



PROJECT AUDIT REPORT

ON

**CONSTRUCTION OF SIGNAL FREE
JUNCTION AT NEW AZADI CHOWK
LAHORE**

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

FOR THE YEAR 2014-15

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 "Construction of Signal Free Junction at New Azadi Chowk" executed by HUD & PHE Department, Government of the Punjab, was carried out accordingly.

The Directorate General, Audit Works (Provincial) Lahore, conducted Project Audit of "Construction of Signal Free Junction at New Azadi Chowk" during 2014-15 with a view to report 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 to realize the objectives of the project.

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.

Islamabad
Dated: 8th March, 2017

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(Rana Assad Amin)
Auditor General of Pakistan

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Abbreviations & Acronyms

AA	Administrative Approval
BOQ	Bill of Quantities
Cu.m	Cubic meter
ECNEC	Executive Committee of the National Economic Council
EIA	Environment Impact Assessment
FD	Finance Department
GoPb	Government of the Punjab
GST	General Sales Tax
INTOSAI	International Organization of Supreme Audit Institutions
IPC	Interim Payment Certificate
Kg	Kilogram
Km	Kilometer
LDA	Lahore Development Authority
MRS	Market Rate System
MS	Mild Steel
NESPAK	National Engineering Services Pakistan (pvt) Ltd.
PC-I	Planning Commission-I
P&D	Planning & Development
PDWP	Provincial Development Working Party
RCC	Reinforced Cement Concrete
RD	Reduced Distance
Sq.m	Square meter
TEPA	Traffic Engineering & Planning Agency
T S	Technical Sanction
Vol.	Volume

EXECUTIVE SUMMARY

CONSTRUCTION OF SIGNAL FREE JUNCTION AT NEW AZADI CHOWK

Directorate General of Audit Works (Provincial), Lahore conducted Project Audit of “Construction of Signal Free Junction at New Azadi Chowk” in March 2015. The main objectives of the audit were to review performance of the project and to assess whether project was executed 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.

The project was designed to develop a signal free junction at Azadi Chowk. About one kilometer (from Azadi Chowk to Laari Adda Chowk) of existing circular road was proposed to be demolished. The existing road adjacent to Minar-e-Pakistan, (i.e. Ahmed Ali Road), was to be improved / upgraded. It was a substitute to reach circular road which was realigned.

An elevated roundabout was proposed at the intersection, in order to facilitate the right turning and U-turning traffic. The signal free facility was provided to the commuters coming from three directions i.e Railway Station to Niazi Interchange, from Bhaati Chowk to Railway station and U-turning traffic for all the three directions i.e Railway Station, Bhaati Chowk and Niazi Interchange. By providing the separation at grade, Azadi Chowk was planned to be signal free for mixed traffic as well as metro bus already being operative.

Key Audit Findings

Audit findings which were categorized into major issues i.e financial management, procurement & contract management and construction & works were as under:

- i. Overpayment of Rs 77.88 million was observed in financial management on account of incorrect preparation / approval of rate analysis in 10 (ten) cases¹.
- ii. Overpayment of Rs 225.99 million was observed in Contract Management on account of payment of 20% overhead & profit on GST, less-recovery of income tax and calculation of excess / incorrect lead for carriage of stone in 03 (three) cases².

iii. Overpayment and irregularities of Rs 946.06 million were observed in Construction & Works in 04 (four) cases³.

¹ Para 4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.2.5, 4.2.6, 4.2.7, 4.2.8, 4.2.9 & 4.2.10

² Para 4.3.1, 4.3.2, & 4.3.3

³ Para 4.4.1, 4.4.2, 4.4.3, & 4.4.4

Recommendations:

Audit observed that most of the irregularities were due to weak technical, supervisory, 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. 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 person(s) responsible for lapses and violation of rules besides effecting recovery.
- iv. Internal controls need to be strengthened to avoid recurrence of these lapses.

1. INTRODUCTION

1.1 Construction of Signal Free Junction at Azadi Chowk, Lahore was cleared by the Provincial Development Working Party (PDWP) in its meeting held on 13.11.2013. The detailed PC-I of the project was approved by PDWP for cost of Rs 3,983.016 million.

1.2 The project was designed to develop a signal free junction at Azadi Chowk. About one kilometer (from Azadi Chowk to Laari Adda Chowk) of existing circular road was proposed to be demolished. The existing road adjacent to Minar-e-Pakistan, (i.e. Ahmed Ali Road), was to be improved / upgraded. It was a substitute to reach circular road which was realigned.

1.3 An elevated roundabout was proposed at the intersection, in order to facilitate the right turning and U-turning traffic. The signal free facility was provided to the commuters coming from three directions i.e Railway Station to Niazi Interchange, from Bhaati Chowk to Railway station and U-turning traffic for all the three directions i.e Railway Station, Bhaati Chowk and Niazi Interchange. By providing the separation at grade, Azadi Chowk was planned to be signal free for mixed traffic as well as metro bus already being operative.

1.4 Azadi Chowk would be signal free for mixed traffic because metro bus was already operative.

1.5 The project was to be completed in a period of 12 months as envisaged in the PC-I starting from January 2014.

1.6 During the financial year 2014-15, an amount of Rs 3,903.28 million was released which was utilized.

1.7 Physical work at site was completed.

1.8 COMPONENTS

- i. The project includes elevated roundabout. The Geometric Design Parameters were as under:

Roundabout Ramp

No of lanes = 2-3
Lane width = 3.0 m

Elevated Roundabout

No of lanes = 4
Lane width = 3.0 m

- ii. **Road Design**

Following pavement had been proposed at widening portions

Asphaltic Wearing Course = 5 cm
Asphaltic Base Course = 13 cm
Water Bound Macadam = 25 cm
Sub-base = 20 cm

2. AUDIT OBJECTIVES

Audit objectives include:

- i. To analyse the overall performance viz-à-viz planning, achievement of objectives, cost and time over-runs and timely accrual of benefits/outcomes.
- ii. To assess whether the resources were utilized for the purpose for which they were provided with due regard to three E's (Economy, Efficiency, Effectiveness).
- 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 whole Project. Audit methodology included data collection, examination /

analysis of record, discussion with engineering staff and report writing. Site visits were also conducted to have physical look at the quality of the work

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

The project was executed by Traffic Engineering & Planning Agency (TEPA) Lahore. A separate Project Management Unit was established. The project was monitored by the Chief Engineer TEPA through occasional site visit. However, no systematic record of monitoring and evaluation was maintained. The project was funded by the Government of the Punjab (GoPb).

4.2 Financial Management

Major issues observed in financial management were as under:

4.2.1 Overpayment due to incorrect rate of RCC -Rs 44.20 million

As per PC-I, of “Construction of Signal Free Junction at New Azadi Chowk”, TEPA Lahore, the Agency was required to prepare rate analysis on the basis of relevant input rates of Finance Department.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore sanctioned rate analysis for the item of work RCC/Concrete Class A-1, A-2, and D-1 at higher rate due to inclusion of excess working hours of item Concrete Batching Plant 30 cubic meters / Hour & Concrete Transit Mixer 6 cubic meters in the rate analysis. Audit observed that the Agency made overpayment @ Rs 2,114.12 per cubic meter by taking concrete mixer time 06 hours instead of 1.67 hours for 50 cubic meters and for carriage purpose 06 hours instead of 01 hours in rate analysis.

Weak supervisory and financial controls resulted in overpayment of Rs 44,201,701.

Audit pointed out the overpayment in March 2015. The Agency replied that for the accomplishment of fast track project mechanized method was adopted and rates of batching plant and transit mixers were applied on the same pattern on which mega projects were executed. The rate analysis based on Engineer's mode of cost estimation was duly approved by the competent forum of P&D Department. The reply was not based on facts because it was contrary to specifications and relevant input rates of Finance Department. The excessive hours of batching plant and transit mixers were incorporated in rate analysis.

The SDAC meeting was held on 04.03.2016 wherein the Agency reiterated its previous reply. The Committee directed the Agency to constitute a Technical Probe Committee to look into the matter and submit report within 30 days. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early compliance of Committee's directives.

(Para. 13)

4.2.2 Provision of extra labour in rate of pre-mixed carpeting -Rs 9.11 million

As per Finance Department letter No. RO(TECH)FD.2-9/2005 dated 04.04.2006, only 10% sundry charges on 12.50% labour charges, already included in item rate were to be included in the rate of carpeting on account of supervisory technical and non- technical staff charges.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore, sanctioned rates analysis for items of work "Asphaltic Base Course plant mix Class (b) with 3.6% JMF and asphalt wearing course with 4.2%" for Rs 17,767.34 & Rs 20,214.88 per cubic meter instead of admissible rate for Rs 17,104.50 and Rs 19,539.57 per cubic meter respectively by including labour charges @ 12.5% of equipment and machinery whereas labour charges were already included in the hire charges of equipment and machinery and only 10% sundries on the cost of labour were to be added in the rate as per rate analysis approved by the Finance Department.

Weak supervisory and financial controls resulted in overpayment of Rs 9,113,257.

Audit pointed out the overpayment in March 2015. The Agency replied that the equipment and machinery charges for asphalt plant only include crew expenses directly associated with operation of these equipment. It, however, did not include Site Engineer, Supervisor, Surveyor, and other related technical / non-technical staff. This manpower requirement was catered for in the Engineers mode of estimation @ 12.50% of equipment charges. The charges, therefore, included in the rate analysis for estimation purpose were fully justified. The reply was not tenable because labour charges were payable as per Finance Department template dated 04.04.2006 for item of carpeting.

The SDAC meeting was held on 04.03.2016 wherein the Agency reiterated its previous reply. The Committee directed the Agency to prepare the rates as per FD analysis / template and produce record within 60 days. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early compliance of Committee's directives.

(Para. 10)

4.2.3 Overpayment due to provision of contractor profit & overhead charges on GST -Rs 7.34 million

As per Notification issued by the Finance Department vide No RO (TECH) FD 2-3/2004, dated 02.08.2004, all the rate analysis of non-standardized items should be prepared by applying input rates notified by the Finance Department for the relevant quarter. Further, as per notified standardized analysis of rates in Market Rate System placed on the website by the Finance Department, no contractor profit and overhead charges were admissible on the items of carriage / transportation and GST.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore, approved BOQ and Non-BOQ rates for various electrification items relating to the Project. The Agency added

20 % contractor profit & overhead on the component of GST, in the rate analysis in violation of rules ibid.

Weak technical and financial controls resulted in overpayment of Rs 7,335,198.

Audit pointed out the overpayment in March 2015. The Agency replied that the cost of material was worked out after adding 17% GST. This was a normal practice even for all grocery items sold out to the general public and 25% contractor's profit and overhead was applied on final cost of material after including GST. The reply was not acceptable because provision of contractor's profit & overhead on the GST was neither justified nor covered under any rule.

The SDAC meeting was held on 04.03.2016 wherein the Agency admitted recovery. The Committee directed the Agency to recover actual amount within 90 days. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early recovery.

(Para. 21)

4.2.4 Overpayment due to application of higher rate of welding plant-Rs 6.54 million

As per rule 2.10(a) of PFR, every public officer is expected to exercise same vigilance in respect of expenditure incurred from government revenue, as a person of ordinary prudence would exercise in respect of expenditure from his own money.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore, sanctioned the rate analysis of item of work "407 a- Cast in place concrete piles 760 mm, 1000 mm, 1200 mm dia", including concrete class A3 by taking welding plant for 8 hours @ Rs 714.80 per hour instead of Rs 238.61 per hour as applied in the rate analysis of the same item in the project Metro Bus System, Lahore. Audit observed that inclusion of extra rate of Rs 476.19 per hour on account of welding plant led to overpayment to contractor.

Weak supervisory and financial controls resulted overpayment of Rs 6,535,994.

Audit pointed out the overpayment in March 2015. The Agency replied that the rate analysis of concrete piles was prepared by incorporating charges of welding plant @ Rs 714.80/hour which was inclusive of electricity charges and consumables i.e. welding electrodes. The reply was not tenable, because welding charges per hour was approved @ Rs 238.61 per hour in the rate analysis of item cast in place piles in the Metro Bus System, Lahore. Hence, the welding charges were in excess by Rs 476.19 per hour.

The SDAC meeting was held on 04.03.2016, wherein the Agency reiterated its previous reply. The Committee directed the Agency to constitute a Technical Probe Committee to look in to the matter and submit report within 30 days. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early compliance of Committee's directives.

(Para. 12)

4.2.5 Overpayment due to application of incorrect rates for fabrication of steel shuttering-Rs 2.57 million

According to rule 7.29 of DFR, before signing the bill, Sub-Divisional Officer should compare the quantities in the bill with those recorded in MB and see that all the rates are correctly entered and that calculations have been checked arithmetically to be correct.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore, paid for Non-BOQ item "Special formwork for MAST concrete upto height 32 meter with all necessary safety arrangement" @ Rs 34,272 per cubic meter against admissible rate of Rs 29,009 per cubic meter. Audit observed that overpayment was due to incorrect calculation of cost of steel shuttering, cost of fabrication steel shuttering and superfluous provision of carpenters in rate analysis. The Agency while calculating cost, applied the rate of Rs 95 per Kg for M.S Plate for total quantity of shuttering whereas,

separate rate for M.S Angle involved in shuttering should have been applied.

Weak supervisory and financial controls resulted in overpayment of Rs 2,567,076.

Audit pointed out the overpayment in March 2015. The Agency replied that item cropped up during execution phase. The cost of steel shuttering was worked out by applying input rates of 1st Quarter 2014 of District Lahore because the item was executed during this period. The rates of 1st quarter 2013 were not applied because no price variation was allowed on Non-BOQ items. The reply was not satisfactory because fabrication cost was approved on higher side in violation of instructions of F.D. Besides, while calculating separate rate for M.S Angle i.e Rs 78 per kg and M.S plate i.e. Rs 84 per kg should have been applied whereas the Agency applied only rate of M.S Plate.

The SDAC meeting was held on 04.03.2016, wherein the Agency reiterated its previous reply. The Committee directed the Agency to refer the case to Technical Wing of FD for seeking clarification within 30 days. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early compliance of Committee's directives.

(Para. 07)

4.2.6 Overpayment due to application of excess lead for carriage of stone-Rs 2.22 million

As per condition 5 of the Finance Department letter No. RO (Tech) F.D 2-3/2004 dated. 02.08.2004, the material of base and Sub-base shall be carried from nearest Quarry and shortest route shall be used / adopted for carriage.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore, awarded the work "Construction of Signal Free Junctions at Azadi Chowk, Lahore" to a contractor. The Agency sanctioned rate analysis for item of work "SP-415(a)

Formation of embankment with specified material for reinforced earth work” @ Rs 1,416.61 per cubic meter instead of Rs 1,268.80 per cubic meter with the carriage component of sub-base course for 230 km instead of 180 km from Shikhawali quarry to site for work. Hence inclusion of excessive carriage resulted in overpayment to contractor.

Weak supervisory and financial controls resulted in overpayment of Rs 2,224,023.

Audit pointed out the overpayment in March 2015. The Agency replied that the unprecedented rains caused heavy floods in entire Punjab. Almost all roads came under water and water kept standing for days. Carriage of material from quarry was almost suspended on normal routes. Due to urgency of work, the transporters were asked to use alternate routs. The reply was not tenable, as shortest possible route was required to be taken in analysis for carriage purpose. In the item sub-base course and base course, distance from Shikhawali quarry to site for work was taken 180 km but in Non-BOQ item i.e SP 415-a, the carriage of sub-base course from Shikhawali quarry to site for work was taken as 230 km instead of 180 km.

The SDAC meeting was held on 04.03.2016, wherein the Agency reiterated its previous reply. The Committee directed the Agency to provide approved lead chart within 30 days for verification. No compliance of Committee’s directives was reported till finalization of the report.

Audit recommends early compliance of Committee’s directives.

(Para. 04)

4.2.7 Overpayment due to application of incorrect input rates for disposal of debris -Rs 1.89 million

As per Finance Department’s letter No. RO (Tech)FD/2-6/98 dated 21.10.2006, scheme shall be technically sanctioned under Delegation of Financial Power Rules 1990 at the rate on which the scheme was

administratively approved irrespective of any change in market rates at the time of technical sanction.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore, paid for Non-BOQ items “Mast concrete (without formwork) upto 105 ft with special arrangement (5000 PSI)” @ Rs 20,089 per cubic meter and “Collection & Disposal of general household debris including left over construction material after demolishing lead upto 12 km” @ Rs 576.46 per cubic meter against admissible rate of Rs 18,042 per cubic meter and Rs 557.46 per cubic meter. Audit observed that overpayment was due to application of incorrect input rates for 1st Bi-annual 2014 of District Lahore which were not admissible because administrative approval & technical sanction estimate of the work was based on input rates for 1st bi-annual 2013, therefore, input rates for same bi-annual period should be applied and paid to the contractor.

Weak supervisory and financial controls resulted in overpayment of Rs 1,891,953.

Audit pointed out the overpayment in March 2015. The Agency replied that these items cropped up during execution of the project and were not included in the contract agreement signed by the contractor. Therefore, the current input rates (1st quarter 2014) at the time of execution of items were justifiably applied and no loss was caused to the Govt. The reply was not acceptable because incorrect higher rate was approved in violation of instruction of F.D. Further, approval of incorrect / higher rate had no relevance with payment of price variation.

The SDAC meeting was held on 04.03.2016, wherein the Agency reiterated its previous reply. The Committee directed the Agency to refer the case to Technical Wing of FD for seeking clarification within 30 days. No compliance of Committee’s directives was reported till finalization of the report.

Audit recommends early compliance of Committee’s directives.

(Para. 9 & 22)

4.2.8 Less-recovery of Income Tax -Rs 1.52 million

According to section 153 of Income Tax Ordinance 2001, Income Tax @ 7% at source was to be recovered at gross value of work done for all types of contracts.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore, recovered Rs 21,718,865 from the value of work done on account of steel structure salvage value vide 13th running bill and income tax was deducted on the net value of work done rather than on gross value. Hence the contractor was overpaid due to violation of criteria *ibid*.

Weak supervisory and financial controls resulted in less-recovery of Rs 1,520,320.

Audit pointed out the overpayment in March 2015. The Agency replied that the rate of steel structure submitted by the contractor was reduced by Rs 54 per kg with the understanding that the dismantled material was the property of the contractor. The income tax was deducted on the amount paid to the contractor after making all deduction. The reply was not tenable, because income tax was required to be deducted from gross value of the work done rather than after recovery of salvage value of available steel.

The SDAC meeting was held on 04.03.2016, wherein the Agency reiterated its previous reply. The Committee directed the Agency to recover the actual amount and get it verified from audit. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends the early recovery.

(Para. 5)

4.2.9 Non-recovery of General Sales Tax -Rs 1.38 million

As per Finance Department, Punjab Revenue Authority letter No. PRA/Eng. Consultants-67/13/7, dated 08.07.2013, read with general conditions of consultancy contract clause 1.7 General Sales Tax @

16% was to be deducted on consultant payment with effect from 01.07.2013.

The Director, Traffic Engineering TEPA, LDA Lahore, made payment of Rs 86,232,953 to the consultants M/s NESPAK –ECSP JV on account of design and supervision fee against the T.S provision of Rs 134,038,908 during the financial year 2013-14. The Agency did not deduct the general sales tax @ 16% from the bill submitted by the consultant in violation of criteria *ibid*.

Weak administrative and financial controls resulted in non-recovery of Rs 13,797,272.

Audit pointed out the non-recovery in March 2015. The Agency replied that the consultant did not make provision of General Sales Tax in the calculations of their fee at the time of agreement with TEPA, LDA as the PC-1 was prepared before the issuance of Finance Department letter regarding deduction of Sales Tax. The reply was not tenable because the notification of the Finance Department in this regard was very clear. General Sales Tax @ 16% was to be deducted on consultant's payment with effect from 01.07.2013.

The SDAC meeting was held on 04.03.2016, wherein the Agency reiterated its previous reply. The Committee directed the Agency to recover applicable Sales Tax from consultant and produce record to Audit within 30 days. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early compliance of Committee's directives.

(Para. 17)

4.2.10 Overpayment due to application of incorrect Loose Factor for sub-base course -Rs 1.11 million

As per Addendum & Corrigendum issued by the Finance Department vide No.RO(TECH)FD.18-47/2006 dated 26.04.2006, the quantity of crushed stone aggregate for payment of carriage are to be taken as per actual loose volume but not more than 120 Cft for sub-base course and 122 for base course.

The Director, Traffic Engineering TEPA, LDA Lahore, awarded the work “Construction of Signal Free Junctions at Azadi Chowk, Lahore” to a contractor. The Agency sanctioned rate analysis for Non-BOQ item “SP-415(a) Formation of embankment with specified material for reinforced earth work” with incorrect loose factor of aggregate 125 cubic meter instead of 120 cubic meter admissible as per A&C referred above.

Weak supervisory and financial controls resulted in overpayment of Rs 1,107,309.

Audit pointed out the overpayment in March 2015. The Agency replied that formation of embankment for reinforced earthwork was done with specified selected backfill material. It was not a sub-base material which may have loose factor of 120 cubic meter. The reply was not tenable because the specification and properties of item “Formation of embankment with specified material for reinforced earth work” was same as defined in item sub-base (203). Hence, the loose volume / conversion factor was also required to be applicable as 120 for sub-base instead of 125.

The SDAC meeting was held on 04.03.2016 wherein the Agency reiterated its previous reply. The Committee directed the Agency to refer the case to Technical Wing of FD for seeking clarification within 30 days. No compliance of Committee’s directives was reported till finalization of the report.

Audit recommends early compliance of Committee’s directives.

(Para. 3)

4.3 Procurement and Contract Management

Major issues observed in procurement and contract management were as follows:

4.3.1 Non-recovery of imbalance rates -Rs 133.979 million

As per para (v) of the Finance Department Notification No.RO(Tech) FD-1-2/83-VI dated 29.03.2005, the final cost of tender/ payment shall be the same percentage above/below the amount of revised sanctioned

estimate as was at the time of approval of tender, so as to check excess payment.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore, awarded work to a contractor on 08.01.14 for Rs 2,599.66 million against the estimated cost of Rs 2,683,322,711 which was 3.12% below the estimated cost. The agreement amount of the work was enhanced up to Rs 3,021.00 million. Although the work was completed but the Agency could not make the financial statement on the work done basis. Audit observed that up to 13th Running Bill work done value was Rs 3,261,709,954 and paid Rs 3,020,961,954 after withholding amount of Rs 240,748,000. The contractor was 1.049% above the estimated amount instead of quoted rate of 3.12% below on which the contractor was declared lowest evaluated bidder.

Weak supervisory and financial controls resulted in non-recovery of Rs 133,979,148.

Audit pointed out the overpayment in March 2015. The Agency replied that the quoted limit of 3.12% below would be maintained and the percentage would be evaluated and adjusted in accordance with contract provisions and finance department instructions at the time of final bill. The Agency admitted the audit stance but did not finalize the accounts of project while the work was completed in June 2014.

The SDAC meeting was held on 04.03.2016 wherein the Agency replied that the percentage above or below would be evaluated at the time of final bill. SDAC expressed its concern for not finalizing the contractors bill though a considerable time had elapsed after the completion of the project. SDAC pended the para with the direction that bill of the contractor must be finalized within 90 days. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early compliance of Committee's directives.

(Para. 6)

4.3.2 Overpayment due to incorrect separate payment for wooden shuttering - Rs 85.94 million

As per clause 3,5 and 12 of Preamble the rates and prices offered in the Bill of Quantities will include also all additional costs and provisions required for the correct execution of work in compliance with the Construction Schedule and the Specification.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore, paid for Non-BOQ item “left in place wooden shuttering under Box Girder Slab” for 8994.576 cubic meter @ Rs 9555 per cubic meter amounting to Rs 85,943,174. Audit observed that no separate / additional payment for left in place wooden shuttering was admissible to the contractor because the rate of item in Bill of Quantities i.e “RCC in situ Box Girder Class A2(4000 PSI)” @ Rs 12,783.70 per cubic meter against which contractor quoted rate of Rs 13,200 per cubic meter was inclusive of all additional costs and provisions required for the correct execution of work as per provision of contract agreement.

Weak supervisory and financial controls resulted in overpayment of Rs 85,943,174.

Audit pointed out the overpayment in March 2015. The Agency replied that the authorities decided to change the type of concrete i.e. from A2 to D1. Box Girder was such type of girders required high skill and colossal amount of form work which was not catered for in ordinary construction. In addition, a huge quantity of shuttering, cannot be extracted / removed being in side and un approachable. The reply was not acceptable because Box girders was a BOQ item and as per provision of contract agreement, whole cost of complying with the agreements was included in the priced bill of quantities and where no items were provided, the cost shall be deemed to be distributed among the rates and prices entered for the related items of work. The prices in the BOQ will include also all additional costs and provisions required for correct execution of work.

The SDAC meeting was held on 04.03.2016 wherein the Agency reiterated its previous reply. The Committee directed the Agency to

constitute a Technical Probe Committee to probe the issue within 30 days. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early compliance of Committee's directives.

(Para. 20)

4.3.3 Overpayment due to inclusion of inadmissible preheating charges - Rs 5.44 million

As per Finance Department's clarification issued vide letter No. RO(Tech)FD 11-8/2013 dated 30th July, 2013, no preheating charges for bitumen shall be paid separately as the same were already included in the material/input rates available on its website.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore, sanctioned rate analysis for items of work "Asphaltic Base Course plant mix Class (B)" and "Asphaltic wearing course plant mix class (A)" by including extra cost of preheating charges of bitumen @ Rs 57,135.48 and Rs 72,717.88 for the area of 187.50 cubic meter respectively. Audit observed that the Agency included preheating charges in the rate analysis, whereas, it was already included in item rate.

Weak financial and supervisory controls resulted in overpayment of Rs 5,440,445.

Audit pointed out the overpayment in March 2015. The Agency replied that heating of bitumen in storage tanks of asphalt batching plant was included in the rate of machinery charges for asphalt plant. The pre-heating of bitumen brought at plant from Oil Refinery through especially equipped bowsers was an entirely different item. These bowsers were pre-heated to melt down bitumen for transfer to main storage tanks of the plant where bitumen was further heated at specified temperature to prepare for asphalt mix. The pre-heating of bitumen in bowsers was the activity not covered in machinery charges for asphalt plant. The reply was not tenable because as per clarification of Finance Department issued vide letter No. RO(Tech)FD 11-8/2 2013 dated 30th July, 2013, preheating charges were not admissible.

Hence, the inadmissible payment was made to contractor on account of preheating.

The SDAC meeting was held on 04.03.2016 wherein the Agency reiterated its previous reply. The Committee directed the Agency to refer the case to the Technical Wing of FD for seeking advice or recovery within 60 days. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early compliance of Committee's directives.

(Para. 11)

4.4 Construction and Works

The issues regarding Construction and Works noticed during audit are as under:

4.4.1 Overpayment due to excess quantity of dismantling of gantries -Rs 0.92 million

As per rate analysis and variation order, 5% wastage was included in the rate and the Agency was required to deduct the quantity of wastage before making payment of dismantling of steel gantries.

The Project Director, Construction of Signal Free Junction at New Azadi Chowk, TEPA Lahore, paid for the item "Dismantling of gantries" @ Rs 48 per kg for the quantity of 402201.24 kg instead of 383048.82 kg as wastage incorporated in rate analysis, which was not required to be paid.

Weak supervisory and financial controls resulted overpayment Rs 919,355.

Audit pointed out the overpayment in March 2015. The Agency replied that the 5% wastage in the rate analysis was taken as wastage which was mandatory in construction of other steel structures and it was only for fabrication of construction item. The reply was not tenable, because dismantling was required to be paid as per actual steel dismantled rather than inclusion of 5% wastage.

The SDAC meeting was held on 04.03.2016 wherein the Agency reiterated its previous reply. The Committee directed the Agency to refer the case to FD for seeking advice within 30 days. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early compliance of Committee's directives.

(Para. 2)

4.4.2 Overpayment due to payment of inadmissible item - Rs 249,287

As per rate analysis of concrete class A2, the rate of shuttering at grade was Rs 7,500 per 50 cum and for elevated portion rate of shuttering was taken Rs 15,000 per 50 cum. The shuttering of elevated roundabout was executed on the temporary steel bridge under the elevated roundabout of Azadi chowk hence, the Agency was required to pay the rate of shuttering on the portion of temporary steel bridge @ of shuttering at grade which was Rs 7,500 per 50 cum

The Director, Traffic Engineering TEPA, LDA Lahore, awarded the work "Construction of Signal Free Junctions at Azadi Chowk, Lahore" to a contractor. The Agency paid the item "Fixing of temporary steel bridge under the elevated roundabout of Azadi chowk for uninterrupted flow of metro bus and for the moving of the transit mixer under the elevated portion of roundabout at 4 points for Rs 92.104 million vide 13th IPC. Audit observed that deck slab concrete class A2 on the elevated roundabout under the sub-head 4.1 structure worked out to 1661.917 cubic meter. The cost of concrete shuttering was required to be paid 7500 per 50 cubic meter instead of Rs 15000 per 50 cubic meter because under the bridge A-36, scaffolding was not required.

Weak supervisory and financial controls resulted in overpayment of Rs 249,287.

Audit pointed out the overpayment in March 2015. The Agency replied that the bridge had been constructed in a sharp curve which had transversely over hanged portion. The fixing of temporary steel bridge under cultivated roundabout for uninterrupted flow of Metro Bus, was

done under the plain portion of bottom slab only. Therefore, deduction for cost of scaffolding was not correct. The reply of the Agency was not tenable because scaffolding was lesser required on the 4 nos. gantries than normal circumstance, the length of pipes of scaffolding was reduced but the rate of shuttering was not adjusted. Hence, the overpayment needs to be recovered from contractor.

The SDAC meeting was held on 04.03.2016 wherein the Agency admitted the recovery and Committee directed the Agency to effect actual recovery from the contractor on the basis of the calculation within 15 days and get it verified from Audit. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early recovery.

(Para. 16)

4.4.3 Non-submission of vouched accounts -Rs 939.14 million

As per rule 2.20 of PFR volume-1, every payment including repayment of money previously lodged with government for whatever purpose, must be supported by a voucher setting forth full particulars of the claim.

The Director, Traffic Engineering TEPA, LDA Lahore, made advance payment of Rs 939.14 million to various agencies for relocation/shifting of utilities and land acquisition & structure compensation. However, during audit, no vouched /adjustment accounts in respect of advance payment was made available to audit for scrutiny and authentication.

Weak supervisory and financial controls resulted in non-submission of vouched accounts of Rs 939,141,949.

Audit pointed out the non-submission in March 2015. The Agency replied that efforts were being made for the vouched accounts from the respective departments. The detail would be produced as received.

The SDAC meeting was held on 04.03.2016 wherein the Agency reiterated its previous reply. The Committee directed the Agency to obtain the vouched account from the concerned department, at the

earliest. No compliance of Committee's directives was reported till finalization of the report.

Audit recommends early compliance of Committee's directives.

(Para. 24)

4.4.4 Loss to government due to higher rate of machinery - Rs 5.75 million

As per National Highway Authority Specification 1998 followed in the project, machinery used for the major works / projects does not allow the Front end Loader, and Dumper Truck in the execution of item No.201- Granular Sub-Base.

The Director, Traffic Engineering TEPA, LDA Lahore, in the work "Construction of Signal Free Junctions at Azadi Chowk, Lahore" approved rate analysis of item of work No.201- Granular Sub-Base for Rs 2841.95 per cubic meter by inclusion of two inadmissible machinery i.e. Front-end-Loader, and Dumper Truck at the cost of Rs 9,316 and Rs 28,140 respectively for 100 cubic meter granular sub-base under the sub-head equipment. The payment to contractor for the item granular sub-base was measured and paid up to 12795.752 cubic meter vide 13th running bill. Hence, the Agency paid higher rate of Rs 449.472 per cubic meter to contractor.

Weak supervisory and financial controls resulted in loss to government for Rs 5,751,332.

Audit pointed out the loss in March 2015. The Agency replied that rates applied in the PC-1 were scrutinized and discussed at the different competent forums during approval process. The cost of scheme administratively approved was based on the same rates. After very tough competition amongst the bidders, the quoted rates were placed before the Evaluation Committee. On the recommendation of the Evaluation Committee, the Competent Authority accepted the rates of the lowest bidder and work was awarded accordingly. Also, this was an item rate contract and the payment to the contractor had been made strictly as per quoted / accepted rates. The reply of the Authority was not tenable because evasive provision of two inadmissible machinery i.e. Front end loader, and dumper truck was incorporated under the

sub-head equipment which was contradictory to the recommended plant & machinery in the general specification adopted by Authority. Further, the items were not included in the rate analysis of another fast track project “Construction of underpass at Muslim Town-Garden Town canal crossing Lahore” executed on the same specification supervised by NESPAK. The excess provision resulted overpayment to contractor.

The SDAC meeting was held on 04.03.2016, wherein the Agency reiterated its previous reply. The Committee directed the Agency to constitute a Technical Probe Committee to look in to the matter and submit its report within 30 days. No compliance of Committee’s directives was reported till finalization of the report.

Audit recommends early compliance of Committee’s directives.

(Para. 25)

4.5 Asset Management

No asset under the project was procured.

4.6 Monitoring and Evaluation

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 NESPAK and secondly by the engineering staff of TEPA were in place.

4.7 Compliance with Grant / Loan Covenants

The project was financed by the government of Punjab out of block allocation against ADP. No foreign loan/grant was involved.

4.8 Environment

The traffic congestion on the Azadi Chowk has been replaced by signal free Interchange. No environmental data and analysis thereon were available with the Agency.

4.9 Sustainability

4.9.1 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 operation.

4.9.2 TEPA, LDA was responsible for overall maintenance of the interchange.

4.9.3 Annual operating cost would be financed by the GoPb .

4.10 Overall Assessment

4.10.1 **Relevance:** The project was neither included in the MTDF/five year plan nor included in the ADP for the financial year 2014-15. The project was financed out of block provision.

4.10.2 **Efficacy:** The project was completed within six months and desired benefits were being reaped by the general public.

4.10.3 **Efficiency:** The project was planned to be completed within twelve months as per PC-I however, the project was completed within six months i.e upto June 2014. The accounts of the project were not finalized, however, physical work was substantially completed and project was operational. Till finalization of the report, no cost over-run, over the original planned cost in PC-I was observed.

4.10.4 **Economy:** The work was awarded through open competition on competitive and economical rates.

4.10.5 **Effectiveness:** No data regarding achievements of desired benefits as envisaged in the original PC-I was prepared/maintained by the Agency, therefore, achievement of objectives, targets and desired results could not be analyzed and assessed. However, the project was completed and general public was being benefited.

4.10.6 **Compliance with Rules:** Issues of poor financial management, contract management and construction and works depicting

irregularities of Rs 1,249.93 million were noticed. Non-adherence to good financial management practices was critical area which needed to be given a serious thought for improving service delivery and ensuring timely execution of quality work.

- i. **Performance Rating:** Satisfactory
- ii. **Risk Rating of Project:** Low

5 CONCLUSION

5.1 **Key Issues for the future:** The Project was completed well within time but accounts of the project were not finalized. Early finalization of accounts are required to safeguard financial aspects and improve the performance of the project. Audit observed that most of the irregularities were either due to weak financial controls or poor contract management. Principal Accounting Officer needs to strengthen internal controls regime in the department in the light of following recommendations.

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

- I. Rate analysis of BOQ as well as Non-BOQ items needs to be approved keeping in view the instructions issued by the Finance Department from time to time.
- II. Internal controls like test check measurement, periodic inspections of works by supervisory officers and maintenance of authentic data relating to project needs to be strengthened.
- III. Adherence to contractual obligations needs to be ensured at every stage of execution.
- IV. Action needs to be initiated and responsibility fixed against the officers concerned for lapses and violation of rules besides effecting recoveries.

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