and drainage Package-I" in FDA City Housing Scheme Faisalabad to a contractor in July, 2007 with agreement amount of Rs 821.031 million. During execution of work an item of work P/L Tuff tile 60 mm thick 7000 PSI was measured and paid for quantity of 371747.50 Sft. The authority paid rate of tuff tile on higher side i.e. Rs 70 / Sft which was not based on MRS input material rate of Finance Department instead of admissible rate of Rs 63.35/ Sft.

Weak Supervisory and Financial controls resulted in overpayment of Rs 2,471,019.

Audit pointed out overpayment in May 2014. The authority did not reply in spite of issuance of several reminders.

Para was also discussed in SDAC meeting held on 13.11.2015. The authority stated that contractor quoted non-scheduled item rates which were fully approved and tender was accepted as a whole. The committee did not accept the view point of authority and directed to get the record / analysis of rate re-verified from audit within 7 days. No compliance of committee's directive was reported till finalization of this report.

Audit recommends early recovery.

(Para 41 for 2014-15)

4.4.5.5 Overpayment due to allowing excess weight of steel -Rs 1.370 million

According to para 18.1 (9) (i), Chapter 18 of specification for execution of work, the cost of old dismantled material retrieved during execution of work was to be recovered from the contractor.

Director Engineering, FDA City Housing Scheme, Faisalabad awarded a work "construction of roads, water supply sewerage and drainage" in FDA City Housing Scheme Faisalabad Package-I to a contractor in January 2007 with agreement amount of Rs 821.031 million. During execution of work the department allowed payment of item 'Fabrication of mild steel' by adding weight of steel used/consumed in overlaps/wastage etc. for 507.568 tons (507568 kg) but did not make deduction/ credit on account of wastage of steel/ iron material as obtained during execution of steel fixing / fabrication work.

Weak supervisory and technical controls resulted in overpayment of Rs 1,370,477.

Audit pointed out overpayment in May 2014. The authority replied that the rates for the above mentioned items in MRS include wastage, overlap and chairs etc. Deduction for wastage was not mentioned in the template. The reply of the authority was not acceptable. As per specification for works 1967, the material was the property of government

which should have been auctioned in open manner or recovery should have been made from contractor.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority and audit reiterated their previous stances. The committee agreed with audit view point and directed to obtain advice from Finance Department in this regard. No compliance of the committee's directive was reported till finalization of this report.

Audit recommends early recovery from concerned.

(Para 40 for 2014-15)

4.5 Asset Management

4.5.1 Data and manual record of housing schemes under the jurisdiction of FDA U.D (Wing) Faisalabad are being maintained scheme-wise and location-wise as prescribed in the authority's rules.

4.5.2 Issues relating to asset management involving of Rs 9.714 million observed during audit were as under:

4.5.2.1 Loss on account of payment of non-mutated land situated outside the boundaries of FDA City - Rs 9.714 million

As per Rule 2.33 of PFR Volume-I, every government servant 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.

Director EM-II, FDA UD Wing, Faisalabad paid an amount of Rs 3,584,350 to one Mr. Abdul Latif against the Volume # 486 and amount of Rs 6,129,900 to Mr. Muhammad Aslam Bosal against the Volume # 498, for the land which was out of the boundaries of FDA City Housing Scheme.

Weak supervisory and administrative controls resulted in loss to authority Rs 9,714,250.

Audit pointed out the loss in May 2014. The authority did not reply inspite of reminders.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority stated that said issue was inquired and closed by NAB Punjab. Audit contended that departmental inquiry should have been made as per order of the Director Admn, FDA UD Wing, Faisalabad. The committee agreed with audit's point of view and directed the authority that departmental inquiry be completed within 90 days with the approval of DG FDA. No compliance of the committee's directive was reported till finalization of this report.

Audit recommends early recovery of loss.

(Para 07 for 2014-15)

4.5.2.2 Irregular acquisition of Land for FDA City Housing Scheme Faisalabad.

As per Rule 2.20 of PFR Vol-I, every payment including repayment of money previously lodged with govt. for whatever purpose must be supported by voucher setting forth full and clear particulars of claim.

As per original PC-I of FDA City Housing Scheme an amount of Rs 1,110,500,000 was provided for land acquisition. Neither Director Finance FDA nor LAC FDA provided data and actual expenditure cost of land to audit. However, Director Estate Management, FDA intimated vide letter dated 24.04.2014 that the land for FDA City Housing Scheme Faisalabad was not acquired in a regular way but DHA rules were followed.

Weak supervisory and technical controls resulted in non adoption of land acquisition act 1894. It is serious financial/procedural irregularity. The frauds/irregular payments cannot be ruled out.

Audit pointed out the irregularity in May, 2014. The authority did not reply in spite of several reminders.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority stated that land was acquired on DHA model basis as per procedure approved by Chief Minister Punjab. Audit contended that DHA model was neither approved nor shown to audit even in SDAC meeting. The committee directed the authority to provide rules and procedure

adopted for acquisition of land within 7 days. No compliance of the committee's directive was reported till finalization of this report.

Audit recommends verification of record and condonation of irregularity from Finance Department.

(Para 09 for 2014-15)

4.6 Monitoring and Evaluation

4.6.1 Progress of schemes under execution was reviewed on monthly basis and quarterly basis by the Chief Engineer, Director General FDA U.D (Wing) Faisalabad.

4.6.2 Internal checks such as inspections, regular monitoring, supervision by field engineers, mechanized testing and laboratory test reports of the executed works were also vital to ensure qualitative execution of work in line with the specifications and approved design. Two levels of monitoring/supervision firstly by RRMTI and secondly by the supervisory engineers were prescribed in this regard.

4.6.3 The project management of FDA city housing scheme Faisalabad needs to augment its monitoring and supervisory role in order to ensure execution of quality work and timely delivery of desired benefits to the public. Internal controls like test check measurements/periodic inspections of works by supervisory officers need to be implemented.

4.6.4 Issue relating to monitoring and evaluation observed during audit was as under:

4.6.4.1 Extra expenditure due to litigation

As per Rule 2.33 of PFR Volume-I, every Government servant 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.

Twenty cases were pending in court of law in r/o FDA City Housing Scheme, Faisalabad and huge expenditure would have been incurred to meet with the legal expenses.

Audit pointed out the issue in May 2014. The Authority did not reply inspite of issuance of several reminders.

Para was also discussed in SDAC meeting held on 13-11-2015. The authority stated that cases would be cleared after the decision of the court. The committee kept the para pending till final outcome of cases.

Audit recommends pursuance of legal cases.

(Para 59 for 2014-15)

4.7 Environment

4.7.1 Compliance of Section 12 of Pakistan Environmental Protection Act, 1997 was not made.

4.7.2 Environmental Impact Analysis (EIA) was not carried out.

4.7.3 Environmental data was not compiled by the project authorities despite the fact that it had been indicated in PC-I that the project would have environmental impact.

4.8 Sustainability

4.8.1 Sustainability is an integral part of operational performance. Sustainability of the project depends mainly upon the sufficient flow of financial resources both during implementation and maintenance.

4.8.2 Recurring cost is to be met through annual budget of FDA.

4.9 Overall Assessment

4.9.1 **Relevance:** FDA aims to provide housing facility which will be beneficial for the environment by redressing the issue of overcrowding and slums.

4.9.2 **Efficiency:** The FDA city has turned out to be a sick project involving delay, plenty of complaints, legal cases and negative media reports. It remained slow since its start and was delayed for almost ten years. The main causes of late completion of work were poor performance

of the contractors and lack of monitoring of works by Chief Engineer / Director Engineering.

4.9.3 **Economy:** All of the works pertaining to project FDA City Housing Scheme, Faisalabad were enhanced. The original PC-I cost of Rs 2745.00 million was revised to Rs 3626.00 million. An expenditure of Rs 3219.616 million was incurred but the project was still incomplete.

4.9.4 **Effectiveness:** Since the scheme was still in progress, therefore, successful achievement of objectives, targets and desired results cannot be analyzed and assessed.

4.9.5 **Compliance with Rules:** Issues of poor financial management, contract management and construction and works depicting irregularities were noticed. Non-adherence to the principles of financial management practices is a critical area which needs to be given a serious attention to improve service delivery and ensure timely execution of quality work.

4.9.6 **Performance Rating:** Poor.

4.9.7 **Risk Rating:** High.

5 CONCLUSION

5.1 **Key Issues for the Future:** The key issues inter alia include non completion of the project in the first instance. Further, restlessness among the allottees is another key issue which is evident from the number of complaints and litigation cases. Allegations of corruption and inefficiency on the FDA staff and contractors has further deteriorated the image of the project which require remedial measures.

5.2 **Lessons Learned:** Non-compliance of contractual obligations and violation of rules are critical areas to be improved.

- i. Timely action against defaulting contractors needs to be taken to safeguard the public interest.
- ii. Internal controls like test check measurements / periodic inspections of works by supervisory officers need to be implemented.

- iii. Adherence to contractual obligations needs to be ensured at every stage of execution.
- iv. Action needs to be initiated and responsibility be fixed against the officers concerned for lapses and violation of rules besides effecting recoveries.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and staff of Director Engineering, Director Finance and Director EM-II for the assistance and cooperation extended to the auditors during this assignment.

Para No 4.1.6.1 (Page – 5)

List of record not produced for special audit of FDA City, Faisalabad

The following list of important record was not produced by the Director FDA City/Land Acquisition Collector to auditors during Special Audit of FDA City Housing Scheme.

1. Payments made to each land owner in detail
2. Procedure adopted for Land acquisition
3. Gezzette notification of Govt. of the Punjab
4. Award announced with date and detail
5. Notified area of land acquired
6. Actual area of land acquired
7. Demarcation of Land as per TOR for FDA City Project
8. Plane table survey, incorporating detail of all physical features
Line Trees, Crops, Building Structure, Water courses and drain.
9. Detail of agricultural land, cultivated land, saknee land
10. Notified rates of land acquired by DCO/BOR/Governing body
11. If rates were approved by the governing body than base for approval of rates
12. Volume Register along with complete file of each volume/owner
13. Exemption register
14. Property and asset register of FDA city
15. Inclusion of unauthorized area / volume / acres in scheme
16. Change of location of plots e.g. middle to corner or one block to another block
17. Change in chronological sequence of plots
18. Change of demarcation of plots
19. Conversion of commercial plots into residential
20. Allotment of various plots to one family at same place
21. Change of size of parks / location of parks
22. Anticorruption case file of ACE-FR-2011/14607
23. Detail of Form Application Account with correspondence file
24. Detail of application forms etc handed over to Bank-Al-Falah and unsold taken back with file
25. A copy of original and revised schedule of plots
26. Detail of missing forms with receipts status

27. Case file of 12 Nos. vehicles purchased for FDA City Housing Scheme
28. Period wise, chakwise detail of land purchased.
29. Bank Account Numbers, detail of Receipts for 2004-05 to 2014-15 including Royal Profit Account
30. Dairy dispatch register, cash book, stock register and correspondence files in respect of Advertising Format
31. Payment made and Land got transferred in the name of FDA City (2004-05 to 2014-15) with copies of payment orders, Cheques and mutation deeds
32. Bank account wise(Bank-Al-Falah) detail of receipts for the period 2004-05 to 2014-15 including “Royal Profit Account”
33. Detail of payment made regarding “Sui-gas, FESCO WAPDA department
34. Advertisement material i.e Application form, diary dispatch register, cash books, stock register, correspondence files and Bank reconciliation statements

Para No 4.3.3.7 (Page 28)

Duties to be performed by M/s NESPAK

1. Preparation of master plan (Preliminary and final)
2. Updating existing PC-I
3. Demarcation of land
4. Topographic survey
5. Town planning of scheme showing residential block, public building open space, commercial markets.
6. Detailed plan showing numbers of plots and their dimension including demarcation of plots
7. Colored map in different size Ph-II
8. Sub soil investigation
9. Lab Tests
10. Certify contractor's bill for sub soil investigation and Lab Tests.
11. Bore logs / test pits recommendation for sweet water.
12. Preparation of Bid documents
13. Bill of quantities
14. Specification of work
15. Assistance in pre-qualification of contractors
16. Ensure quality control through Lab Test
17. Preparation of As-Built drawing, deviation statement showing deviation / variation between original drawing plan and as built drawing in contents and chart.
18. Certificates that material brought at site was according to specification.
19. Monthly progress reports prepared by M/s NESPAK
20. Financial statements of NESPAK.