



# **PROJECT AUDIT REPORT**

**ON**

## **CONSTRUCTION OF SMALL DAMS IN DISTRICT CHAKWAL (PHASE-II)**

### **IRRIGATION DEPARTMENT GOVERNMENT OF THE PUNJAB**

**FOR THE YEAR 2013-14**

**AUDITOR GENERAL OF PAKISTAN**

## **PREFACE**

Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with section 8 and 12 of the Auditor General's (Functions, Powers, Terms and Conditions of Service) Ordinance, 2001 requires the Auditor General of Pakistan to conduct audit of the accounts of the Federation, the Provinces or any authority and body established by the Federation or a Province.

The Director General of Audit Works, (Provincial) Lahore conducted the Project Audit of the project "Construction of Small Dams Phase-II in District Chakwal" during March 2014 for the period w.e.f. February, 2008 to June, 2012 with a view to reporting significant findings to the stakeholders. Audit examined the economy, efficiency and effectiveness aspects of the construction of Small Dams in District Chakwal. In addition, Audit also assessed on test check basis whether the management complied with applicable laws, rules, and regulation in managing the construction of Small Dams in District Chakwal. The Audit Report indicates specific action that, if taken, will help the management realize the objectives of Small Dams in district Chakwal. Most of the observations included in this report have been finalized in the light of written response of the management and minutes of the SDAC meeting.

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.

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Islamabad  
Dated: 8<sup>th</sup> March, 2017

(Rana Assad Amin)  
**Auditor General of Pakistan**

## ABBREVIATIONS & ACRONYMS

AA	Administrative Approval
ADP	Annual Development Programme
B&R	Buildings and Roads
BC Ratio	Benefit Cost Ratio
Cft	Cubic Foot
DFR	Departmental Financial Rules
DAO	Divisional Accounts Officer
DNIT	Draft Notice Inviting Tender
EIA	Environmental Impact Analysis
LBS	Pounds
KM	Kilometer
KG	Kilogram
MB	Measurement Book
M&R	Maintenance & Repair
MRS	Market Rates System
MTDF	Medium Term Development Framework
NICL	National Insurance Corporation Limited
O&M	Operations and Maintenance
PC-I	Planning Commission Performa-I
P/L	Providing / Laying
PDWP	Provincial Development Working Party
PFR	Punjab Financial Rules
Pft	Per Foot
PPRA	Punjab Procurement Regulatory Authority
PWD	Public Works Department
PAO	Principal Accounting Officer
RCC	Reinforced Cement Concrete
RD	Reduced Distance
RL	Reservoir Level
Sft	Square Foot
TSE	Technical Sanction Estimate

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## **EXECUTIVE SUMMARY**

Directorate General of Audit Works (Provincial), Lahore conducted Project Audit of construction of Small Dams Phase-II in District Chakwal during March to April 2014 with the objective to ascertain the status of dams in Barani-rural area. The main objectives of the audit were to review project performance against intended objectives, assess whether project is being managed with due regard to economy, efficiency and effectiveness, to assess compliance with applicable rules, regulations and procedures and to review the projects/schemes executed by the Small Dams Division, Chakwal, through private contractors from 2007- 08 to 2011-12.

In the Barani area of Potohar, the average rain fall varies from 400 to 1600 mm. Most of the land is undulated and un-terraced. The Nullah flowing through these lands have steep slopes. The rain water running with high velocity goes into rivers and is ultimately disposed off in the sea. Consequently, to conserve the rain water for Agriculture, the only solution was to build reservoirs, hence, different Small Dams were constructed in Potohar Area. In order to ensure supply of water for Irrigation throughout the year, Executive Engineer, Small Dams Division, Chakwal launched a project namely Construction of Small Dams Phase-II in District Chakwal w.e.f. 2007-08 to be completed during 2009-10.

The administrative control of the project/Small Dams Organization is with the Secretary Irrigation Department, Govt. of the Punjab, Lahore. Chief Engineer, Irrigation Zone, Lahore is the Technical Controller while Superintending Engineer of the Circle is Project Director of Small Dams Organization, Islamabad. Small Dams Division, Chakwal was headed by an Executive Engineer, supported by three Sub-divisional Officers of Sub-division No.I, II in Chakwal and Sub-division-III in Tehsil Talagang. The pre-audit of all the bills was conducted by Divisional Accounts Officer who was appointed by the Director General, Accounts Works, Lahore.

## Key Audit Findings

During execution of project audit the lapses in contract management and financial management, observed by audit, were as under:

- (i) PC-I was revised three times during execution and budget allocation was enhanced from Rs 804.200 million to Rs 969.180 million and then to 996.180 million due to time overrun of two (02) years.
- (ii) The project was planned to be started on 11.03.2008 and to be completed on 01.09.2009 but the project was completed during 2011-2012, with a delay of two years.
- (iii) In various cases price variation amounting to Rs 0.531<sup>1</sup> million was paid to the contractors for the period after stipulated date of completion without grant of time extension.
- (iv) Award of work and payment of Rs 2.311<sup>2</sup> million was made in violation of contract agreement and instructions of Finance Department.
- (v) Estimate of one component i.e. construction of Channel of Dhok Hum Dam under Package-B was incorrectly prepared and approved by mentioning the dead storage level of Dhok Hum Dam as RL-1725 instead of RL-1706. Thus due to negligence and error, the estimate was wrongly prepared and the cost of work increased from Rs 44.699 million to Rs 78.182 million (approximately).
- (vi) Rate analysis of non-schedule items was approved on higher side which resulted in overpayment of Rs 0.777<sup>3</sup> million and made payment without approval from competent authority amounting to Rs 3.857<sup>4</sup> million. In various cases, the different

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<sup>1</sup> Para-12

<sup>2</sup> Para-9

<sup>3</sup> Para-2, 3 & 8

<sup>4</sup> Para-30

items of works was paid for Rs 107.92<sup>5</sup> million without test report from approved laboratory and the department used incorrect specification of different items.

- (vii) Additional Performance Securities of Rs 134.757<sup>6</sup> million were also not obtained from the contractors.

## **Recommendations**

- Reasons for three times revision of PC-I and enhancement of project cost from Rs. 804.200 million to Rs. 996.180 million may be explained with justification otherwise condonation sanction from the competent authority be obtained.
- The violation of contract agreement may be got condoned from the competent authority.
- Action may be taken against the responsible person(s) who prepared wrong estimates of Package-B leading to enhancement of project cost of Dhok Hum Dam by 74.91% above the original cost.
- The department should engage regular employees for watch and ward of completed dams instead of employing daily paid work charge labour.
- Recovery of overpayments as pointed out by Audit may be made from the responsible person(s), irregularities of financial mismanagement and violation of rules and regulations may be got condoned from the competent authority.

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<sup>5</sup> Para-28

<sup>6</sup> Para-22





## **1. INTRODUCTION**

1.1 The Directorate General of Audit Works (Provincial), Lahore conducted Project Audit of “Construction of Small Dams Phase-II”, in district Chakwal w.e.f 16.03.2014 to 01.04.2014 to assess the project activities with regard to economy, efficiency and effectiveness.

1.2 In the Barani area of Potohar, the average rain fall varies from 400 to 1600 mm. The land is mostly undulated and un-terraced. The Nullah flowing through these lands have steep slopes. The rain water running with high velocity goes into rivers and ultimately disposes off in the sea. Consequently, to conserve the rain water for Agriculture, the only solution was to build up reservoir, which would also eliminate the hazards caused by delayed rains at the time of sowing and growing when a little delay in rainfall may result in reduction of crop yield by less than half. Hence, following four small dams (Annex - A) were constructed in Potohar Area:

### **Dhok Hum Dam**

The Dhok Hum dam Project is located on Ankar Nullah in Tehsil Talagang & District Chakwal. The dam site is at a distance of about 25-km from Talagang Mianwali Road. Catchment area upto dam site is 64.50 Sq.km. Average annual rainfall in the project area is 371 mm.

### **Mundee Dam**

The Mundee Dam Project is located on Ghazna Kas in Chakwal. The dam site is at a distance of about 6 km from village Malhal. Catchment area upto dam site is 3.32 Sq. km. Average annual rainfall in the project area is 725 mm.

### **Dhok Jhang Dam**

The Dhok Jhang Dam Project is located on a tributary of Bunha River in South-East of Chakwal. The dam site is located at a distance of about 30

km from Chakwal. Catchment area upto dam site is 14 Sq.km. Average annual rainfall in the project area is 618 mm.

### **Uthwal / Lakhwal Dam**

The Uthwal/Lakhwal dam Project is located on Sauj Nullah a tributary of Sowan River in Tehsil & District Chakwal. The dam site is at a distance of about 25 km from south-west of Chakwal city. Catchment area upto dam site is 115 Sq.km. Average annual rainfall in the project area is 577 mm.

1.3 The project relates to Public Sector Development Programme (PSDP) which was approved by the Governor of the Punjab through an Admn. approval for Rs 804.200 million vide No.SO (EVL) Irri/1-22/2007 dated 19.11.2007.

1.4 The project started during 2007-08 which was to be completed during 2009-10 but got completed during 2011-2012 with a delay of two years.

1.5 Although the department prepared PC-IV of all the four dams under Phase-II but the accounts regarding contracts of three works valuing Rs 246.384 million (Annex-B) against package- "D", "E", "J" of Mundee Dam and Uthwal / Lakhwal Dam were not finalized till the date of completion of Project audit.

1.6 This project is aimed at developing the water resources by construction of storage dams in the Barani Area of District Chakwal. These projects will provide water supply to 6200 acres through gravity flow and lift besides provision of drinking water supply and other benefits to the adjoining areas.

## **2. AUDIT OBJECTIVES**

The major objectives of audit were to:

2.1 Review project's performance against intended objectives.

- 2.2 Assess whether project was executed with due regard to economy, efficiency and effectiveness.
- 2.3 Review compliance with applicable rules, regulations and procedures.

### **3. AUDIT SCOPE AND METHODOLOGY**

3.1 Project audit of “Construction of Small Dams in district Chakwal (Phase-II)” was conducted w.e.f. 16.03.2014 to 01.04.2014. The project audit was conducted by reviewing files / relevant record of four dams executed in District Chakwal, field visits and interviews.

### **4. AUDIT FINDINGS AND RECOMMENDATION**

#### **4.1 Organization and Management**

**4.1.1** The Administrative control of Small Dams Organization, Islamabad was with the Secretary Irrigation Department, Govt. of the Punjab, Lahore. Chief Engineer, Irrigation Zone, Lahore was the technical controller of Small Dams Organization and Superintending Engineer of the Small Dams Organization, Islamabad Circle was the Project Director. Small Dams Division, Chakwal was headed by an Executive Engineer supported by three Sub-Divisional Officers of Sub-Division No. I, II in Chakwal and Sub-Division III in Tehsil Talagang (Annexure-C).

**4.1.2** The pre-audit of all the bills of the division was carried out by Divisional Accounts Officer who was appointed by the Director General Accounts Works, Lahore.

#### **4.2 Financial Management**

**4.2.1** Original PC-I of Rs 804.200 million was revised during execution and enhanced to Rs 969.180 million and then to Rs 996.180 million vide

No.SO(EVL) Irri/1-22/2007(PT-I) dated 24.04.2010 and SO(EVL)Irri/1-22/2007 dated 07.03.2012 respectively.

**4.2.2** All transactions for execution of the project / schemes were made in local currency. The funds for execution of the project were provided by Govt. of the Punjab Irrigation Department. The execution of the project was done by the Executive Engineer Small Dams Division, Chakwal under the supervision of Project Director, Small Dams Organization Islamabad.

**4.2.3** In various cases price variation on different items amounting to Rs. 16.058 million (Annex-D) was paid to the contractors for the period after stipulated date of completion without time extension.

**4.2.4** Rs 996.177 million were released during five years w.e.f 2007-08 to 2011-12 for the execution of four Dams in District Chakwal. Out of which an amount of Rs 995.538 million (Annex-E) was utilized by the department in execution of the project.

**4.2.5** Funds were almost fully utilized during the period from 2007-08 to 2011-12 for the construction of four Dams.

**4.2.6** Year wise financial phasing of the project is as under:

**(Rs in million)**

<b>Sr. No</b>	<b>Year</b>	<b>ADP Allocations</b>	<b>Releases</b>	<b>Actual Expenditure</b>	<b>Saving</b>
01	2007-08	135.00	135.00	134.999	0.001
02	2008-09	291.577	291.577	291.486	0.091
03	2009-10	265.00	265.00	264.901	0.099
04	2010-11	159.264	159.264	158.816	0.448
05	2011-12	145.336	145.336	145.336	-
	<b>Total</b>	<b>996.177</b>	<b>996.177</b>	<b>995.538</b>	<b>0.639</b>

### Sub-Project wise detail

(Rs in million)

Sr No.	Name of Sub-Projects	Expenditure
1.	Dhoke Hum Dam	257.487
2.	Mundee Dam	78.361
3.	Dhoke Jhang Dam	203.701
4.	Uthal / Lakhwal Dam	455.989
<b>Total</b>		<b>995.538</b>

Perusal of above table shows that the department utilized almost 100% of the released funds during the financial years 2007-08 to 2011-12.

### 4.3 Procurement and Contract Management

**4.3.1** Four Small Dams were got constructed by different contractors through award of 11 contracts w.e.f. February 2008 to June 30, 2012.

**4.3.2** During Project audit of Small Dams project phase-II, contract mismanagement resulting in overpayment Rs 2.311 million was noticed which was in violation of instructions of Finance Department and contract agreement. The detail is as under:

#### **4.3.2.1 Overpayment due to allowing higher percentage - Rs 2.311 million**

As per Para V of Finance Department, Government of the Punjab letter No. R.O.(Tech) FD 1-2/83-VI dated 29<sup>th</sup> March, 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.

Executive Engineer, Small Dams Division, Chakwal awarded two works to different contractors at 5.40% and 9.71% below the amount of TSE. At the time of finalization of works, the department made payments to the contractors at 4.33% and 7.82% below the revised TSE amount. Thus, payments were made at higher percentages.

Weak financial controls and violation of agreement clauses resulted in overpayment of Rs 2,310,567.

Audit pointed out the overpayment in March 2014. The department replied that all the items were not executed and rate decided at the time of issuance of acceptance letter could not be followed because rates were prone to vary subsequently. The reply was not tenable because the percentage agreed upon in the acceptance letter could not be altered.

The matter was discussed in SDAC meeting held on 13.08.2015. The Committee was not convinced with the departmental reply and directed for detailed verification within 30 days. No record was produced for verification.

Audit recommends early recovery of overpayment.

**(Para No.9)**

#### **4.4 Construction and Works**

**4.4.1** All the four dams were constructed at different sites in an area of 9508 kanal and 2 marla. Acquisition of land for construction of dams was made through Punjab Board of Revenue (Deputy District Officers (R) Land Acquisition Collectors, Chakwal and Talagang). Design, drawing and cost estimates were prepared by the executing department concerned.

**4.4.2** It was noticed that the estimate of one component i.e. construction of Channel of Dhok Hum Dam under Package-B was wrongly prepared and approved by mentioning the dead storage level of Dhok Hum Dam as RL-1725 instead of RL-1706. Thus due to negligence and error, the estimate was wrongly prepared and the cost of work increased from Rs 44.699 million to Rs 78.182 million (approximately).

**4.4.3** Before award of works, 93 bidders / contractors participated in the bid and submitted their competitive rates, out of which 11 contractors were selected for execution of dams and their allied works on the basis of technical and financial evaluations. One contract was however, awarded

without advertising the work on PPRA's website in violation of PPRA's rules 2009.

**4.4.4** The contractors submitted their construction schedule for the timely completion of the dams upto 2009-10 but the contractors did not complete the work in time. Thus, the works were completed during 2011-12, two years later than the stipulated date of completion.

**4.4.5** During execution of the project the department approved the rate analysis of non-scheduled items on higher sides. Moreover, in various cases different items of works were executed without Lab Test Reports from approved laboratory and the department used incorrect specifications of different items (Annexes F, G, H, I, J). Further, additional performance securities were not obtained from the contractors inspite of the fact that their rates were more than 5% below the TSE amount. Thus total amount of financial mis-management and irregularities committed by the department were worked out to Rs 470.578 million as given below:

**4.4.5.1 Unjustified expenditure due to non-submission of vouched accounts - Rs 197.819 million**

According to rule 2.20 PFR Vol-I, read with Subsidiary Treasury Rule 6.2, every payment including repayment of money previously lodged with Government for whatever purpose must be supported by a voucher setting forth full and clear particulars of the claim.

Executive Engineer, Small Dams Division, Chakwal paid an amount of Rs 197.819 million to the Assistant Commissioner & Land Acquisition Collector, Chakwal and different Departments/Agencies on account of "Land Acquisition" for execution of four Dams of Phase-II but vouched accounts in support of payments made were not obtained from the quarters concerned to verify the accuracy of expenditure incurred/booked.

Non-submission of vouched accounts resulted in unjustified expenditure of Rs 197.819 million (Annex - K).

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

The matter was discussed in SDAC meeting held on 13.08.2015. The department replied that on receipt of the vouched accounts from the quarters concerned the same will be submitted to audit for verification. The Committee was not convinced with the departmental reply. The Committee directed the department to get the record verified in detail within 30 days but there was no compliance till the finalization of report.

Audit recommends justification of expenditure and early production of the vouched accounts for verification by audit.

**(Para No.26)**

#### **4.4.5.2 Undue financial benefit due to non-obtaining of Additional Performance Security - Rs 134.757 million**

According to Finance Department clarification issued vide letter No. RO(Tech) FD-1-2/83/VI(P) dated 24.01.2006, if contractor quotes rates @ 5% (or subsequent %age) below the estimated cost in such case Additional Performance Security should be deposited.

Executive Engineer, Small Dams Division, Chakwal awarded 09 works to different contractors at the rates lower than technical sanction estimates ranging from 5.20% to 31.27% during March 2008 but did not obtain additional performance security from the contractors.

Weak financial control resulted in undue financial benefit to the contractors amounting to Rs 134,756,752 (Annex - L).

Audit pointed out the issue (non-obtaining of Additional Performance Security) in March, 2014. The department did not reply.

The matter was discussed in SDAC meeting held on 13.08.2015. The department replied that work had been successfully completed in 2012 hence at this stage Additional Performance Security is not required.



The Committee was not convinced with the departmental reply. The Committee directed the department to get the record verified in detail within 30 days. During re-verification, the department did not show final bills and proof of obtaining Additional Performance Security. The Committee directed that the matter may be got condoned from the competent authority.

Audit recommends condonation sanction from the Finance Department besides fixing responsibility for this lapse.

**(Para No.22)**

#### **4.4.5.3 Irregular payment due to execution of work without material test reports - Rs 107.976 million**

As per clause-28 of contract agreement, during execution of work and before making payment, lab tests are required to be carried out / conducted as quality of control test is mandatory.

Executive Engineer, Small Dams Division Chakwal made payments for the execution of different items of works i.e. P/L RCC Sewer Line 12” dia to 36” dia, P/L sub-base course and base course, Pacca Brick Work 2000 PSI, P/L Tuff Tile 7000 PSI, Compaction of earth soil 95% to 100% and P/L Fabrication of mild steel but material test reports of these items of works were not obtained from approved Labs.

Weak contractual and financial controls resulted in irregular payment of Rs 107.976 million.

Audit pointed out the overpayment in March, 2014. The department did not reply.

The matter was discussed in SDAC meeting held on 13.08.2015. It was explained that the work “Compaction of earth soil 95% to 100%” was executed according to specification. During verification it was observed that there was no matching of location, dates, record entries and test reports and para was kept pending by the SDAC.

Audit recommends obtaining the original Lab Test Reports from the approved lab for verification.

**(Para No.28)**

**4.4.5.4 Unjustified expenditure on account of 3% contingency  
- Rs 20.227 million**

As per Govt. of the Punjab Finance Department letter No. RO(Tech) FD-10-2/90 dated 02.04.1992 read with para 2.26 (i) of B&R Department Code, provision should be made in the estimate for incidental expenditure which can be foreseen, such as cost of land, helmets for workman, sheds for stores, hiring of godown, dewatering and pumping arrangements etc which in addition to provision of 3% and 5% of major and minor works respectively on the estimated cost of works should be made to cover contingencies which cannot be foreseen.

Executive Engineer, Small Dams Division, Chakwal, made provision of 3% contingency for Rs. 20,227,150 for different works of Small Dams Project Phase-II but the detail of expenditure met from contingency of works was not produced to Audit. Audit is of the view that in the absence of complete record it was not possible to check the accuracy of accounts record of the division.

Weak administrative and financial controls resulted in unjustified expenditure of Rs 20,227,150 (Annex - M).

Audit pointed out the overpayment in March, 2014. The department did not reply.

The matter was discussed in SDAC meeting held on 13.08.2015. The department replied that during the course of audit all the record pertaining to this division was properly produced and in case of any deficiency, the requisite record would be got verified from Audit. The Committee was not convinced with the departmental reply. It was decided that detailed verification of record i.e. contingent register, vouchers etc, be

got completed within 30 days but there was no compliance till the finalization of report.

Audit recommends that justification of expenditure may be provided besides fixing the responsibility on the person(s) at fault for the non-production of record.

**(Para No.24)**

**4.4.5.5 Unjustified payment due to non-approval of analysis of rate - Rs 3.857 million**

As per Govt. of the Punjab Finance Department instructions vide No.RO(Tech)FD-18-23/2004 dated 21.09.2004, if any non schedule item is required to be executed, the analysis of rate of non-schedule items should be prepared and got approved by the S.E / Director concerned on the basis of the input rate/MRS of relevant quarter and template placed at website of Finance Department.

Executive Engineer, Small Dams Division, Chakwal measured and paid certain non-schedule items without preparing and approving their rate analysis from the competent authority which resulted in unjustified payment of Rs 3.857 million.

Weak supervisory and financial controls resulted in unjustified payment of Rs 3,856,500 (Annex - N).

Audit pointed out the unjustified payment in March, 2014. The department did not reply.

The matter was discussed in SDAC meeting held on 13.08.2015. The department replied that the payment was made to the contractor according to his quoted rates and as per provision of TSE duly approved by the competent authority. The Committee was not convinced with the departmental reply. It was decided that a technical probe by the Chief Engineer concerned may be got completed within 30 days. Compliance of the committee's directive was not reported till finalization of this report.

Audit recommends justification of payments without preparation / approval of rate analysis besides obtaining condonation from the Finance Department.

**(Para No.30)**

#### **4.4.5.6 Overpayment due to allowing excess lead - Rs 2.826 million**

As per Specification No.16.5 (specifications for execution of works 1967 Volume-I, Part-II), read with rule 7.29 DFR Vol-I, carriage/distance shall be measured by the nearest practicable route and before signing the bill, the Sub-Divisional Officer should compare the quantities in the bill with those recorded in the measurement book and see that all rates are correctly entered and all calculations are arithmetically correct.

**4.4.5.6(i)** Executive Engineer, Small Dams Division Chakwal for execution of different works, got approved the rates of items of work P/L Course Sand, Fine Sand, including leveling dressing to designed section and compacting by mechanical mean 95% to 100% maximum modified AASHO dry density including carriage from Lawrancepur (Course sand), Duman Nullah (Fine Sand) to sites of works by taking lead upto 215-km to 230-km (by adopting incorrect routes) instead of admissible lead of 161-km to 183-km (without adopting correct routes).

Weak technical and financial control resulted in overpayment of Rs 2,200,583 (Annexes - O, P, Q, R, S, T).

**4.4.5.6(ii)** Executive Engineer, Small Dams Division, Chakwal measured and paid an item of work P/L, Stone or spawl Kallar Kahar, Punjab to Dhok Hum Dam via Chakwal for 100 km by adopting route of longer distance instead of nearest route of Kallar Kahar to Talagang via Muslimabad and Talagang to site of work which was only 59 KM. Thus the department paid high rate of Rs 927 per %cft instead of admissible rate of Rs 675 per %cft.

Weak technical and financial controls resulted in overpayment of Rs 624,907. (Annexes - U)

Audit pointed out the overpayments in March, 2014. The department did not furnish any reply.

The matter was discussed in SDAC meeting held on 13.08.2015. The department produced the lead chart duly verified by D.D roads Chakwal but it was not clarified / justified that why shortest route was not used for carriage. The Committee was not convinced with the departmental reply as shortest route was not used and directed for detailed verification of record within 30 days.

Audit recommends early recovery of overpayment besides fixing responsibility against the person (s) at fault.

**(Para No.11, 13, 14, 15, 16, 17 & 19)**

#### **4.4.5.7 Non-submission of progress report of plantation - Rs 1.626 million**

As per PC-I of the project provision of plantation was made for small dams Phase-II in district Chakwal i.e. Dhok Hum Dam, Mundee Dam, Dhok Jhang, Uthwal / Lakhwal Dam.

Executive Engineer, Small Dams Division, Chakwal made lump sum provision of Rs 1,702,018 for tree plantation in the Construction of Small Dams in Phase-II but progress report and detail of utilization of those funds was not provided to audit. In the absence of this, chances of mis-appropriation of funds cannot be ruled out.

Weak supervisory and financial controls resulted in non-submission of progress report of plantation amounting to Rs.1.702 million (Annex - V).

Audit pointed out the overpayment in March, 2014. The department did not furnish any reply.

The matter was discussed in SDAC meeting held on 13.08.2015. It was argued that all the documents of tree plantation in construction of Dhok Hum Dum, Mundee, Dhok Jhang & Uthwal/Lakhwal Dam as well as progress report had been maintained and got verified from Audit. During verification the department produced the record i.e stock register and M.B 251, IB-13, 12-L according to which 750 plants valuing Rs.79,400 were shown but record of balance amount of Rs 1.626 million was not produced. The para was kept pending by the SDAC.

Audit recommends justification of non-submission of progress report besides fixing responsibility on the person(s) at fault.

**(Para No.29)**

#### **4.4.5.8 Overpayment due to allowing higher rate - Rs 777,151**

As per sub para 'c' of Finance Department's Notification No.RO (TECH) FD.2-3/2004 dated 2.08.2004, "the Chief Engineers on the basis of input rates fixed by the Finance Department shall fix the rate of each item of work for rough cost estimate, Admn. Approval and detailed estimate for technical sanction place them on their websites and send a copy to the Finance Department. One hard copy of these rates shall be retained for record".

Executive Engineer, Small Dams Division Chakwal got executed items of work P/L Tuff Tiles 50 mm thick in execution of different works by preparing rate analysis @ Rs 96 to Rs. 100 P.sft, instead of admissible rate of Rs 43.03 P.sft, without considering the rates of labour, carriage and cost of tuff tiles available in input rates of MRS.

Weak technical and financial controls resulted in overpayment of Rs 777,151 (Annexes - W, X,Y).

Audit pointed out the overpayment in March, 2014. The department did not furnish any reply.

The matter was discussed in SDAC meeting held on 13.08.2015. The Committee directed that a technical probe by the Chief Engineer concerned may be got completed within 30 days. No compliance of the Committee's directive was reported till the finalization of report.

Audit recommends early recovery besides fixing responsibility for the lapse.

**(Para No.2, 3 & 8)**

**4.4.5.10 Overpayment on account of price variation of bitumen  
- Rs 0.531 million**

As per instruction 7 laid down in preface of Measurement Book read with Rule 7.16 & 7.17 (b) of Departmental Financial Rules (DFR), all payments for works or supplies are based on the quantities recorded in the Measurement Book. It is incumbent upon the person taking the measurements to record the quantities clearly and accurately.

Executive Engineer, Small Dams Division, Chakwal executed an item of work "providing surface treatment to roads with single coat by using 40 lbs bitumen" for 56280 sft area and in the Measurement Book, it was also recorded with single coat. But while paying price variation on bitumen it was paid by taking double coats of bitumen instead of admissible quantity with respect to single coat.

Weak technical and financial controls resulted in overpayment of Rs 530,800.

Audit pointed out the overpayment in March, 2014. The department did not furnish any reply.

The matter was discussed in SDAC meeting held on 13.08.2015. The department stated that due to typing mistake one coat was written. The Committee was not convinced with the departmental reply and directed the department to get the record verified in detail within 30 days along with condonation of the error from competent authority but no compliance was made till finalization of report.

Audit recommends that recovery of overpayment be made at the earliest besides fixing the responsibility on the person at fault.

**(Para No.12)**

**4.4.5.11 Overpayment on account of extra item of formation / dressing  
- Rs 0.182 million**

As per clarification issued by the Finance Department Government of the Punjab, vide letter No. RO(Tech)FD-11-62/2006 dated 07.11.2006, rate for formation, dressing and preparation of sub-grade in bed and on slope is included in the item of earth work excavation in irrigation channels.

Executive Engineer, Small Dams Division, Chakwal got executed and paid an item of work “Formation dressing and preparing sub-grade in bed and slope” in addition to item “Earthwork excavation in irrigation channel”. Thus, allowing the payment for extra item “formation and dressing” in addition to earthwork excavation in irrigation channels resulted in overpayment.

Weak contractual and financial controls resulted in overpayment of Rs 182,202.

Audit pointed out the overpayment in March, 2014. The department did not reply.

The matter was discussed in SDAC meeting held on 13.08.2015. Department replied that earth work excavation in irrigation channel etc. was paid without compaction and dressing therefore it was allowed separately and paid correctly. However, the Committee pended the para.

Audit recommends that recovery of overpayment be made at the earliest.

**(Para No.18)**



## **4.5 ASSET MANAGEMENT**

**4.5.1** The department did not maintain proper record of assets. However, the department acquired an area of 9508 kanal and 2 marla for construction of four dams in Chakwal. The department acquired land through Punjab Board of Revenue (Deputy District Officers (R), Land Acquisition Collectors, Chakwal and Talagang).

**4.5.2** Originally in PC-I cost of Rs 92.952 million was approved for acquisition of land for construction of four dams. The same was increased to Rs. 165.792 million in the revised PC-I which was further increased to Rs. 199.477 million in the next revised PC-I. Against this an amount of Rs. 197.819 million was spent on account of acquisition of land.

**4.5.3** The department did not engage regular employees for watch and ward of four dams. Only daily paid work charge labour was engaged for watch and ward of the dams. This action of the department for proper safeguarding and maintenance of assets / dams was not appreciable. Audit is of the view that temporary work charge labour cannot perform their duties with full responsibility.

It is, therefore, recommended that regular paid staff may be engaged for watch and ward of the dams so that the Government assets could be safeguarded properly.

## **4.6 MONITORING AND EVALUATION**

**4.6.1** The project was started during 2007-08 which was to be completed during 2009-10 but the project was completed during 2011-2012, two years later than the stipulated period.

**4.6.2** Although the department prepared PC-IV of all the four dams under Phase-II but the accounts regarding contracts of three works valuing Rs 246.384 million against packages - "D", "E", "J" of Mundee Dam and Uthwal / Lakhwal were not finalized till the date of completion of project audit.

**4.6.3** All the four dams were operational. The operation of dams was being done by deploying the existing staff of Small Dams Division, Chakwal. The department neither prepared evaluation report nor produced any such record to Audit.

#### **4.7 Compliance with grant / loan covenants**

**4.7.1** The funds for construction of small dams in district Chakwal (Phase-II) were provided by Government of the Punjab Irrigation Department, Lahore. No grant or loans from any other source were provided for construction of the project.

#### **4.8 ENVIRONMENT**

- i. Compliance of section 12 of Pakistan Environmental Protection Act, 1997 was not made.
- ii. Environment Impact Analysis (EIA) was not carried out.
- iii. Environmental data was not compiled by the department.
- iv. Environmental data and analysis thereon was not available with the department to check whether any remedial steps to improve the environment were initiated by the department or not.

#### **4.9 SUSTAINABILITY**

**4.9.1** Sustainability is an integral part of operational performance. Sustainability of the projects depends mainly upon sufficient flow of financial resources both during implementation and operational phase.

**4.9.2** Recurring cost would be borne by the department on completion of (near completion) three no. contracts against package D, E, J. Moreover, maintenance / operational cost of dams / project would also be provided by the department.

**4.9.3** Existing technical staff of Small Dams Organization, Irrigation Department would look after the project after its completion.

## **4.10 OVERALL ASSESSMENT**

### **4.10.1 Relevance**

The project does not fall in the MTFD of the Government. It relates to the Public Sector Development Programme (PSDP) of Government.

### **4.10.2 Efficacy**

Review of the project / construction of small dams indicated that cost and time overrun were permanent features prevailing in the department. It caused not only two years delay in the achievement of the project objectives/targets, but also deprived the end users of the desired benefits for two years.

### **4.10.3 Economy**

It was noticed that the principle of economy was compromised on account of preparing estimate of Package-B of Dhok Hum Dam incorrectly due to which the cost of work was increased by approximately 74.91% from the original estimate. Moreover, in various cases the department made extra payments due to allowing higher rates of schedule / non-schedule items which were not based on MRS material rates of relevant quarters. The department also made payments of price variation on the quantity of bitumen which was not used on the work and undue financial benefit was given to the contractors due to non-receipt of additional performance securities.

### **4.10.4 Effectiveness**

Despite incurring expenditure of million of rupees on execution of project / works, fruitful result and objectives were not achieved by the department in stipulated time against the planned targets. Resultantly

socio-economic benefits to the general public against the amount expended were delivered two years late.

#### **4.10.5 Compliance of rules and regulations**

The department did not make compliance of PPRA's rules while awarding contract under package-B, Dhok Hum Dam. The department did not consult MRS material rates of different items while preparing the item rates of scheduled and non-schedule items. The department used rich specification of different items instead of standardized specification which resulted in overpayment / irregularities of millions of rupees.

The department needs to streamline its activities / operations promptly and take effective steps to establish strong and reliable internal controls for improving organizational efficiency and output.

#### **4.10.6 Performance rating**

Moderately satisfactory

#### **4.10.7 Risk Rating of projects / scheme**

Low

## **5 CONCLUSION**

### **5.1 Key issues for the future**

5.1.1 Due to the financial mismanagement, it is feared that the Government would sustain heavy loss if the amount overpaid to the contractor is not recovered timely.

5.1.2 The action of the department by engaging daily paid work charge staff for watch and ward of dams was not appreciable. It is feared that if

this practice continues, the work charge staff will not be able to watch interest of Government efficiently.

## **5.2 Lessons learnt**

5.2.1 Inaccurate preparation of estimates, improper survey, violation of rules and regulations for preparation of analysis of rates, PPRA's rules, payments to the contractors on higher side due to excess leads of carriage for stone / spwal, sand and in excess of agreed rates etc. are critical areas to be improved for achieving satisfactory performance.

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