



PROJECT AUDIT REPORT

ON

**REMODELING OF
SIDHNAI MAILSI LINK CANAL
AND BAHAWAL CANAL LOWER**

**IRRIGATION DEPARTMENT
GOVERNMENT OF THE PUNJAB**

FOR THE YEAR 2012-13

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General conducts audits under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The audit of Project 'Remodeling of Sidhnai Mailsi Link Canal from RD 0+000 to 374+983 (Tail) & Bahawal Canal Lower from RD 152+000 to 239+580 (Tail)' executed by Irrigation Department, Government of the Punjab, was carried out accordingly.

The Directorate General Audit Works (Provincial) Lahore, conducted audit of the project during 2012-13 for the period from 2006-07 to 2011-12 with a view to reporting significant findings to 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 laws, rules and regulations in managing the project. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the project. Audit observations included in this report have been finalized in the light of discussions in the Special Departmental Accounts Committee (SDAC) meeting.

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

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Islamabad
Dated: 8th March, 2017

(Rana Assad Amin)
Auditor General of Pakistan

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ABBREVIATIONS & ACRONYMS

A.A	Administrative Approval
ADP	Annual Development Programme
B.O.Q	Bill of Quantities
B&R	Building & Roads
CCA	Canal Cultivated Area
Cft	Cubic feet
Cs	Cusec
Cusec	Cubic feet per second
ECNEC	Executive Committee of the National Economic Council
EIA	Environment Impact Assessment
FD	Finance Department
F.S	Full Supply Level
GoP	Government of the Punjab
INTOSAI	International Organization of Supreme Audit Institutions
I & P	Irrigation and Power
K.M	Kilometer
M.R.S	Market Rates System
MTDF	Mid Term Development Framework
P.C.C	Plain Cement Concrete
PC-I	Planning Commission- I
P & D	Planning & Development
R.C.C	Reinforced Cement Concrete
RD	Reduced Distance
Rft	Running Feet
Sft	Square Feet
SDAC	Special Departmental Accounts Committee
SMB	Sidhnai Mailsi Bahawal Link Canal
T.S	Technical Sanction
Vol	Volume
%	Per Hundred
‰	Per Thousand

EXECUTIVE SUMMARY

PROJECT AUDIT REPORT REMODELING OF SIDHNAI MAILSI LINK CANAL FROM RD 0+000 TO 374+983

Directorate General Audit Works (Provincial), Lahore conducted audit of project “Remodeling of Sidhnai Mailsi Link Canal from RD 0+000 To 374+983” (Package A, executed by Development Division No-II, Multan) & Bahawal Canal Lower from RD 152+000 to 239+580 (Package B, executed by Development Division, Bahawalpur)” in January 2013. The main objectives of the audit were to review performance of the project against intended objects; assess whether project was managed with due regard to economy, efficiency and effectiveness and to review compliance with applicable rules, regulations and procedures. The audit was conducted in accordance with the INTOSAI Auditing Standards.

Sidhnai Mailsi Bahawal Link Canal (SMB Link) was constructed during 1966 from new Sidhnai Barrage to feed the Bahawal Canal Lower. The outfall of SMB Link was constructed at R.D 152 of Bahawal Canal. Now the system of Bahawal Canal Lower is in operation through SMB Link Canal, which failed to meet with the required water demand of 6730 cusecs. To meet with the shortage of water supply in the District Bahawalpur, Punjab Irrigation Department decided to increase the discharge of Bahawal Canal Lower at its confluence point to provide water for about 3 lac acres new area included in Canal Cultivated Area (CCA) of the Bahawal Canal Lower System for which no irrigation supplies were available.

Key Audit Findings

The Major audit findings are as under:

- i. Tender was accepted at higher percentage of 16.97% against permissible 4.5% which resulted in loss of Rs 42.418 million (Para 4.2.1)
- ii. Payment was made at 2.84% below instead of agreed rate of 12.55% below which resulted in overpayment of Rs 8.76 million (Para 4.2.2)

- iii. Scope of work was unauthorizedly reduced for an amount of Rs 152.087 million at the time of tendering (Para 4.2.3)
- iv. Carriage of stone was allowed with incorrect lead which resulted in overpayment of Rs 8.639 million (Para 4.3.1)
- v. Undue financial benefit was provided due to non-obtaining additional performance securities valuing Rs 27.511 million (Para 4.3.2)
- vi. Work was split into three packages and awarded to avoid approval of higher authority resulting in irregular award of works for an amount of Rs 202.876 million (Para 4.4.1)
- vii. The project could not be completed in stipulated period with a time overrun of three years resulting in delay in intended benefits (Para 4.4.3)

Recommendations:

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

- i. The projects be designed/prepared after proper site surveys and requirement to avoid wastage of resources. Drawing/design of the project be prepared in consultation with all stakeholders and got vetted before award of work to avoid wastage of resources/time due to change in quantum of work after commencement and during execution of work.
- ii. Adherence to contractual obligations needs to be ensured at every stage of execution.
- iii. Action needs to be initiated and responsibility fixed against the officers responsible for lapses and violation of rules besides effecting recovery.
- iv. Internal controls need to be strengthened to avoid recurrence of financial lapses.

1. INTRODUCTION

1.1 The Remodeling of Sidhnai Mailsi Bahawal Link Canal from RD 0+000 to 374+983 & Bahawal Canal Lower from RD 152+000 to 239+580 (Tail), was cleared by ECNEC in its meeting held on 23.08.2006. The detailed PC-I of the project was approved by ECNEC at a cost of Rs 745.896 million. The project was part of Provincial MTFD and ADP for the Financial Years from 2006-07 to 2013-14.

1.2 The project was designed to enhance the water carrying capacity of canal from 10,100 to 11,300 cusec i.e 12,00 cusec in order to meet with the water requirement of Bahawalpur Zone through increase in the discharge of Lower Bahawal Canal at its confluence point to supply the water for an area of 3 lac acres.

1.3 The project was to be completed in a period of 03 years as envisaged in the PC-I starting from November 2005. But the project was still incomplete upto audit during February 2013.

1.4 The Sidhnai-Mailsi Bahawal Link Canal starts from the new Sidhnai Barrage on the Ravi River in southern direction for a distance of 42 miles to the inlet of the Mailsi Syphon which carries the flows of the system under the Sutlej River. The Mailsi-Bahawal Link Canal extends from the outlet of the Mailsi Syphon for a distance of 12 miles to the Bahawal Canal.

1.5 The project was executed by two Divisions of Irrigation Department. Year-wise budget allocation and expenditure incurred by both divisions on the project were as under:

Development Division No-II, Multan

(Rs in million)

Financial Year	Funds Allocated/Released			Expenditure	Funds Lapsed	Funds Surrendered
	Federal	Provincial	Total			
2006-07	70.00	70.00	140.00	139.994	0.006	---
2007-08	30.00	30.00	60.00	58.841	1.159	---
Total	100.00	100.00	200.00	198.835	1.165	---

Development Division, Bahawalpur

(Rs in million)

Financial Year	Funds Allocated/Released			Expenditure	Funds Lapsed	Funds Surrendered
	Federal	Provincial	Total			
2007-08	---	15.00	15.00	15.00	---	---
2008-09	15.00	64.66	79.66	79.66	---	---
2009-10	119.00	1.00	120.00	120.00	---	---
2010-11	4.12	1.00	5.12	5.12	---	---
2011-12	---	162.00	162.00	88.80	6.20	67.00
Total	138.12	243.66	381.78	308.58	6.20	67.00

The above tables show that in both packages an amount of Rs 581.78 million was released in the shape of original releases against which an expenditure of Rs 507.42 million was incurred. An amount of Rs 67.00 million was surrendered and Rs 7.365 million were lapsed for which department had given no explanation. Funding of the project was on the basis of 50:50 share of the Federal and the Punjab Government but the Federal Government had not released funds as per agreed ratio.

1.7 Contract wise physical progress of the works was as under:

Package-A (executed by Development Division No-II, Multan)

Package	Status
A-1 (RD 0.000 - 25.000)	Work incomplete
A-2 (RD 25.000 - 50.000)	Work incomplete
A-3 (RD 50.000 - 76.221)	Work incomplete

Package-B (executed by Development Division, Bahawalpur)

Package	Status
B	Work incomplete

1.8 COMPONENTS

- i. Tackling earthen reach and its structures, provide stone side protection/scour pit control.

- ii. Raising banks and Tile Lining to accommodate raised water levels including repairs to existing lining above Full Supply Level (F.S.L).
- iii. Raising decking of Tail reach Brides by replacement of Decking.
- iv. Replacement of Village Road (V.R) Bridge at Tail to provide free board.
- v. Raising gates and regulation structures with reference to raised water level.

2. AUDIT OBJECTIVES

The major objectives of Audit were:

- i. To analyze the overall performance viz-a-viz achievement of objectives and timely accrual of benefits/outcomes.
- ii. To assess whether the resources were utilized for the purpose for which they were provided.
- iii. To review compliance with applicable rules, regulations and procedures.

3. AUDIT SCOPE AND METHODOLOGY

The audit scope included the examination of accounts of the Project from 2004-05 to 2011-12. Audit methodology included data collection, examination/analysis of record, discussion with engineering staff and survey. Site visits were also conducted to have physical look at the quality of the work.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organizaion and Management

The project was executed by two divisions of Irrigation Department headed by Executive Engineers with supporting staff of Sub-Divisional Officers and Sub-Engineers. No separate Project Managment Unit was established. The project was monitored by the Chief Engineer Irrigation Zone Bahawalpur through occasional site visits. However, no systematic record of monitoring and evaluation

was maintained. Further, funding of the project was on the basis of 50:50 share of the Federal and the Punjab Governments.

4.2 Financial Management

Major issues observed in financial management were:

4.2.1 Loss due to acceptance of tender at higher rate - Rs 42.418 million

As per approved PC-I, proposed date for commencement of project was fixed as 1.11.2005 with completion period of 3 years i.e. upto 30.10.2008. Further, as per clause 10 of contract agreement, the contractor shall execute the whole and every part of the work in the most substantial and workman like manner, both as regards material and otherwise in every respect in strict accordance with the specification.

The detailed estimates were approved by the Chief Engineer, Irrigation, Bahawalpur Zone for Rs 431,729,000 on 16.01.2007. Tenders of the work were invited on 14.03.2007 after five months of grant of administrative approval. The quoted rates/amount of contractor i.e. Rs 458,870,135 was accepted against the estimated cost of Rs 398,519,170. The accepted rates were 16.97% above the technical sanction rates. Whereas, according to Delegation of Financial Powers Rules 2006, tenders could be accepted and work allotted upto maximum limit of 4.5% above the estimated rates i.e. upto Rs 416,452,532.

Weak supervisory and financial controls resulted in loss of Rs 42,417,603.

Audit pointed out the loss in January 2013. The department replied that after approval of project by the ECNEC, a long period was required to collect the Field data/survey work for preparation of the detailed estimate. The estimate was approved on 16.01.2007 and after approval of estimate, tenders were received on 16.02.2007. The Chief Engineer, Irrigation Zone, Bahawalpur cancelled these tenders. The tenders were again called on 14.03.2007, approval of competent

authority was received on 15.06.2007 and work was allotted accordingly.

The reply was not tenable as the detailed survey etc. was required to be carried out prior to submission of PC-I. Reasons for cancellation of tenders received on 16.02.2007 were not explained. Due to delay in finalization and approval of scheme and delayed completion of estimation and award of work, government had to bear extra financial burden in the shape of higher/excessive rates quoted by the bidder.

The matter was also discussed in SDAC meeting held on 21.03.2014. The department re-iterated its earlier reply. The Committee was not convinced with the departmental viewpoint and directed that final bill of the contractor be prepared and produced to Audit within 60 days. The compliance of the Committee's directive was not reported/made till the finalization of this report.

Audit stresses upon fixing responsibility against the officers concerned for acceptance of tenders beyond permissible limit besides recovery thereof.

(Para No. 09)

4.2.2 Overpayment due to allowing of higher percentage than agreed - Rs 8.77 million

As per Para (v) of Finance Department, Government of the Punjab, letter No. R.O.(Tech) FD 1-2/83-VI dated 29.03.2005, the final cost of the tender / payment shall be the same percentage above / below the amount of revised T.S. estimate as was at the time of approval of tender.

The Executive Engineer, Development Division No-II Multan awarded Package-A-1 (RD 0+000-25+000) at 12.55% below the estimated cost of Rs 90,018,228 put to tender. The department made payment upto 10th running bill at 2.84% below the estimated cost against agreed rate of 12.55% below.

Weak supervisory and financial controls resulted in overpayment of Rs 8,767,155.

Audit pointed out the overpayment in January 2013. The department replied that the Finance Department had not circulated the above direction to all the departments and main purpose of this clause/order was to avoid likely loss on account of non-workable rates offered by the bidder. The work was completed and no financial loss was sustained by the government.

The reply was not tenable because as per Finance Department's Notification, the final cost of tender/payment shall be the same percentage above/below the amount of revised sanctioned estimate as were at the time of approval of the tender so as to pre-empt excess payment.

The matter was also discussed in SDAC meeting held on 21.03.2014. The Department re-iterated its earlier reply. The Committee was not convinced with the departmental viewpoint and directed that the matter may be probed by the Chief Engineer for non-recovery on account of imbalance rate and report be submitted within 60 days. The compliance of the Committee's directive was not reported/made till the finalization of this report.

Audit stresses upon recovery besides fixing responsibility against the officers concerned for negligence.

(Para No. 03-a)

4.2.3 Un-authorized reduction in scope of work - Rs 152.807 million

As per Paras 2.7, 2.12, 2.86 of B&R Code read with the Finance Department's letter No.FD (D-II) 10(3)90 dated 30.06.1991, no change in specification / scope of work during execution of work can be made without prior approval of the competent authority who accorded Administrative Approval.

Development Division, Bahawalpur got administrative approval of the project for Rs 551,326,000 and detailed estimate for Rs 431,729,315 (component under the control of Development

Division, Bahawalpur Package-B). The tender of the work was invited on 14.03.2007 and contractor bid amount was compared/evaluated with estimated cost of Rs 398,519,170 and work was allotted for Rs 458,870,135 i.e. 16.97 % above the estimated cost.

Weak supervisory and financial controls resulted in un-authorized reduction in scope of work from Rs 551.326 million to Rs 398.519 million i.e. 29.65 % below the approved scope.

Audit pointed out the irregularity in January 2013. The department replied that project was in progress and revised PC-I/estimate was under process, all the codal formalities would be fulfilled before finalizing the project.

The reply was not tenable because scope of work was reduced at the time of award of work without the approval of competent authority/forum in violation of direction of the Finance Department.

The matter was also discussed in SDAC meeting held on 21.03.2014. The Department re-iterated its earlier reply. The Committee was not convinced with the department viewpoint and directed that contractor's bill may be finalized and got verified by Audit within 60 days. The compliance of the Committee's directive was not reported/made till the finalization of this report.

Audit stresses upon fixing responsibility against the officers concerned for un-authorized reduction in scope of work without revision of PC-I/approval from competent forum.

(Para No. 10)

4.3 Procurement and Contract Management

Major issues observed in procurement and contract management were:

4.3.1 Overpayment due to allowing payment of carriage - Rs 8.639 million

As per Specification No.16.5 (specifications for execution of works 1967 Volume-I Part-II), carriage/distance shall be measured by the nearest practicable route.

Executive Engineer, Development Division No-II, Multan measured and paid lead of 234 Km from Sakhi Sarwar Quarry via D.G Khan, Multan (V chowk) and SMB Link (package A-2), 252 Km (Package A-1) for carriage of stone. Whereas, the actual distance/route from source quarry to site of work was 207 Km and 213 Km respectively.

Weak supervisory and technical controls resulted in an overpayment of Rs 8,639,000.

Audit pointed out the overpayment in January 2013. The department replied that competent authority approved the technical sanction estimate after due deliberation and consideration and payment was made according to sanctioned estimate.

The reply was not tenable because as per approved lead chart by the Provincial Highway Division, Sahiwal and lead approved by the Supertending Engineer Irrigation Development Zone, Sahiwal, the actual distance from source quarry to site of work was 207 Km and 213 Km respectively instead of 234 Km and 252 Km as measured by the Divisional Office.

The matter was also discussed in SDAC meeting held on 21.03.2014. The department explained that lead was paid as per lead diagram issued by Executive Engineer, Highway Division, Multan. The Committee was not convinced with the departmental viewpoint and directed that Chief Engineer concerned will justify the lead diagram issued by the Executive Engineer, Highway Division, Multan and submit report within 60 days. The compliance of the Committee's directive was not reported/made till the finalization of this report.

Audit stresses upon recovery besides fixing responsibility against the officers concerned.

(Para No. 2 & 4)

4.3.2 Undue financial benefit due to non-obtaining of additional performance security - Rs 27.52 million

As per general direction No.26 (A) of the agreement read with Finance Department's letter No.RD(Tech)FD-1-2/83/VI(P) dated 24.01.2006, if contractor quotes his rates below 5% or more than estimated rates, additional performance security at the percentage equivalent to the percentage on which tender is accepted shall be obtained from the contractor within 15 days of the receipt of the acceptance.

The Executive Engineer, Development Division No-II Multan awarded Package-A-1 at 12.55% below the estimated cost of Rs 90,018,228, Package-A-2 at 13.80 % below the estimated cost of Rs 54,304,760 and Package-A-3 at 15.79 % below the estimated cost of Rs 55,223,267 put to tender but did not obtain additional performance security for Rs 27,511,099 from the contractor in the shape of bank guarantee.

Weak supervisory and financial controls resulted in undue financial benefits to the contractor for Rs 27,511,099.

Audit pointed out the undue financial benefit in January 2013. The department replied that the Finance Department had not circulated the above direction to all the departments and main purpose of this clause/order was to avoid likely loss on account of non-workable rates offered by the bidder. The work was completed and no financial loss was sustained by the government.

The reply was not tenable because the clause for additional security was provided in the agreement to safeguard the public interest which was deliberately ignored. The Finance Department directions were issued on 24.01.2006, whereas, all three packages were allotted on 1.12.2006. The work was still in progress as was evident from the last paid vouchers which were all running payments.

The matter was also discussed in SDAC meeting held on 21.03.2014. The department re-iterated its earlier reply. The Committee was not convinced with the departmental viewpoint and

directed that the matter may be probed by the Chief Engineer for non-obtaining of additional performance security and report be submitted within 60 days. The compliance of the Committee's directive was not reported/made till the finalization of this report.

Audit stresses upon early probe to fix responsibility against the officers concerned for negligence.

(Para No. 03)

4.4 Construction and Works

- i. Site selection was not involved as the scheme related to remodeling of existing Sidhnai-Mailsi-Bahawal Link Canal.
- ii. No land acquisition was involved in the project.
- iii. Design and drawings were prepared by the Irrigation Department.
- iv. Cost estimates of the project were prepared according to the approved specifications and design and on the basis of Market Rates System (MRS).
- v. Execution of works was supervised through construction schedule agreed between the employer and the contractor. Progress of execution was supervised through physical inspection of works by the field engineers for ensuring both quality and quantity.
- vi. Issues like splitting of work, irregular payment, wasteful expenditure, overpayment and non-completion of project in time noticed during audit were as follows:

4.4.1 Irregular splitting and award of work - Rs 202.876 million

As per paras 2.70 and 2.71 of Building and Roads Department Code it is not the intention to prevent the officers empowered in this respect 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 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 exceeds the power of acceptance of the authority concerned.

Note— It should be clearly understood that the splitting up of a work at the time of calling for tenders is a measure which must be justified by circumstances, and must be in the interests of the work. It must not be resorted to with a view to evading the operation of any prescribed limit.

In case in which departures from the rules contained in this section of this Chapter are unavoidable, such departures may be permitted or condoned, as the case may be, with the concurrence of the Finance Department.

Development Division No-II, Multan got approved PC-I of the scheme for Rs 194.57 million based on the MRS rates of September 2005. While awarding the contract, the management splitted the work in three packages and allotted to different contractors without getting approval of splitting from the competent authority.

Weak supervisory control resulted in irregular splitting and award of work for Rs 202,876,000.

Audit pointed out the irregularity in January 2013. The department replied that competent authority had sanctioned the estimates package wise and tenders for the individual package were invited and works allotted.

The reply was not tenable because scheme was administratively approved on MRS rates of September 2005 (District Multan) but in technical sanction estimate MRS rates for 4th quarter 2006 were applied in violation of direction of the Finance Department. Besides no approval of competent authority for splitting of work was produced to Audit for verification.

The matter was also discussed in SDAC meeting held on 21.03.2014. The department re-iterated its earlier reply. The Committee was not convinced with the departmental viewpoint and directed the Chief Engineer concerned to probe the matter for undue

splitting of work and inordinate delay and submit report within 60 days. The compliance of the Committee's directive was not reported/made till the finalization of this report.

Audit stresses upon recovery besides fixing responsibility against the officers concerned.

(Para No. 06)

4.4.2 Overpayment due to allowing separate payment for formation dressing - Rs 792,000

As per clarification of the Finance Department issued vide letter No. RO(TECH) FD-11-62/2006 dated 7.11.2006, no separate payment for formation dressing was admissible because rate of said component was included in composite rate of item earthwork excavation in irrigation channel.

Development Division No-II, Multan made separate payment for formation dressing and preparing sub-grade on slope and level @ Rs100 per % sft which resulted in overpayment of Rs 792,000 to contractor.

Weak supervisory and financial controls resulted in an overpayment of Rs 792,000.

Audit pointed out the overpayment in January 2013. The department replied that both the items were executed in different phases for different purposes for which payment was made accordingly.

The reply was not tenable because as per FD's clarification, the rate for formation, dressing and preparation of sub grade on slope was included in the item of earthwork excavation in irrigation channel. No separate payment for dressing was allowed.

The matter was also discussed in SDAC meeting held on 21.03.2014. The Department re-iterated its earlier reply. The Committee was not convinced with the departmental viewpoint and directed that recovery from the contractor's bill may be made and got

verified from audit within 60 days. The compliance of the Committee's directive was not reported/made till the finalization of this report.

Audit stresses upon recovery besides fixing responsibility against the officers concerned.

(Para No. 05)

4.4.3 Non-completion of project and non-achievement of the objectives as defined in PC-I

As per approved PC-I, proposed date for commencement of project was fixed as 1.11.2005 with completion period of 3 years i.e. upto 30.10.2008. Further as per clause 10 of contract agreement, the contractor shall execute the whole and every part of the works in the most substantial and workman like manner, both as regards to material and otherwise in every respect in strict accordance with the specification.

Development Division, Bahawalpur invited tenders on 14.03.2007 for the work "Remodeling of SMB Link RD 76+221 To 374+983 & Bahawal Canal Lower from RD 152+000 To 239+580 " and allotted the work during July 2007 for Rs 465,030,135 with completion period of 30.06.2009. Due to poor management, completion of project was delayed abnormally. Despite lapse of period of more than three years since the expiry of stipulated completion period and grant of five time extensions upto 30.06.2013, work was not completed/finalized.

Weak supervisory control resulted in non-completion of project and non-achievement of the objectives as defined in PC-I.

Audit pointed out the delay in completion in January 2013. The department replied that project was funded on 50:50 ratio by the Federal & Punjab Government. The Federal Government did not release the funds as per its share.

The reply was not tenable because no documentary proof in support of reply was shown to Audit. As per approved PC-I project was to be completed within a period of three years, a period of almost

four years beyond the target date was lapsed but the project was still incomplete.

The matter was also discussed in SDAC meeting held on 21.03.2014. The Department re-iterated its earlier reply. The Committee was not convinced with the departmental viewpoint and directed the Superintending Engineer concerned to probe the matter for inordinate delay and submit report within 60 days. The compliance of the Committee's directive was not reported/made till the finalization of this report.

Audit stresses upon early probe for fixing responsibility against the officers concerned.

(Para No. 11)

4.5 Monitoring and Evaluation

The Project Management did not execute the schemes / works as per given targets because both the time schedule and Critical Path Method (CPM) was not on record. The revision in the scope of works ultimately leading towards revision of PC-I depicted poor monitoring on the part of Project Management. Both packages of the project were incomplete. It was further observed that final bills of the package-A&B executed by the Development Division-II, Multan were not prepared and in the absence of these important documents, the evaluation of the works/schemes could not be commented.

4.6 Environment

Environmental Impact Assessment (EIA) was not prepared as required under section 12 of Punjab Environment Protection Act 1997 which was a serious lapse on the part of project authorities.

4.7 Sustainability

- i. Project has been delayed and work is still in progress, mainly due to inadequate funds because funds were not released in accordance with financial phasing stipulated in PC-I.

- ii. Development Division, Bhawalpur and Sidhnai Headworks Division, Sidhnai were responsible for operation and annual maintenance of the canal.
- iii. The Irrigation Department has the required expertise and skill to operate the project.

4.8 Overall Assessment

i. **Relevance:** The project was launched in line with the Government Sectoral priorities identified for rehabilitation and modernization of canals. The project was part of Provincial MTDF and ADP for the Financial Year from 2006-07 to 2013-14.

ii. **Efficacy:** Review of the record of the project indicated that revision of estimate was a permanent feature prevailing in Irrigation Department resulting in extra expenditure. This shows that reasonable project estimates were not envisaged at the planning stage. Moreover intended benefits could not be achieved due to inordinate delay in execution of the project.

iii. **Efficiency:** As per provision of PC-I, the project was planned to be completed within 3 years that is upto 30.10.2008. The component of project which was executed by the Development Division Multan was splitted in three groups and allotted to various contractors during November 2006 with completion period of 15 months i.e. upto February 2008. The work on all three packages was incomplete till date. The component of project which was executed by the Development Division Bahawalpur was allotted during July 2007 with completion period upto June 2009. Despite grant of five time extensions upto 30.06.2013 the work was still incomplete.

iv. **Economy:** The work was awarded through open competition amongst the pre-qualified contractors and the detailed technical estimate was framed on Market Rates System (MRS). The contractor quoted higher rates which were over and above 4.5 % of prescribed limits. After seeking approval of rates from the Chief Minister, Punjab the work was awarded to the lowest contractor.

v. **Effectiveness:** The project was incomplete therefore achievement of objectives as defined in PC-I could not be ascertained.

vi. **Compliance with Rules:** Issues of weak contract management, planning and construction & works were noticed. Non-adherence to provisions of agreement is a critical area which needs to be taken seriously for improving service delivery and ensuring timely execution of quality work.

vii. **Performance Rating:** Moderately satisfactory

viii. **Risk Rating of Project:** Medium

5 CONCLUSION

5.1 Key Issues for the future: The Project was incomplete and work was still in progress. Early completion of work and finalization of accounts needs to be looked into to safeguard and improve the performance of the canals. Audit observed that most of the irregularities were either due to weak technical, supervisory, financial controls or poor contract management. Principal Accounting Officer needs to strengthen internal controls regime in the department. The project met with serious failure of planning both at initial and execution stage.

5.2 Lesson learnt: Planning, execution of work as per work schedule, compliance of contractual obligations and monitoring mechanism are critical areas to be improved.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and staff of Development Division-II, Multan and Development Division, Bahawalpur for the assistance and cooperation extended to the auditors during this assignment.