



**SPECIAL AUDIT REPORT
ON**

**CONSTRUCTION OF
PETROLEUM HOUSE, ISLAMABAD**

**MINISTRY OF PETROLEUM & NATURAL
RESOURCES
GOVERNMENT OF PAKISTAN**

AUDIT YEAR 2015-16

AUDITOR-GENERAL OF PAKISTAN

PREFACE

The Auditor General conducts audit subject to 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 Special Audit of work "Construction of Petroleum House, Islamabad" executed by the Pakistan Public Works Department, Government of Pakistan, was carried out accordingly.

The Directorate General Audit Works (Federal), Islamabad conducted Special Audit during April-May 2016 for the period from 2007-08 to April 2016 with a view to reporting significant findings to the stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the project. In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules, and regulations in managing the Project. The Report indicates specific actions that, if taken, will help the management to realize the objectives of the project. The report could not be discussed in the meeting of the Departmental Accounts Committee despite best efforts made by Audit.

The Report has been prepared for submission to the President in pursuance of Article 171 of the Constitution of Islamic Republic of Pakistan, 1973 for causing it to be laid before the Parliament.

Islamabad
Dated: 23rd February, 2017

Sd/-
(Rana Assad Amin)
Auditor General of Pakistan

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Abbreviations and Acronyms

BOQ	Bill of Quantities
CDA	Capital Development Authority
CDWP	Central Development Working Party
Cft	Cubit Feet
CPWA	Central Public Works Account
CPWD	Central Public Works Department
CSR	Composite Schedule of Rates
Cwt	Cent weight
DAC	Departmental Accounts Committee
DPC	Damp Proof Course
EA	Engineering Associates
E&M	Electrical and Mechanical
GFR	General Financial Rules
GI	Galvanized Iron
GST	General Sales Tax
HP	Horse Power
HVAC	Heating, Ventilation and Air Conditioning System
INTOSAI	International Organization of Supreme Audit Institutions
IPC	Interim Payment Certificate
KVA	Kilovolt Ampere
LT	Low Tension
MB	Measurement Book
MMF	Magneto Motive Force
NIT	Notice Inviting Tenders
NOC	No Objection Certificate
PC-I	Planning Commission (Proforma-I)
PEPA	Pakistan Environment Protection Agency
P/F	Providing and fixing
P/L	Providing and laying

PLA	Personal Ledger Account
PSDP	Public Sector Development Programme
PVC	Poly Vinyl Chloride
RCC	Reinforced Cement Concrete
RPM	Rounds Per Minute
SXSFP	Simplex (one-way) Small Form Factor Pluggable
Sft	Square feet
SR	Schedule of Rates
TSE	Technically Sanctioned Estimate

EXECUTIVE SUMMARY

The Directorate General Audit Works (Federal), Islamabad carries out the audit of Federal Government Departments/Autonomous Bodies engaged in construction works. At present, the Directorate General deals with Departments/Autonomous Bodies, namely Capital Development Authority, Civil Aviation Authority, National Highway Authority, Pakistan Public Works Department, Estate Offices, Federal Government Employees Housing Foundation, Pakistan Housing Authority Foundation, National Construction Limited and Workers Welfare Fund/Boards under the administrative control of Principal Accounting Officers who consume major portion of the Public Sector Development Programme funds/budget.

This office is mandated to conduct regularity (Financial Attest Audit and Compliance with Authority Audit) and Special/Performance/Project Audit of mega projects executed by these Departments/Autonomous Bodies.

Ministry of Petroleum & Natural Resources, Islamabad requested Office of the Auditor General of Pakistan in March 2016 to conduct special audit of the accounts of project “Construction of Petroleum House”, as directed by National Assembly’s Standing Committee on Petroleum and Natural Resources.

The Special Audit of project “Construction of Petroleum House, Islamabad’ was assigned to the Directorate General Audit Works (Federal), Islamabad vide Auditor General of Pakistan letter No. 535/03/P&C/1-C/2013 dated 04.04.2016. Audit was carried out accordingly in April-May 2016 to evaluate the achievement of the project objectives set out in the PC-I. The audit was conducted in accordance with the INTOSAI Auditing Standards.

The objective of the special audit was also to assess whether planning for construction was appropriate and the resources had been utilized with due economy, efficiency and effectiveness. The report is not only aimed at accountability process but also intends to carry out analysis of management decisions by highlighting the weaknesses in the

performance of the project and, thereby, providing recommendations for improvement in future.

As provided in PC-I of the project, the construction of Petroleum House was carried out to cover the shortfall of office space for different wings of the Ministry of Petroleum and Natural Resources. Facilities like security system, computer/telephone networks, Heating, Ventilation & Air-Conditioning (HVAC), car parking, prayer hall, conference room, scanning and imaging room, fire alarm, etc. are added in the building. The main objective of the project was to house the offices, libraries and laboratories in a centralized manner to save expenditure being incurred by the Ministry on rent for Rs 7.00 million approximately.

The PC-I of the project was approved by the CDWP in meeting held on 20.05.2005 for an amount of Rs 255.125 million. The PC-I was revised to Rs 452.440 million on 20.03.2007 and 2nd revision of PC-I (rationalized) for Rs 857.37 million was approved in October 2011. 2nd revision of PC-I was due to additionalities like, floors/basement, cladding, safety glass, 1,250 KVA transformer instead of 500 KVA.

AUDIT FINDINGS

Major audit findings include:

- i. Bid of contractor was 19% higher than technically sanctioned estimates which led to acceptance of bid beyond permissible limit of 15% - Rs 372.953 million (Para 4.3.2)
- ii. Price adjustment on account of increase in the prices of specified materials was paid without provision in agreement for Rs 81.008 million. (Para 4.2.2)
- iii. Building was constructed without approval of its plan by Capital Development Authority, leading to creation of extra liability due to imposition of fine by CDA - Rs 8.155 million. NOC from Pakistan Environmental Protection Agency was also not obtained (Paras 4.3.8 & 4.4.18)

- iv. Substituted/extra items worth Rs 123.787 million were executed due to design deficiency through post-bid changes at non-competitive rates, which constituted 33% of the original contract cost. (Para 4.8.2)
- v. Payments against IPC 22 to 33 for Rs 142.917 million were made without recording detailed measurements in Measurement Book. (Para 4.4.7)
- vi. Additional work of “Partition” for Rs 5.432 million was awarded without open bidding and provision in PC-I. (Para 4.3.9)
- vii. Unjustified payment of Rs 29.642 million was made due to allowing higher rate for excessive quantities. (Para 4.4.12)
- viii. Item Gypsum Board for false ceiling was executed for lesser thickness/below the prescribed specification and paid for Rs 8.972 million without reducing its rate which caused an overpayment of Rs 3.589 million (Para 4.4.9)
- ix. Overpayment was made due to use of steel of lesser dia/weight than standard - Rs 8.339 million (Para 4.4.11)
- x. Overpayment was made due to allowing excess depth of boring than pile’s depth - Rs 2.079 million (Para 4.4.16)
- xi. Payment of HVAC system and Generator set was made without certification by the supervisory consultant - Rs 165.995 million (Para 4.3.4)
- xii. The contractor was overpaid due to calculation mistake - Rs 9.611 million (Para 4.2.7)
- xiii. Contrary to the provision of specifications, in-built cost for pile load test and its material, polish of wood work, painting of iron work, timbering in excavation, cement plaster on RCC, was paid separately causing overpayment to contractor - Rs 4.526 million (Para 4.4.13)

RECOMMENDATIONS

- i. Proper planning in respect of design/drawing should be ensured to avoid any subsequent material changes.
- ii. Recoveries pointed out should be effected.
- iii. All quantities of works should be recorded in Measurement Books.
- iv. The contractual obligations should be strictly observed at every stage of execution of work.
- v. Prior approval of the competent authority should be obtained before making any changes in the scope of the work.
- vi. Estimation should be based on detailed workings.
- vii. Efforts should be made for completing the projects within the stipulated time in order to avoid cost overrun due to fluctuations in market rates.
- viii. Laid down rules and procedures must be adhered to in letter and spirit.
- ix. Cases where rules have not been complied with, should be got regularized.
- x. Project Management Guidelines should be implemented.
- xi. All losses may be made good by recovery from person(s) responsible.
- xii. Consultant may be held accountable for design deficiency and government interest be protected by obtaining professional liability insurance from the consultant at their own cost.

1. INTRODUCTION

The Directorate General Audit Works (Federal), Islamabad conducted special audit of the project 'Construction of Petroleum House, Islamabad' in April-May 2016.

1.1 Rationale of the project

Ministry of Petroleum & Natural Resources deals with all matters relating to oil, gas and mineral at the national and international levels, including:

- a) policy, legislation, planning regarding exploration, development and production;
- b) import, export, refining, distribution, marketing, transportation and pricing of all kinds of petroleum and petroleum products;
- c) matters bearing on international aspects;
- d) Federal agencies and institutions for promotion of special studies and development programmes.

The Construction of Petroleum House was planned to:

- cover the shortfall of office space for various wing of the Ministry,
- saving in rent of hired office accommodations,
- improve existing working conditions and
- additional facilities such as security system, computer/telephone networks, HVAC, car parking, prayer hall, conference room, scanning and imaging room, fire alarm, etc.
- to house offices, libraries and laboratories in a centralized manner

1.2 Approval of the scheme

The PC-I of the project was approved by the CDWP in meeting held on 20.05.2005 for an amount of Rs 255.125 million. The PC-I was revised to Rs 452.440 million on 20.03.2007 and 2nd revision of PC-I for Rs 857.37 million in October 2011.

1.3 Timeline/period of project

Period of completion of the project is provided in the PC-I as under:

PC-I (Original)	36 months (November 2007 – October 2010)	Covered area 137,623.60 sft	One basement + GF + 6 floors
PC-I (1st revision)	48 months from 2007-08 to 2010-11	Covered area 163,100 sft	Two basements, GF + 9 floors
PC-I (2nd revision)	Same	Due to additional/ substituted items	Rationalized

1.4 Description of project

The available space for Ministry of Petroleum & Natural Resources housed in Block-A, Pak Secretariat was insufficient to cater for their requirements. Besides, the Ministry required centralized library, laboratory, scanning rooms, conference hall and cafeteria facilities. The project was essential to cover the shortfall of office space and it was decided to construct a new block for smooth functioning of the Ministry. Execution of the project was assigned to Pakistan Public Works Department. The construction work was started in November 2007.

1.5 Project objectives and outputs provided in PC-I and achievements

1.5.1 Objectives

The objective of the project was to provide sufficient office space as well as other facilities for the Ministry.

1.5.2 Outputs

As per revised PC-I, the building structure comprises two basement, ground floor plus nine upper floors. The project will contribute in achieving the Medium Term Development Framework's (MTDF) target of providing essential accommodation for government offices. With the construction of Petroleum House, there would be better image of the country at international level as well as cover the shortage of office space in the Ministry by improving working conditions besides adding facilities.

1.5.3 Achievements

Execution status of the project is shown below:

Sr. No.	Name of Work/Sub-head	Name of contractor	Date of Acceptance Letter/ Agreement	Contract cost (Rs in million)	Upto date payment (Rs in million)
1.	SH:Civil Works	M/s Abdul Sattar & Co.	07.11.2007	372.953	511.882
2.	SH: Electrification	M/s MZ Awan & Sons	19.02.2008	25.882	25.840
3.	SH: Diesel generating set	M/s Riaz & Sons	02.08.2012	37.465	36.600
4.	SH: HVAC System	M/s Wular Engineers	11.07.2009	133.886	129.395
5.	SH: External Electrification	M/s MZ Awan & Sons	20.11.2009	19.418	22.280
6.	SH: Elevator works	M/s MZ Awan & Sons	06.06.2010	29.070	29.505
7.	SH: tube well	M/s Multi Tech Eng	08.05.2012	2.911	2.507
8.	SH: Fire alarm system and telephone exchange	M/s MZ Awan & Sons	11.07.2009	10.243	11.442
9.	SH: Security alarm	M/s Gulam M Sons	01.04.2013	2.440	2.673
10.	SH: Gas Work	M/s Chattha Enterprise	21.06.2012	1.500	1.101
11.	SH: Computer networking	M/s Laser Line Communications Rawalpindi	04.02.2013	11.568	13.292

Note: This information is based on last IPCs/Invoices paid up to April 2016 to the contractors/consultants.

All civil works of the Petroleum House, including structure of the building, Heating, Ventilation and Air-conditioning (HVAC) systems have been substantially completed.

1.6 Cost and financing

The project was financed by the Government of Pakistan through Public Sector Development Programme (PSDP) for the year 2006-07 to 2014-15. After subsequent revisions, the PC-I cost was finalized at Rs 857.370 million against which an expenditure of Rs 851.448 million upto April 2016, has been incurred.

1.7 Revisions in the project cost

The original PC-I was revised in November 2007 where PC-I cost was revised from Rs 255.125 million to Rs 425.440 million and then cost was revised to Rs 857.37 million in October 2011 in 2nd revised PC-I due to additional items of works.

1.7.1 Actual cost and scope vs original PC-I

(Rs in million)

Description	Construction Component Cost	Consultancy Component Cost	Overheads Component	Contingency Component (3% of Const. Cost)	Escalation Component	Total Project Cost
PC-I	211.360	5.00	14.646	6.340	18.176	255.522
PC-I (1 st revision)	378.099	5.104	36.861	11.342	21.034	452.44
PC-I (2 nd revision)	699.865	5.257	59.248	13.00	80.00	857.370
Actual Expenditure* (Up to April-2016)	705.456	13.596	23.697	1.841	81.008	879.604

*Based on last IPC/Invoice (up to April 2016) provided by Pak PWD and Expenditure Statements for the years 2006-07 to 2009-10 provided by Ministry of Petroleum & Natural Resources.

2. AUDIT OBJECTIVES

The main objectives of the audit of project “Construction of Petroleum House, Islamabad” were to see whether:

- Rules, regulations, procedures and government/management’s instructions were followed in their true spirit.
- Due care and prudence was applied at all levels.
- The project was completed in time.
- Effective measures were taken by various wings of the Ministry in processing and evaluating bids, cost benefit analysis, etc.
- The required standards of financial propriety were observed while executing agreement and money was spent in accordance with the rules.
- The internal controls were exercised in spending public money and three ‘Es’ i.e. Effectiveness, Efficiency and Economy were kept in mind by the management while executing the project.

3. AUDIT SCOPE AND METHODOLOGY

3.1 Scope

Project accounts and related activities since its inception in 2007-08 to April 2016 (date of audit) were subject to audit.

3.2 Methodology

Audit methodology included data collection, determination of objectives and audit criteria, analysis/consultation of record, discussion with staff, site visits, etc.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 Organizational Structure

The Project Director, under the control of Ministry of Petroleum & Natural Resources was responsible to monitor the execution of work and liaise with the consultant/contractor and executing department regarding the difficulties that may arise during progress of works. Pakistan Public Works Department (PPWD) was entrusted construction of the project through its Executive Engineer under the supervision of Superintending Engineer and Chief Engineer competent for bid acceptance and approval of variations.

M/s Engineering Associates (EA) was responsible for consultancy services for designing and construction supervision of Petroleum House. M/s Abdul Sattar & Co. was awarded execution of civil works. M/s Wular Engineers were responsible for HVAC works and M/s MZ Awan & Sons was awarded contract for installation of lifts.

4.1.2 Turnover against key posts

M/s Engineering Associates was responsible for consultancy services for designing and construction supervision of Petroleum House which performed its functions throughout the execution.

4.1.3 Manpower, Qualification and Experience

The PC-I of the Project envisages a provision of professional manpower as per Pak PWD setup i.e. Executive Engineer, Assistant Executive Engineer, Sub Engineer and supporting staff.

4.1.4 Mode of appointment of management and staff

As per policy in vogue, all new posts included in PC-I will be treated as sanctioned, after the approval of the project by the relevant forum subject to the availability of development budget against establishment charges. No fresh recruitment was made for the project. Pak PWD having its own setup deployed necessary manpower during construction of the building.

4.2 Financial Management

Ministry of Petroleum & Natural Resources, being a government entity, has its financial resources provided by the Government of Pakistan through PSDP.

Cases of financial mis-management observed during audit are as under:

4.2.1 Non-production of record relating to expenditure - Rs 109.616 million

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

The Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, did not provide rejected tenders, bid evaluation and accounts record (IPC-1 to IPC-6) of the project despite issuance of several requisitions. This resulted in non-production of record relating to expenditure of Rs 109.616 million.

In the absence of record, the propriety and probity of expenditure could not be ascertained. The non-production of record casts doubt as to

the actual existence of any such record at all, which may make the public money vulnerable to misuse.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 24)

4.2.2 Unauthorized payment of price escalation - Rs 81.008 million

Rule 19(iv) of General Financial Rules (Vol-I) provides that the terms of a contract once entered into should not be materially varied without the previous consent of the authority competent to enter into the contract as so varied. No payments to contractors by way of compensation, or otherwise, outside the strict terms of the contract or in excess of the contract rates may be authorized without the previous approval of the Ministry of Finance.

According to contract signed with the contractor there was no provision for adjustment of increase/decrease in prices of specified materials.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, paid an amount of Rs 81.008 million to the contractor on account of price escalation due to increase in prices of specified materials. Audit observed that payment was made to the contractor without any provision in the agreement as neither clause for payment of escalation was available nor appendix-C indicating weightages and approved source of basic materials was made part of the contract. Even the consultant of the project has included the escalation in the bills with the remarks that **“contract is silent on the issue of price adjustment”** vide their letter No. GM/XEN-PAK-PWD/020 dated 07.09.2015.

Audit holds that payment of price escalation of Rs 81.008 million was unauthorized.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Paras 07, 48, 49)

4.2.3 Irregular expenditure due to excess over TS estimate beyond permissible limit - Rs 71.800 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

Para 6.19 of CPWD Code provides that a revised estimate must be prepared when sanctioned estimate is likely to be exceeded by more than 15%.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, incurred an expenditure of Rs 430.875 million for upto IPC-33 against technically sanctioned estimate (TSE) for Rs 312.239 million with an excess of Rs 118.636 million (38%). Audit observed that the cost of work has increased due to execution of quantities of certain items in excess of provision in TS estimate as well as execution of extra/substituted items but revised sanction to estimate was not obtained as per codal requirement. This resulted in irregular expenditure of Rs 71.800 million as under:

	Rs in million
Total value of work done	430.875
Amount of original T.S. Estimate	312.239
15% cushion	46.836
Permissible limit	359.075
Excess	71.800

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 36)

4.2.4 Excess release of funds than Admin Approval (2nd revision) of Rs 22.234 million and non-utilization of funds on the project - Rs 28.256 million

As per Para 54 of Central Public Works Department Code, for every work it is necessary to obtain, in the first instance, the concurrence of the competent authority of the administrative department requiring the work. The formal acceptance of the proposals by that authority is termed “administrative approval” of the work.

Main purposes of the Administrative Approval are to check whether: (1) the work is really required, (ii) the estimate is not inflated one (3) yardstick for various provisions are not exceeded.

The PC-I of the project was approved by the CDWP in meeting held on 20.05.2005 for an amount of Rs 255.125 million. The PC-I was revised to Rs 452.440 million on 20.03.2007 and 2nd revision of PC-I for Rs 857.37 million in October 2011.

According to accounts record of Ministry of Petroleum & Natural Resources provided vide letter dated 27.04.2016, funds of Rs 879.604 million were utilized on the project upto 30.06.2015.

Audit noted that Pak PWD, Islamabad, being executing agency incurred expenditure of Rs 851.448 million on the project upto 30.06.2015 against funds of Rs 879.604 million with a saving of Rs 28.156 million, as per detail in the following table:

(Rs in million)

	Payment to contractor	6.5% Departmental charges	Total
Allocation			879.604
Expenditure			
Civil works	511.882	33.272	545.154
E/M works (as per expenditure statement)			306.294
Total			851.448
Saving			28.156

Audit observed that funds amounting to Rs 879.604 million were released against 2nd revised PC-I cost of Rs 857.37 million with an excess of Rs 22.234 million. Further utilization of funds of Rs 28.256 million on the project was not forthcoming from available record. Chances of utilization of funds for other purposes cannot be ruled out. This resulted in excess release of funds of Rs 22.234 million and non-utilization of funds amounting to Rs 28.256 million on the project.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 34)

4.2.5 Non-confirmation of deposit of government taxes and duties - Rs 33.784 million and non-deduction of GST - Rs 0.749 million

4.2.5.1 Clause 6.2.2 of Special Conditions of Contract provides that the tenderer shall also include all charges to cover the cost of insurance from Supplier's warehouse to site, import duty, sales tax, port trust charges and cost of clearance, etc. at Islamabad.

Instruction to Bidders 26.4 of the agreement provides that if the bid of the successful bidder is seriously unbalanced in relation to the Employer's estimate of the cost of work to be performed under the Contract, the Employer may require the bidder to produce detailed price

analysis for any or all items of the Schedule of Prices to demonstrate the internal consistency of those prices with the construction methods and schedule proposed.

Audit noted that the Executive Engineer, Central Electrical & Mechanical Division-I, Pak PWD, Islamabad, awarded the work of HVAC system to M/s Wular Engineers, which includes import of cooling towers/absorption chillers/heaters/pumps etc. Estimate of the works sanctioned technically includes all charges for custom clearance at Karachi port. Analysis of the rates of costly items were neither attached with estimate approved by the Chief Engineer nor detailed price analysis were obtained from the contractor. Audit observed that rates quoted by the contractor for costly items i.e. Item No.01, 04, 05, 06, and 10 were much higher than estimated rates, whereas estimate was sanctioned just 05 days before opening of tenders. In absence of price analysis of rates, actual deposit of government duties cannot be compared with those included in the rates on estimated basis. Audit holds that chances of less/non-deposit of duties cannot be ruled out due to under-invoicing as evidence in this regard was not available on record. This resulted in non-confirmation of deposit of government taxes and duties of about Rs 33.784 million as under:

Item	Amount (Rs in million)
01 Absorption chillers/heaters	33.874
04 Air handling units	20.165
05 Air handling units	6.878
06 Fan coil units	5.467
10 MBS/DDC control system	8.609
	74.993
Less 9.9% rebate	7.424
Net amount after rebate	67.569
Estimated value of duties and taxes @ 50%	33.784

4.2.5.2 Pursuant to the Cabinet Decision dated 23rd August, 1997 circulated vide Finance Division Circular No. F.4 (11)/98-CPPRD-II dated 18th April, 1998 read with Sales Tax General Order No. 34/2010 dated 16th

September, 2010 issued by the Federal Board of Revenue, all government departments, autonomous bodies, etc. are required to make purchases from an active registered person. In case of purchases made from unregistered, blacklisted and registration suspended persons, all government departments, autonomous bodies, etc. are required to withhold 16% Sales Tax of the supplies received and deposit in government exchequer. In case of purchases made from registered persons, one fifth (1/5th) of the GST was required to be withheld by the government departments, autonomous bodies, etc. and deposit with the government.

Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, made payment of Rs 27.136 million to M/s MZ AWAN & Sons as under on account of supply of 04 Nos lifts for installation at petroleum house. Audit observed that 1/5th of GST was not withheld and remitted into treasury. This resulted in non-deduction/remittance of GST of Rs 748,579 as detailed below:

S. No.	Description of Item	Qty	Rate (Rs)	Amount (Rs)
1.	Supply of passenger lift capacity 800 kilogram (KG)	02	6,000,000	12,000,000
2.	Supply of VIP lift capacity 450 KG	01	5,400,000	5,400,000
3.	Supply of cargo lift capacity 1,500/1,600 KG	01	8,200,000	8,200,000
Sub-Total				25,600,000
Add 6% premium				1,536,000
Grand Total (including 16% GST)				27,136,000
Amount of GST {(Rs 27,136,000 x 0.16) / 1.16}				3,742,896
1/5 th of 16% GST (Rs 3,742,896/5)				748,579

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Paras 57, 61)

4.2.6 Non-adjustment of advance payment through vouched account - Rs 12.955 million

Every payment for whatever purpose must be supported by a voucher with clear particulars of the claim and all information necessary for its proper classification and identification in the accounts as per Para 72 of Central Public Works Account Code.

Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, made advance payments to various departments for provision of services at Petroleum House against their estimated demands but vouched account on completion of work was not obtained to adjust the advance payments. This resulted in non-adjustment of advance payment through vouched account for Rs 12.955 million as detailed below:

Department	Rs in million
M/s Islamabad Electric Supply Co.	7.077
M/s Sui Northern Gas Pipelines	4.754
M/s National Telecommunication Co.	1.124
Total	12.955

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 62)

4.2.7 Overpayment due to less deduction of amount paid in previous bill and calculation mistake - Rs 9.611 million

Para 221 of CPWA Code provides that before signing the bill, the Sub-divisional Officer should compare the quantities in the bill with those recorded in the Measurement Book (MB) and see that all the rates are correctly entered and that all calculations have been checked arithmetically. When the bill is on a running account, it should be compared with the previous bill. Memorandum of Payments should then be made up any recoveries which should be made on account of the work or supply or on other accounts, being shown therein.

4.2.7.1 Audit noted that while making payment for IPC-25, the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, deducted value of work done up to IPC-24 as Rs 371.552 million instead of Rs 380.700 million i.e. actual value work done including secured advance. Less deduction of value of work done of IPC-24 from IPC-25 resulted into an overpayment of Rs 9.148 million (380.700 - 371.552).

4.2.7.2 Audit observed that amount of Rs 400,176 was paid against the item 23 (painting iron work with synthetic enamel paint), whereas actual payable amount comes to Rs 4,001.76 (190.56 sft x Rs 2,100 per %sft). Audit holds that overpayment was made due to applying rate per sft instead of per %sft. This resulted in overpayment of Rs 462,810 {(Rs 400,176 – Rs 4,001.76) - 2.65%} + 20% for price escalation).

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Paras 42, 47)

4.2.8 Non-remittance of government revenue into treasury - Rs 8.295 million

Rule 7 of Treasury Rules (Vol-I) describes that all moneys received by or tendered to Government Officers on account of revenues should be deposited in a treasury or Bank in full without any delay.

Audit noted that the Executive Engineer, Central Civil Division-V, Pak PWD, Islamabad, recovered an amount of Rs 8.295 million from 27th running bill of the contractor on account of revalidation of Bank Guarantee. Audit observed that neither utilization of amount recovered from the contractor towards revalidation of bank guarantee nor its remittance into Government treasury was forthcoming from record.

Audit holds that the amount was not utilized for the purpose for which it was recovered from the contractor so it was required to be

remitted into government revenue. This resulted in non-remittance of government revenue into treasury amounting to Rs 8.295 million.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 50)

4.2.9 Unauthorized payment of construction supervision without provision in revised PC-I - Rs 7.614 million

According to revised PC-I/admin approval issued by the Ministry of Petroleum and Natural Resources vide No. 1/DGPC-2(19)/SO D-IV/2001 dated 12.01.2013, the project was approved at a revised cost of Rs 857.37 million after rationalization and the breakup of the cost includes consultancy @ 1.35% of Rs 389.44 million.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, made payment of Rs 7.614 million to the consultant on 10.04.2015. Audit observed that payment to the consultant for construction supervision was made in addition to consultancy charges (design fee) @ 1.35% of cost of civil works without any provision in revised PC-I.

Audit holds that the payment of construction supervision amounting to Rs 7.617 million without provision in PC-I was unauthorized.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 33)

4.2.10 Unauthorized transfer of funds from lapsable PLA-I to non-lapsable PLA-III & IV - Rs 6.434 million and release of withheld funds in subsequent year

The Finance Division (Budget Wing), Government of Pakistan vide letter No. F-3(20) BR/II/94-B-Vol-I/313 dated 15th April, 1997 allowed operation of four (4) Personal Ledger Accounts (PLA) in Pak. PWD with zero balances operative from 1st July, 1997:

PLA No.	Description	Nature
PLA-I	Annual Development Programme	Lapsable
PLA-II	Maintenance only	Lapsable
PLA-III	Deposit Works	Non-lapsable
PLA-IV	Other Deposits such as Contractor's Securities, General Provident Fund receipts, etc.	Non-lapsable

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, approved contractor claim, booked the expenditure against their work done but withheld a sum of Rs 6.434 million out of total amount of Rs 7.353 million on 29.06.2015 and transferred to non-lapsable account to avoid lapse of funds in violation of rules. A sum of Rs 4.933 million was released on 15.09.2015 and Rs 1.500 million on 28.09.2015 during the subsequent financial year. This resulted in unauthorized transfer of funds from lapsable PLA-I to non-lapsable PLA-III & IV and release of withheld funds in subsequent year.

Audit holds that the transactions not only violated the PLA system in a planned manner but also casts serious doubts on the system of internal controls.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 14)

4.2.11 Irregular expenditure due to excess over PC-I provision - Rs 6.773 million

According to revised PC-I of the project, there was provision of Rs 6.520 million for work Sub-Head: Computer Networking.

Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, awarded the work of computer networking to M/s Laser line Communications Rawalpindi at a cost of Rs 11.832 million and made upto date payment of Rs 13.293 million against provision of Rs 6.520 million in 2nd revised PC-I with an excess of Rs 6.773 million (103%). Audit holds that expenditure incurred beyond PC-I/agreement was irregular. This resulted in irregular expenditure due to excess of Rs 6.773 million over PC-I provision and Rs 1.461 million over provision of contract agreement.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 58)

4.2.12 Premature release of retention money - Rs 4.834 million

According to clause 11.4, retention money shall be paid by the Employer to the Contractor within 14 days after either the expiry of the period stated in the Contract Data or the remedying of notified defects, or the completion of outstanding work, all as referred to in Sub-Clause 9.1, whichever is the later.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, released Security Deposit of Rs 833,700 on 02.11.2015 and Rs 4.0 million on 09.02.2016 without issuance of completion certificate and recommendation of the consultants contrary to provision of contract clause. This resulted in premature release of retention money for Rs 4.834 million.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 17)

4.2.13 Overpayment due to substitution of imported tiles with local tiles without reduction in rate - Rs 4.407 million

GFR-10 (i) states every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

According to TSE approved by the Chief Engineer, there was provision for the item 26 “Providing/laying light/colour unglazed vitrified porcelain tiles (polished) not exceeding 1600 square centimeter.... in floor and skirting @ Rs 28,712.37 (Rs 16,407.07 + 75%) per %sft

According to BOQ item No.26, was payable @ Rs 20,000 per % sft for 9,000 sft and Rs 22,000 per % sft for 500 sft in floor and skirting respectively by using foreign made tiles.

The contractor’s quoted rates for these items were 30.34% below for floor and 23.38% below for skirting than the rates provided in TSE.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed, measured and paid the said item for Rs 22.033 million, as substituted item by using local made tiles. The item was substituted on the plea that it was instructed by the Federal Minister for Petroleum and Natural Resources during site visit. Audit observed that instructions of the Minister, conveyed through Ministry, were not available on record. Audit further observed that substituted item executed with local made tiles was paid without any reduction in rate. Audit holds that rate of the item was required to be reduced at least 20% as cost of local made tiles is less than foreign made tiles. It is worth mentioning here that contractor’s quoted rates were less than Engineer’s Estimated rate of

Rs 28,712 (16,407.07+75%) which might be a reason to substitute the item. This resulted in overpayment of Rs 4.407 million (20% of Rs 22.033 million as detailed in **Annexure-A**) due to substitution of imported tiles with local tiles without reduction in rate.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 11)

4.2.14 Overpayment of designing fee due to higher rate - Rs 3.105 million

According to agreement dated 12.01.2005, signed with M/s Engineering Associate by the Ministry of Petroleum, a sum of Rs 2.877 million was payable for planning and design of the Petroleum House being 1.35% of Rs 213.101 million.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, made payment of Rs 5.982 million (77% of 1.35% of Rs 575.463 million) to the consultant on 10.04.2015 against agreed fee of Rs 2.877 million. Audit observed that planning and design work of the project was completed before start of construction work, therefore, design fee was payable as per agreement. Further, there was no provision in consultancy agreement for revision of charge rates for planning and designing. Thus, it is evident that fee for designing at revised rate was allowed beyond the contract provisions. This resulted in an overpayment of Rs 3.105 million (5.982 - 2.877).

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 29)

4.3 Procurement and contract management

Contract management relates to implementation of contract clauses and compliance with the procedures for the award and completion of works. Issues relating to non-observance of contractual obligations/rules & regulations are as under:-

4.3.1 Non-recovery of Rs 13.817 million due to non-obtaining of insurance of works for Rs 686.185 million

According to clause 14.1 of the contract agreement, the Contractor shall prior to commencing the works, effect insurance of the types, in the amounts and naming as insured the persons stipulated in the Contract Data. The policies shall be issued by insurers and in terms approved by the Employer. The Contractor shall provide the Engineer/employer with evidence that any required policy is in force and the premiums have been paid. The amount of insurance cover for work shall be sum stated in the letter of acceptance plus 15%.

4.3.1.1 Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, did not obtain insurance for an amount equal to contract cost plus 15% as per clause of agreement from the contractor M/s Abdul Sattar & Co. This resulted in non-obtaining of insurance of work for Rs 428.896 million and non-recovery of Rs 8.578 million from the contractor due to non-obtaining insurance cover.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 08)

4.3.1.2 Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, awarded six works at a total cost of Rs 257.289 million as detailed in **Annexure-B**. Audit observed that insurance of the works as provided in the contracts was not obtained though charges to maintain these insurance covers were paid as in-built in the quoted rates of

items. This resulted in non-obtaining of insurance of works valuing Rs 257.289 million. The contractors saved insurance premium amounting to Rs 5.239 million as detailed in **Annexure-B**.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 51)

4.3.2 Irregular award of work due to acceptance of bid beyond limit - Rs 372.953 million

As per paras 6.17 & 7.14 (d) of CPWD Code, maximum permissible limit for acceptance of tender over technical sanctioned estimate is 15%.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, awarded the work of Petroleum House at agreed cost of Rs 372.953 million on 07th November, 2007 against technical sanctioned estimate for Rs 312.200 million approved on 15th September, 2007, which was 19% higher than the Technically Sanctioned Estimate. This resulted in irregular award of work for Rs 372.953 million exceeding technical sanctioned estimate for Rs 13.92 million [(Rs 372.953 million - Rs 312.200 million) + 15%].

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 04)

4.3.3 Non-implementation of codal procedures in award of work valuing Rs 372.953 million

According to the system prevailing in the department, execution of works is carried out in accordance with procedures laid down in PPWD codes, Schedule of Rates and Specifications.

Para 296 of CPWA Code provides that in order to facilitate the preparation of estimates, as also to serve as a guide in settling rates in connection with contact agreements, a schedule of rates for each kind of work commonly executed should be maintained in the division and kept up to date. It should be prepared on the basis of the rates prevailing in each locality and necessary analysis of the rates for each description of work and for the varying conditions thereof should, so far as may be practicable, be recorded. The rates entered in estimates should generally agree with the scheduled rates but where, from any cause, the latter are not considered sufficient, the deviation should be explained in detail in the report on the estimate.

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

Audit noted that the Pak PWD authorities prepared and sanctioned the estimate of the work on rates of item of works given in PPWD Schedule of Rates - 2004 with some items on market rates. In total estimated cost of Rs 303.144 million include scheduled items of Rs 265.300 million (87.6%) inclusive of 75% premium and non-scheduled items of Rs 37.844 million (12.4%). Audit observed that tenders of the work were invited on item rate instead of percentage above/below on Pak PWD Schedule Rates. The contractor quoted uneven rates as rates of some items were extra-ordinary higher than estimated rates and some were lesser than estimated rates.

Audit further observed that quantities of items having higher rate than estimate, were got executed in excess and those having less rates in bid than estimate were either not executed or substituted at higher rate. The contractor got benefit of Rs 18.806 million by executing excess quantities where contractor's quoted rates were higher than estimate and Rs 15.282 million by not executing items where his rates were less than

estimated one. This resulted loss of Rs 34.088 million (18.806 + 15.282) due to acceptance of uneven rates as calculated/detailed in **Annexure-C**.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 41)

4.3.4 Irregular payment for work without certification by the supervisory consultants - Rs 165.995 million

According to Clause 33.5 of agreements for HVAC system and Diesel Generating sets, the amount due to contractor under any IPC issued by the Engineer pursuant to this clause or to any other term of contract shall be paid by Employer to the contractor within 30 days after such IPC has jointly been verified by the Employer and the contractor.

As per Clause D(12&13) of Annexure-A to consultancy agreement dated 14.01.2005 with M/s Engineering Associate, the consultant was responsible to supervise the testing and commissioning of the complete M&E systems and check contractor's bills/claims.

4.3.4.1 Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, has made payment of Rs 129.394 million (97% of total contract cost) to M/S Wular Engineers for work Construction of Petroleum House G-5/2 Islamabad [SH: HVAC System] on 26.06.2013. Audit observed that payments upto 8th Running Bill has been released without certification of equipment by the supervisory consultants though it was their responsibility to check the quality and quantity of the work executed by the contractor. In absence of the certification by the consultant, execution of work as per specification cannot be authenticated. This resulted in irregular payment of Rs 129.394 million.

(Para 53)

4.3.4.2 Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, has made payment of Rs 36.600 million (98% of total contract cost) on 22.06.2015 to M/s Riaz & Sons for work "Construction

of Petroleum House G-5/2 Islamabad [SH: Diesel Generating Set With Standby Rating 800-900 KVA and 400-500 KVA]”. Audit observed that payments upto 4th Running Bill were released without certification of equipment by the supervisory consultants though it was their responsibility to check the quality and quantity of the work executed by the contractor. Audit further observed that Diesel Generator Set 400 KVA supplied by the contractor was not as per specification as the contractor requested the department vide letter No.2043/PWD dated 13.12.2013 for exchange of the supplied DG set with the model of 2012. This state of affairs leads to the conclusion that payment was released to the contractor without confirming the supply of equipment as per specification. In absence of the certification by the consultants, execution of work as per specification cannot be authenticated. This resulted in irregular payment of Rs 36.600 million.

(Para 60)

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

4.3.5 Non-revalidation of performance guarantee of the work - Rs 63.024 million

According to Clause 4.4/ Clause IB-34 of agreement, the contractor shall furnish to the Employer within 14 days after receipt of letter of Acceptance, a performance security for an amount equal to 10% of contract value valid upto successful completion of work.

4.3.5.1 Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, obtained performance security No. 03/P-009/012190/11/2007 dated 20.11.2007 for Rs 37.295 million issued by the Adamjee Insurance Pvt Ltd with validity period upto 11.11.2010. The project could not be completed in stipulated period and was delayed abnormally. Audit observed that performance security furnished by the contractor, expired on 11.11.2010 was not got revalidated till date in

violation of contract provision. This resulted in non-revalidation of performance guarantee of the work for Rs 37.295 million.

(Para 09)

4.3.5.2 Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, awarded six 06 works at a total cost of Rs 257.289 million as per detail given in **Annexure-D**. Audit observed that performance bonds obtained from the contractors were expired after one year of start of work but the same were not got extended for the period upto completion of work/defect liability period. Non-extension of validity of performance bonds was violation of contract cost and undue financial favour to the contractors as they received in built payment to procure performance bond. This resulted in non-revalidation of performance bonds of Rs 25.729 million (Rs 257.289 million x 10%).

(Para 52)

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

4.3.6 Non-imposition of Liquidated Damages due to non-completion of work - Rs 37.30 million

According to clause 7.4 of contract agreement, 10% penalty was provided for non-completion of work in stipulated time period.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, did not impose and recover Liquidated Damages for delay in completion of work. The work was to be completed in 24 months from 15.11.2007 but the work could not be completed despite repeated extensions of time. Last extension in time limit was granted upto 30.06.2015 but work was still incomplete as completion certificate as per contract provisions has not been issued. Further, punch list dated 31.12.2015 indicates that certain items of work are still incomplete. Thus it is evident that the contractor rendered himself liable to pay Liquidated Damages as per clause of agreement but no such recovery was

imposed/recovered. This resulted in non-imposition of liquidated damages amounting to Rs 37.30 million (Rs 372.953 million x 10%).

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 23)

4.3.7 Loss due to substitution of item at higher rate - Rs 15.475 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

According to TS Estimate sanctioned by Chief Engineer (North) vide No. CEN/166 of 2007-08, rate of non-scheduled item No.01 (Ground Floor to 9th floor) 'Providing/fixing 5mm thick double tinted glass of foreign make including fixing in position on aluminum frame with rubber gasket, caulking all masonry joint with silicon cement complete in curtain walls and door/windows' was approved as Rs 208 per sft as prepared by the consultants on the basis of prevailing market rate.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, did not get execute the said item as per TS/Agreement and substituted it with "P/F 5mm thick tinted, imported tempered guardian glass ..." @ Rs 924 per sft with the plea that item executed as per site requirements and instructions of the then Federal Minister. Audit observed that contractor quoted rate of Rs 85 per sft against estimated rate of Rs 208 per sft which is 59% less than approved rate in TS Estimate. Audit holds that item provided in the original agreement was not executed because of the reason that contractor quoted unworkable rate and was substituted to extend benefit to the contractor. This post bid change resulted in loss of Rs 15.475 million {(Rs 924 - Rs 208) x qty 21,606.33 sft}.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 21)

4.3.8 Construction of building without approval of building plan from CDA and creation of extra liability - Rs 8.155 million

According to para 2.2.3 of CDA Zoning Building Control Regulation, 2005, any construction started/carried out without prior approval of the Authority shall be liable to be removed (partly or wholly) at the risk and cost of owner(s)/allottee/occupant(s) or and imposition of penalty as prescribed under the rules.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, constructed the building of Petroleum House in sector G-5/2 comprising 2 basements, ground floor plus nine floors with additional structure at roof top having covered area of 163,100 sft and made payment of Rs 511.882 million. Audit observed that building has been constructed without approval of building plan from the Capital Development Authority despite clear cut instructions in the Letter of Acceptance endorsed to the Consultants and Assistant Executive Engineer (AEE) in-charge. But approval of building plan was neither available with Ministry nor Pak PWD office. Thus building has been constructed in violation of standing instructions without confirming the bearing capacity and soundness of the structure and rendered themselves to pay fine @ Rs 50 per sft as claimed by CDA vide letter No. CDA/DD/BCS-II-6(11)/Petroleum House/G-5/2015/650 dated 01.09.2015. This resulted in creation of extra liability in shape of fine for construction without approval of building's plan for Rs 8.155 million (163,100 sft x Rs 50).

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 01)

4.3.9 Award of additional work without open bidding - Rs 5.432 million

Rule 12 (2) of Public Procurement Rules 2004 provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

According to acceptance letter No. EE/CCD-II/AB/3512 dated 07.11.2007, no extra/substituted item of works are allowed to be executed completed at site without prior approval of competent authority. The quantities of all items should be restricted to the extent of quantities provided in BOQ.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, awarded, got executed and paid additional work for partition work "Aluminum glass partition and doors ..." in Petroleum House amounting to Rs 5.432 million (quantity 9,053.34 sft @ Rs 600) and paid for a quantity of 9,053.43 sft @ Rs 424.34 per sft (part rate) amounting to Rs 3.842 million up to IPC-33. Audit observed that this work was awarded without provision in PC-I, any competitive bidding and approval of the competent authority on the direction of Ministry of Petroleum vide letter No.2(24)/Dev-IV/2014 dated 13.07.2015 and letter No. No.2(24)/Dev-IV/2014 dated 03.09.2015 (consultant letter dated 07.09.2015 refers). Audit holds that partition work was not part of the construction work and it was executed on the requirement of the Ministry. Therefore, it should have been awarded as new work through open bidding. Thus award of additional work without open bidding was

violation of the Public Procurement Rules. This resulted in award of additional work without open bidding for Rs 5.432 million and payment of Rs 3.842 million.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Paras 03, 16)

4.3.10 Extra expenditure due to acceptance of higher bid - Rs 3.520 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

According to TS Estimate No. CEN/342 of 2008-09 approved vide letter No.CEN/W3/1443 dated 05.06.2009, prevailing market price of absorption chillers/heaters 380TR was Rs 13.500 million each.

Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, called and opened tenders of the work “Construction of Petroleum House G-5/2 Islamabad [SH: HVAC System]” on 10.06.2009 just after 05 days of issue of technical sanction to estimate and accepted quoted rate of Rs 15.260 million (Rs 16.937 million - 9.9% rebate) by M/S Wular Engineers for the said equipment with an excess of Rs 1.76 million over the market rate. Audit observed that increase in cost than estimate within 05 days seems unjustified and led to acceptance of higher bid. This resulted in extra expenditure Rs 3.520 million {(Rs 15.260 million – Rs 13.500 million)x2} due to acceptance of higher bid.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 54)

4.3.11 Irregular expenditure due to execution of work without provision in TS estimate - Rs 1.565 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

According to TS Estimate sanctioned by Chief Engineer (North) vide No. CEN/166 of 2007-08, false ceiling and tiles were not provided in basements.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed measured and paid tiles and false ceiling in basement without provision in the TS estimate/agreement and approval of competent authority. Further, PC-I of the project describes that basement shall be used for car parking, therefore, fixing of tiles and false ceiling in basement was unjustified. Audit holds that execution of following items without any authority was irregular. This resulted in irregular expenditure of Rs 1.565 million (upto IPC-32) as under:

Description of item	Qty	Rate	Amount (Rs in million)
P/L light/color unglazed porcelain tiles not exceeding 1600 square centimeter	5,663.86 sft	Rs 20,000 %sft	1.133
P/F in position gypsum board 2'x2'x3/8" tiles false	5,400.61 sft	Rs 80 p.sft	0.432
Total			1.565

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 31)

4.3.12 Irregular procurement due to post bid change without open competition - Rs 1.120 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

Rule 12 (1) of Public Procurement Rules 2004 provides that Procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time.

According to BOQ, item "Providing/installing submersible pumping set comprising of submersible pump with 15-HP, 2900-RPM, 3-phase, 400-volts, submersible electric motor capable to discharge at least 6000-Gallons per hour of clear water at head of 400-feet with pump setting at 300-350 feet complete..." was provided as 01 job for Rs 1.120 million.

Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, got executed, measured and paid the substituted item "Providing/installing submersible pumping set comprising of submersible pump with 15-HP, 2850-RPM, 3-phase, 400-volts, submersible electric motor capable to discharge at least 4000-5500 Gallons per hour of clear water at head of 300-350 feet ..." @ Rs 1.120 million to M/S Multi Tech Engineer for the work Construction of Petroleum House G-5/2 Islamabad [SH: boring of tube well and installation of pump]. Audit observed that originally pumping set having 2900 RMP, 6000 gallons per hour at head of 400 feet was provided at cost of Rs 1.524 million (Rs 1.120 million + 36%) and its value was 54% of total contract cost of Rs 2.911 million. Audit further observed that agreement item was substituted without recommendations of the supervisory/design consultant at non-competitive

cost. This resulted in irregular procurement due to post bid change without open competition for Rs 1.120 million.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 66)

4.3.13 Overpayment due to application of higher rate - Rs 1.861 million

GFR-10 (i) states every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

4.3.13.1 According to BOQ item No.6(ii) *P/L RCC in situ piles...* under sub head basement No. 02 (scheduled items), pile 30” diameter - 53’ depth is payable @ Rs1,600 per rft.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed pile 30” diameter - depth 53’ against item 6(iv) instead of depth upto 66’. Audit observed that rate of the item was not applied according to depth of pile as rate of Rs 1,800 per rft was applicable when depth of pile is 66’. Rate of Rs 1,600 per rft for RCC in pile 30” dia - depth 53’ meters available in the agreement was to be applied. Incorrect application of rate resulted in overpayment to the contractor for Rs 761,977 as calculated in the following table:

Total Quantity of item 6(iv)	3,261.33 rft
Rate paid	Rs 1,800 p/rft
Rate payable	Rs 1,600 p/rft
Excess rate	Rs 200 p/rft
Overpayment {(3,261.33 rft x Rs 200)+20% price escalation}	Rs 761,977

(Para 19)

4.3.13.2 An item of work 'P/I 12 mm clear guardian glass, tempered plus safety film...' was got executed as substituted item at market rate of Rs5,769.81 per sft. Audit observed that said rate was based on a quotation dated 16.04.2015 obtained from M/s Aspect, Industrial Area I-9, Islamabad. Audit further observed that the firm quoted rate of Rs 4,050 per sft for composite item i.e. providing and installation of the glass. Audit holds that only 10% contractor's profit was admissible on composite rate obtained through quotation. Accordingly rate of Rs4,455 (Rs4,050+10%) per sft was payable for the item but higher rate of Rs5,671.81 per sft was allowed after adding certain charges like Income Tax, Supervision Charges, GST, Wastage, etc. on composite rate offered in quotation. This resulted in overpayment due to allowing higher rate of item Rs 680,769 {(Rs 5,769.81- Rs 4,455) x qty 517.77 sft}.

(Para 20)

4.3.13.3 As per PPWD book of analysis contractor profit is admissible at the rate of 10% of cost of material and labour etc. Further, the Consultants recommended in their letter date 10.06.2015 that the overheads & profit factors and taxes will be applicable as per PPWD standards.

An extra item *P/L 3/4" thick granite marble tiles polished upto 4 ft laid over cement mortar 1:2....* was paid @ Rs 1,297.36 per sft. Audit observed that contractor's profit @ 15% was added in the analysis contrary to prevailing standards. In this way contractor was allowed excess profit by 5%. This resulted in overpayment of Rs 418,705 as under:

Quantity Ground Floor	1,000.00 sft
First Floor	711.37 sft
Second Floor to 9 th Floors (736.83*8)	5,894.64 sft
Roof	798.94 sft
Total Quantity	8,404.95 sft
Excess rate (5% of Rs 99,633.17/100)	Rs 49.82
Overpayment (Rs 49.82 x 8,404 sft)	Rs 418,705

(Para 13)

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

4.4 Construction and works

4.4.1 Site selection

The entire work was executed on already acquired plot measuring 3,888 sq yds in Sector G-5/2, Islamabad allotted by CDA in 1993.

4.4.2 Preparation of drawing and design

The Ministry appointed M/s Engineering Associates as Consultants for drawing, design and construction supervision of the project.

4.4.3 Construction schedule

The construction schedule for the project was prepared by the contractor and approved by the Consultant and the Employer.

4.4.4 Monitoring of construction

The consultant M/s Engineering Associates were responsible for monitoring of construction work for timely completion.

4.4.5 Physical Progress

The original time for completion of project was 24 months from 2006-07 while the civil work was started on 15.11.2007 and was to be completed up to 14.11.2009. The contractor did not complete the work on due date and could achieve physical progress of 60% (approximately) in stipulated period. The work has been substantially completed but neither completion certificate issued by the consultants nor the building has been taken over from the contractor. However, last extension in time limit was granted upto 30.06.2015. The HVAC work of the project was started on

28.07.2009 and was to be completed upto 27.03.2011 but the work has not been finalized.

4.4.6 Procedures to ensure quality of work

The consultant was hired to ensure the quality of work. His responsibility was to inspect the site from time to time, properly test the material through laboratory tests and to ensure execution of work as per approved drawing and specifications.

Proper planning, estimation, approval and execution are the benchmarks to ensure economical and sustainable execution of works. Audit, however, noticed the following irregularities relating to construction and works:

4.4.7 Un-authorized and unjustified payments without detailed Measurement in MB - Rs 142.917 million

Para 209 (d) of CPWA Code provides that all payments for work or supplies are based on quantities recorded in the Measurement Book. It is incumbent upon the person taking the measurements to record the quantities clearly and accurately. He will also work out and enter in the MB the figures for the “content or area” column. Para 208-211 of CPWA Code further provides that sub-division officer will be responsible for all entries of work done and test check @ 50% of entries and accept the accuracy of all Measurement/Payment.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, allowed payments to contractors on the basis of abstract only for IPC-22 to IPC-33 without recording detailed measurements in the Measurement Book on standard forms. Audit observed that pre-measurement forms, computer forms were used for making payments, without exercising test check by the PPWD. This resulted in unauthorized & unjustified expenditure of Rs 142.917 million as follows:

(Rs in million)	
Total value of work done upto IPC-33	430.874
Less value of work done upto IPC-21	287.957
Value of work done paid without recording detailed measurement	142.917

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 02)

4.4.8 Unauthorized payment due to allowing excess quantities without approval - Rs 32.346 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

According to acceptance letter No. EE/CCD-II/AB/3512 dated 07.11.2007, no extra/substituted item of works are allowed to be executed/completed at site without prior approval of competent authority. The quantities of all items should be restricted to the extent of quantities provided in BOQ.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed, measured and paid quantities of following items in excess of those provided in BOQ without approval of competent authority. There was an abnormal increase of 2,339% in the quantity of item 6(ii). This resulted in unauthorized payment of Rs 32.346 million as detailed in **Annexure-E**.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 15)

4.4.9 Execution of below specification work for Rs 8.972 million involving overpayment - Rs 3.589 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

According to BOQ/agreement, an item of work ‘providing and fixing in position gypsum board 2’x2’x3/4” tiles false ceiling’ @ Rs 80 per sft was provided in ground floor to 9th floor. As per TS estimate, rate of the item was Rs 102.97 (Rs 58.84 + 75%).

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed, measured and paid the said item as substituted item at the rate of Rs 80 per sft for Rs 8.972 million. Audit observed that the item in question was taken from PPWD Schedule of Rates 2004 (Item No. 182 at page 406). After adding 75% premium its rate was sanctioned as Rs 102.97 against which contractor quoted rate of Rs 80 per sft.

Audit further observed that gypsum board 2’x2’x3/8” tiles were used in place of gypsum board 2’x2’x3/4” tiles and payment was made at agreement rate. The substituted item was approved with the remarks that “the item has been approved by the Ex-Federal Minister vide minutes of meeting letter No. DGPC-2 (19)/Dev-IV/12 dated 02.11.2012 and gypsum board 3/8” was used for false ceiling instead of 3/4” thick as 3/4” gypsum board was not available in the market”. Audit further observed that on reduction in thickness of gypsum board the size on angle was not adjusted as the 1”x1” aluminum angle was provided for 3/4” board, whereas GI Sheet T&L angle 1x1 was also used for 3/8” thick board. Audit holds that agreement item was substituted without any justification as non-availability of the 3/4” thick gypsum in market was out of question. Rather it was substituted to favour the contractor as his quoted rate was 22% less than TS estimate rate. Thus below specification work was executed and

paid. This resulted in execution of below specification work for Rs 8.972 million involving overpayment of about Rs 3.589 million as detailed in **Annexure-F**.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 30)

4.4.10 Unauthentic payment due to non-recording of detail of job - Rs 8.609 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

According to TS Estimate No. CEN/342 of 2008-09 approved vide letter No.CEN/W3/1443 dated 05.06.2009, rate of Rs 5.500 million per job, was approved on the basis of prevailing market for item No.10 BMS/DDC/Control system.

Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, accepted rate of Rs 8.785 million against the said item and made payment of Rs 8.609 million upto 8th running bill to M/s Wular Engineers for work “Construction of Petroleum House G-5/2 Islamabad [SH: HVAC System]”. Audit observed that detailed measurement of the item was recorded in MB as ‘1 job’ without mentioning detail of work executed at site. In absence of the same, it cannot be authenticated that work has been completed as provided in TS Estimate. Thus, release of payment without recording detail of job/work executed cannot be authenticated. This resulted in unauthentic payment of Rs 8.609 million.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 55)

4.4.11 Overpayment due to use of steel of lesser weight than standard weight - Rs 8.339 million

According to specification No. 7.7 (b), the weight of plain or deformed bars will be computed from the theoretical weight of plain round bars of the same nominal size as shown in the following tabulation:

Size in inch	Weight in lbs (pounds) per foot
¼	0.167
3/8	0.376
½	0.668
5/8	1.043
¾	1.502
7/8	2.045
1	2.670
1 1/8	3.380

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed and measured steel reinforcement on the work with lesser weight/dia than standard weight given in the specification. Audit observed that weight of steel was calculated and paid on the basis of weight given in the specification, whereas actual weight of the steel was less as per test reports of University of Taxila vide No. UET/CED/ST/2k8-5918-22 dated 30.07.2008 and No. UET/CED/ST/2k8-5838 dated 23.07.2008. Comparison of weight of steel given in specification with actual one, as per test reports, showed that weight of steel was less by about 7.218%. But weight of steel was calculated at rates given in specification without considering the test reports. This resulted in overpayment due to excessive calculation of steel weight for Rs 8.339 million (Rs 115.525 million x 7.218%) as calculated/detailed in **Annexure-G**.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 35)

4.4.12 Unjustified payment due to allowing higher rate for excessive quantity/substituted item - Rs 29.642 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

As per clause 10.2(d) of agreement, variation shall be valued at appropriate new rate as may be agreed or which the Engineer/Employer considered appropriate.

General Specification 6.15 of the agreement provides that “wherever specified on the drawing, all liquid or water retaining structures and those subject to water pressure shall be executed with approved waterproof concrete. The waterproofing compound shall be of the approved type and shall be mixed with the concrete in strict accordance with the manufacture’s direction and/or as directed by the Engineer or his Representative.”

General Specification 6.19 (o) of the agreement provides that the concrete mix of DPC will be CC 1:2:4 as specified in this chapter. To protect the dampness, water proofing agent Pudlo or any other water proofing agent as approved by the Engineer will be mixed in CC 1:2:4 @ the ratio of 5 lbs per bag of cement. The DPC will be cured for at least 10 days.

4.4.12.1 As per PPWD Book of Analysis, rates of items of work are calculated without addition of Income Tax. Further, construction

supervision of the project is being paid to M/s Engineering Associates at the rate of Rs 107,500 per month.

As per TS rate of item was sanctioned as Rs 247.82 (141.61 + 75%) per sft).

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, approved various items of work and paid rates analyzed on the basis of prevailing market prices obtained through quotations of suppliers. Audit observed that analyzed rates were finalized after adding certain charges/overheads and contractor profit on the market price including 3% supervision charges and 7.5% Income Tax. Audit holds that addition of supervision charges and Income Tax in the rates was not justified because the supervision was being paid separately to the Consultants and market price material is inclusive of taxes. This resulted in overpayment of Rs 7.309 million as detailed in **Annexure-H**.

(Para 12)

4.4.12.2 In the approved T.S. Estimates, quantities of items were provided as under:

Item No.	Description	Quantity (Rft)
1a	Sub-soil boring of required dia in all kind of soil except rock to required depth complete	4,170
1b	Sub-soil boring of required dia in rock of all sorts to required depth complete	4,170

As per clause 10.2(d) of the contract agreement, variation shall be valued at appropriate new rate as may be agreed or which the Engineer/Employer considered appropriate.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, measured and paid quantity of the item No. 1b “sub soil boring of required dia in rock of all sorts to required depth complete”

for 7,830.06 rft @ Rs2,500 per rft costing Rs 19.575 million against provision of 4,170 rft in BOQ with an increase of 87.8% than estimated quantity.

Audit observed that the rate of the said item prepared by the Consultant and approved by the Chief Engineer Pak. PWD in the TS estimate No. CEN-166 of 2007-08 was Rs 733.32 (Rs 419.04+75%) per rft against which contractor quoted Rs 2,500 per rft. Audit holds that quantity of the item executed and paid beyond contract provision was payable @ Rs 733.32 per rft (approved rate in TS Estimate) but no such adjustment in rate was made. This resulted in unjustified payment of Rs 6.295 million [$\{(7,830.06 \text{ rft} - 4,170 \text{ rft}) \times (\text{Rs } 2,500 - \text{Rs } 733.32)\}$ - 2.65%].

(Para 25)

4.4.12.3 Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, measured and paid quantity of the item No. 21 “P/L water proof agent (pudlo) @ 5 lbs per bag of cement” for 83,055 lbs @ Rs 100 per lbs costing Rs 8.305 million against provision of 2,000 lbs in BOQ with an increase of 3,153% than Estimated quantity.

Audit observed that the rate of the said item prepared by the Consultant and approved by the Chief Engineer (North zone), PPWD in the TS estimate vide No. CEN-166 of 2007-08 was Rs15.20 per lbs against which contractor quoted Rs 100 per lbs. Increase in quantity of Pudlo @ 5 lbs per cement bag was not supported with total quantity of cement bags used. Audit further observed that use of Pudlo @ 5 lbs per cement bag was admissible for RCC 1:2:4, whereas its quantity was worked out at the same rate for richer specification of RCC 1:1:2 in basement executed as per site requirement i.e. water retaining structure. Audit holds that use of Pudlo for concrete in basements with rich specification was questionable. Its calculation @ 5 lbs per bag in RCC 1:1:2 was on higher side as this ratio of Pudlo is admissible for RCC 1:2:4 and not 1:1:2. Thus, it is evident that quantity of the item executed and paid was not only on higher side contrary to specification but also higher

rate was allowed. This resulted in unjustified payment of Rs 7.891 million [$\{(83,055-2,000) \times Rs\ 100\} - 2.65\%$].

(Para 05)

4.4.12.4 Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, measured and paid quantity of the item No. 12 (basement-I) “P/L water proof agent (pudlo) @ 5 lbs per bag of cement” for 10,700 lbs @ Rs 100 per lbs costing Rs 1.070 million against provision of 1,200 lbs in BOQ with an increase of 792% than Estimated quantity.

Audit observed that the rate of the said item prepared by the Consultant and approved by the CE, PPWD in the TS estimate No. CEN-166 of 2007-08 was Rs 15.20 per lbs against which contractor quoted Rs 100 per lbs. Increase in quantity of Pudlo @ 5 lbs per cement bag was not supported with total quantity of cement used. Audit further observed that use of Pudlo @ 5 lbs per cement bag was admissible for RCC 1:2:4, whereas its quantity was worked out at the same rate for richer specification of RCC 1:1:2 in basement executed as per site requirement i.e. water retaining structure. Audit holds that use of Pudlo for concrete in basements with rich specification was questionable. Its calculation @ 5 lbs per bag in RCC 1:1:2 was on higher side as this ratio of Pudlo is admissible for RCC 1:2:4 and not 1:1:2. Thus, it is evident that quantity of the item executed and paid was not only on higher side contrary to specification but also higher rate was allowed. This resulted in unjustified payment of Rs 924,825 [$\{(10,700-1,200) \times Rs\ 100\} - 2.65\%$].

(Para 45)

4.4.12.5 Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, measured and paid quantity of the item No. 6 (ii) “P/L RCC cast in situ pile, 1:1:2 ... 30” dia meter 53’ depth” for 5,537.54 rft @ Rs 1,600 per rft costing Rs 8.860 million against provision of 227 rft in BOQ with an increase of 2,339% over the estimated quantity.

Audit observed that the rate of the said item prepared by the Consultant and approved by the Chief Engineer, PPWD in the TS estimate No. CEN-166 of 2007-08 was Rs 1,104.25 (Rs 631 + 75%) per rft against which contractor quoted rate of Rs 1,600 per rft. Rate quoted by the contractor was uneven when compared to TS estimate as it was 45% higher than estimated rate. Audit further observed that rate of the item for quantity exceeding BOQ provision was not adjusted as per Clause of agreement which caused allowing of higher rate. This resulted in overpayment of Rs 3.050 million [$\{(5,537.54 \text{ rft} - 227 \text{ rft}) \times (\text{Rs } 1,600 - \text{Rs } 1,104.25)\} - 2.65\% + 19\%$ for price escalation].

(Para 40)

4.4.12.6 Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, measured and paid quantity of the item No. 24 “P/L jutoid water proofing matting 1/8” thick on external faces of wall below ground level with adhesive No 70 @ 10 lbs per 100 sft” for 74,117 sft @ Rs 5,000 per %sft costing Rs 3.706 million against provision of 7,100 sft in BOQ with an increase of 944 % than Estimated quantity and 3,012% increase than Estimated Cost of Rs 119,065.

Audit observed that the rate of the said item prepared by the Consultant and approved by the Chief Engineer, PPWD in the TS estimate No. CEN-166 of 2007-08 was Rs 1,676.97 per %sft against which contractor quoted Rs 5,000 per %sft. Increase in quantity of the item was not supported with detailed calculations. Audit holds that quantity of the item executed and paid beyond contract provision was payable @ Rs 1,676.97 per %sft (approved rate in TS Estimate) but no such adjustment in rate was made. This resulted in unjustified payment of Rs 2.168 million [$\{(74,117-7,100) \times (\text{Rs } 5,000-\text{Rs } 1,676.97) - 2.65\%\}$].

(Para 06)

4.4.12.7 According to TS estimate/BOQ, there was provision of 12,500 cft and 150 cft for Item No. 2 (basement-2) excavation for raft foundation with lift 20' to 23' and 23' to 26' payable @ Rs 1,400 %cft and Rs 1,500 % cft, respectively.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed measured and paid quantity of 51,995.19 cft and 58,988.06 cft for excavation upto 20'-23' and 23'-26' upto IPC-33. Audit observed that this excavation was got executed and measured in IPC-10 with excess of 39,495 cft and 58,838.06 cft than estimate/BOQ without approval. Audit holds that excavation measured in 10th running bill was done after construction of structure in basement including ramp for access. So any lift of 23' was not involved and the item was payable @ of Rs 400 per %cft as lift less than 5' was involved. This resulted in overpayment of Rs 1.149 million [{(39,495 cft + 58,838.06 cft) x Rs 1,000 %sft} - 2.65% + 20% for price escalation].

(Para 44)

4.4.12.8 According to BOQ, item No.01 “wiring for light fan or call bell point” was provided for 562 points and item No.04 “wiring for sub main with 2x2.5 PVC insulated wire” was provided for 3,500 meters.

Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, got executed measured and paid quantities of items of work “Construction of Petroleum House G-5/2 Islamabad [SH: internal electrification]” in excess than those provided in BOQ without approval of the competent authority. Audit observed that there was no change in design so increase in quantity was unjustified. This resulted in irregular payment due to allowing excess quantities amounting to Rs 854,647 as detailed in **Annexure-I**.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 64)

4.4.13 Overpayment due to separate payment of in-built components of items in violation of contract specifications - Rs 4.526 million

According to clause 4.4 of Schedule A to Tender (Preamble to Schedule of Prices), the whole cost of complying with the provisions of

the Contract shall be included in the items provided in the Schedule of Prices, and where no items are provided, the cost shall be deemed to be distributed among the rates and prices entered for the related items of the works and no separate payment will be made for those items.

4.4.13.1 General Specification 1.3 of the agreement provides that the contractor shall include testing charges in his quotation and shall not be entitled to any reimbursement on this account for routine testing.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, measured and paid 02 extra items, load test on piles 484 ton and 200 ton at cost of Rs 1.500 million (Rs 1 million + Rs 0.5 million) with the plea that these items were not available in the BOQ. Rates allowed for these non-BOQ items were much higher than rates of piles load test available in NHA CSR 2008. Audit holds that load test of piles is pre-requisite of piles construction to determine its length to achieve the load bearing as per design. So the contractor had quoted its rate accordingly and cost of test is deemed to be included in the quoted rate of the item as per provision of aforesaid clause. Thus, separate payment for load test of piles as extra item was contrary to contract provision. This resulted in un-justified payment of Rs 1.500 million.

(Para 10)

4.4.13.2 General Specification 11.11 *Wooden Doors and Windows* of the agreement provides that all the rates for doors shall be inclusive of the door frames, **finishing** and hardware as specified hereinbefore as well as painting.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed measured and paid an item of work *Lacquer Polish on Wooden Doors...* for quantity of 6,442.50 sft @ Rs 120 sft for Rs 773,100 as extra item with the plea that item was not included in original estimate but was necessary for execution as per site requirement. Audit holds that the quoted rates for wood work were inclusive of cost of all kinds of material for finishing. Further, this item was not payable separately under clause 4.4 referred above but payment was released

contrary to provision of agreement. This resulted in un-justified payment of Rs 773,100 (6,442.50 sft @ Rs 120 per sft).

(Para 28)

4.4.13.3 According to Specification 3.3 (d) (Excavation), the Contractor shall provide at his own cost, where required all shoring walls, supports etc. to the sides of the excavation to prevent sliding or any movement. Where necessary, the excavated sides shall be sloped as directed by the Engineer.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed, measured and paid an item of work “P/F close timbering in foundation trenches, drains, underground tanks, wells, septic tanks, and soak pits, etc. including strutting and depth exceeding 15 feet and upto 20 feet” for 9,896.55 cft @ Rs 5,000 per % cft for Rs 494,827. Audit holds that cost of timbering was not payable separately as it was included in the rate of excavation as per specification referred above. But timbering was paid separately contrary to provision of specification. This resulted in overpayment of Rs 573,239 (Rs 494,827 – 2.65% + 19% for price escalation).

(Para 37)

4.4.13.4 Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed, measured and paid an item of work “Sub-soil boring of required dia in soil/rock to required depth” for a quantity of 10,435.07 rft (2,605.01+7,830.06) and quantity of 1,267.17 for RCC in 30” dia pile. Audit observed that following quantities of boring/RCC for test piles were included in the measurement of aforesaid items. Audit holds that testing was not payable as per specification. This resulted in overpayment of Rs 454,623 as follows:

MB-125 page-4, Item 3/1A	14.50 rft @ Rs1,200 per rft	Rs 17,400
MB-125 page-5, Item 4/1B	55 rft @ Rs 2,500 per rft	Rs 137,500
MB-125 page-7, Item 5/6 RCC in pile 1:1:2	66.50 rft @ Rs 1,800 per rft	Rs 119,700
Steel in RCC pile vide page-1 of MB-126	3,299.43 lbs / 112 = 29.459 cwt @ Rs4,000	Rs 117,836
		Rs 392,436
Rs 392,436 - 2.56% rebate + 19% for price escalation		Rs 454,623

(Para 39)

4.4.13.5 General Specification 14.14 (*Steel Windows, doors ventilator and gates*) of the agreement provides that all the rates for steel work shall be inclusive of finishing, hardware glazing, painting, etc as specified and shown in drawing.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed measured and paid an item of work No. 23: *painting iron work with synthetic paint in any floor*. Audit holds that the quoted rates for iron work were inclusive of cost of all kinds of material for finishing/painting. Further, this item was not payable separately under above said specification. But payment was released contrary to provisions of specification. This resulted in un-justified payment of Rs 508,324 as detailed in **Annexure-J**.

(Para 43)

4.4.13.6 According to Estimate/BOQ, a quantity of 50 meters was provided against item No.12 "P/F 25mm 1" dia PVC conduit payable @ Rs 87.62 per meter".

Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, got executed, measured and paid a quantity of 6,022.68 meters against provision of 50 meters with an excess of 5,972 meters of work "Construction of Petroleum House G-5/2 Islamabad [SH: internal electrification]". Audit observed that quantity of the item was increased due to measuring PVC conduit for Fire Alarm, Telephone and networking works, whereas this item was also available in the relevant agreements.

Audit further observed that rate of premium (2.5% & 25%) on this item in the said works was less than rate in sub head: internal electrification. Cost of PVC conduit was included in rate of wiring for fire alarm. Audit holds that measurement and payment of item in contract having higher rate was unauthorized resulted in overpayment to the contractor for Rs 716,957 [(6,022.68 meter – 50 meter) x Rs 87.62 + 37%].

(Para 63)

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

4.4.14 Irregular payment due to allowing excess quantities - Rs 10.127 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

4.4.14.1 According to BOQ, item No.13 “LT 415 volts bus tie duct” was provided for 15 meters @ Rs 72,400 per meter.

Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, got executed measured and paid quantity of the said item for work “Construction of Petroleum House G-5/2 Islamabad [SH: External electrification]” 63 meters in final bill against provision of 15 meters without approval of the competent authority. Audit observed that there was no change in design so increase in quantity was unjustified. This resulted in irregular payment due to allowing excess quantity amounting to Rs 3.579 million [(63 meters -15 meters) x Rs 72,400 + 3%].

(Para 65)

4.4.14.2 According to BOQ, item No. 12(b) Duct Work was provided for quantity of 37,000 sft @ Rs 170 costing Rs 6.290 million and item No.

15(j) Air Distribution Equipment was provided for quantity of 432 Nos. @ Rs 3,550 costing Rs 1.534 million.

Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, got executed measured and paid quantities of items of work “Construction of Petroleum House G-5/2 Islamabad [SH: HVAC System]” in excess than those provided in BOQ, as detailed below, without approval of the competent authority. Audit observed that there was no change in design so increase in quantity is unjustified. This resulted in irregular payment due to allowing excess quantities amounting to Rs 3.515 million.

(Rs in million)

Item	BOQ Qty	Rate	Qty Executed	Excess Qty	Reference	Excess Payment
12(b) Duct Work 24 gauge (9" to 27")	37,000 sft	Rs170	51,388.31 sft	14,388.31 sft	Page-74 MB-368	2.446
15(j) Air Distribution Equipment (18"x18")	432 Nos.	Rs3,550	842 Nos.	410 Nos.	Page-76 MB-368	1.455
Sub-Total						3.901
Less 9.9% rebate						0.386
Net amount						3.515

(Para 56)

4.4.14.3 According to BOQ, item No. 3, there was provision of 01 No. ‘Fiber Core Switch’ for Rs 1.050 million and item No. 5 “1000 base-SX SFP transceiver module for MMF 850 mm” was provided for quantity of 15 Nos. @ Rs 48,017 each.

Audit noted that the Executive Engineer, Central E&M-I, Pak PWD, Islamabad, got executed measured and paid quantities of items of work “Construction of Petroleum House G-5/2 Islamabad [SH: Computer Networking]” in excess than those provided in BOQ, as detailed below, without approval of the competent authority. Audit observed that there was no change in design so increase in quantity is unjustified. This

resulted in irregular payment due to allowing excess quantities amounting to Rs 2.011 million.

(Rs in million)

Item	BOQ Qty	Rate	Qty Executed	Excess Qty	Reference	Excess Payment
Item No. 3 Fiber Core Switch	01	1.050	02	01	MB-367 Page-70	1.050
Item No. 5 '1000base- transceiver module	15	0.048	34	19	MB-367 Page-71	0.912
Sub-Total						1.962
Add 2.5% above						0.049
Grand Total						2.011

(Para 59)

4.4.14.4 According to TS estimate, a quantity of 10,000 cft was provided against item No.04, P/L 1:4:8 CC in foundation (Basement 02).

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed, measured and paid a quantity of 20,498.32 cft upto IPC-33 against provision of 10,000 cft with 100% increase. Audit holds that increase in quantity of item was unjustified as the quantity of corresponding item No.5 (stone soling) remained within estimated provision. Further, excess quantity has been paid without approval of competent authority. Rate of the item Rs 10,000 per cft was higher by Rs 1,969.37 per cft than estimate rate of Rs 8,030.63 (Rs 4,588.93 + 75%). This resulted in excess payment of Rs 1.022 million [(20,498.32 cft - 10,000 cft) x Rs 10,000 %cft – 2.65%].

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 27)

4.4.15 Extra expenditure due to post-bid change for design deficiency - Rs 11.139 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

4.4.15.1 According to original design and tender documents prepared by the Consultants, item No.22 (scheduled items) GF to 9th floor, “aluminum fixed glazing as per British Standard manufacturer deluxe model box section 101.46x44.5 and 2mm thick...” was provided in the NIT against which contractor quoted rate of Rs 600 per sft.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed a substituted item “P/F deluxe model fixed curtain wall system DC series mullion...” and allowed rate of Rs 1,204.87 per sft. Reason for substitution of item, as recorded in approval statement, BOQ item was not sufficient for wind pressure. Audit observed that reason so far stated was not supported with authentic data. Thus, either item was substituted just for the reason that it has been executed at site or the design prepared by the consultant was defective. This post bid change at non-competitive rate resulted in extra expenditure for Rs 7.653 million (Qty 21,173.35 sft @ Rs 1,204.87 x 30%).

(Para 22)

4.4.15.2 Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, measured and paid quantity of extra item No.2 of statement No.03 “P/L ¾” thick white Irish pink granite marble 4 square inch floor and skirting” for 8748.63 sft @ Rs 1,297.36 per sft in IPC-31 costing Rs 11.350 million.

Audit observed from the measurement sheets attached with IPC-31 that a quantity of 2,686.62 sft was measured for curtain wall gap. Audit holds that this quantity was executed either due to defective design or

change in agreement item. Thus execution of item caused extra financial burden. This resulted in extra/unjustified expenditure of Rs 3.486 million (2,686.62 sft x Rs 1,297.36).

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 26)

4.4.16 Overpayment due to allowing excess depth of boring than pile's depth - Rs 2.079 million

As per Para 6.09 of Central Public Works Department Code, technical sanction is a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. As such Technical Sanction ensures that the proposal is structurally sound and estimate is an economical one.

GFR-10 (i) states every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed, measured and paid an item of work "sub-soil boring of required dia in soil/rock to required depth ..." for a quantity of 10,435.07 rft (2,605.01+7,830.06). Audit observed that total depth of the bores utilized for RCC pile was 9,717.12 rft (5,537.54+918.25+3,261.33) as per item 7/6. In this way quantity of the bore was paid excess for 717.95 rft (10,435.07 - 9,717.12). This resulted in overpayment of Rs 2.079 million (qty 717.95 rft x Rs 2,500 x -2.56% rebate + 19% for price escalation).

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 38)

4.4.17 Overpayment due to execution of an item beyond specification - Rs 1.429 million

According to Specification No. 6.18 (Concrete), all external exposed un-plastered concrete surfaces of cast in situ or pre cast units shall be given smooth or pattern finish as shown in finishing schedule or as directed by the Engineer or his representative. No separate payment shall be made to contractor for this work and it shall be included in the item rates of the respective concrete items in the BOQ.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed measured and paid an item ½" thick cement plaster on concrete walls in basement 1 & 2 and on ceiling beams, column, etc. in 1st to 9th floors. Audit holds that payment of cement plaster on concrete walls was contrary to provision of the specification. This resulted in overpayment of Rs 1.429 million as detailed in **Annexure-K**.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 32)

4.4.18 Construction of building without approval of EIA report from PEPA

According to the Environment Protection Act, 1997 an Environment Impact Assessment (EIA) comprising collection of data, prediction of qualitative and quantitative impact, comparison of alternatives, evaluation of preventive, mitigatory and compensatory measures, formulation of environmental management and training plans and monitoring arrangements and framing recommendations, etc. shall be carried out for each project.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, started construction of the project in 2007. The Ministry appointed M/s OP Crop as environment consultant for

preparation of Initial Environment Examination (IEE) Report, at cost of Rs 100,000 vide letter No.JS/PD/PH/2008 dated 09.10.2008. Further, a payment of Rs 15,000 was made to Pakistan Environment Protection Agency (PEPA) vide cheque No. 730570 dated 03.12.2008 by PPWD on account of review fee of IEE. Audit observed that Environment Impact Assessment report was not got approved from Pakistan Environment Protection Agency as their approval was not available on record. Chances of adverse effect on environment cannot be ruled out. This resulted in construction of building without approval of EIA report from PEPA.

(Para 18)

4.4.19 Inadequate project management resulted irregular execution of work - Rs 520.330 million

According to Pakistan Public Works Department Code 1982, Para 4.01 (i) denotes that the Director General shall be responsible to the Works Division, Government of Pakistan for the efficient administration and general professional control of Public Works Department. He shall carry out, periodically adequate inspections for efficient administration, technical and financial control.

Para 5.4 of Guidelines for Project Management issued by the Projects Wing, Planning Commission, Government of Pakistan, denotes that the methods or techniques adopted for project monitoring should effectively measure the progress of a project, in comparison to its approved cost, scope, time schedule and objectives and be capable of producing the information, according to the requirement of all concerned.

Audit noted that the tenders for civil work were called, opened and finalized by the Executive Engineer, CCD-II, Pak PWD, Islamabad in year 2007 and then after issuance of acceptance letter the work was transferred to PCD-IV. Thereafter, the work was transferred again to CCD-II, Islamabad in June 2012. Project was further transferred to CCD-V in June 2013 and finally transferred back to PCD-IV in April 2015. Audit observed that functional jurisdiction of the project was frequently

transferred from one Division to other without any cogent reason/justification resulting in time overrun/cost overrun.

Audit further noted that tenders of the EM Works were called and opened by the Executive Engineer, Project E&M Division, Pak PWD Islamabad in 2008-09. After award of the contracts, the works were transferred to Central E&M Div-I, Pak PWD, Islamabad. This state of execution of the work shows inefficient administration and technical/professional controls of the departmental authority as well as ineffective monitoring methodology. This ultimately caused financial indiscipline as pointed out in other audit paras and improper execution of works/project under the supervision of various supervisory officers.

(Para 67)

4.5 Monitoring and Evaluation

The Ministry appointed a Consultant M/s Engineering Associates for detailed design and monitoring/supervision of construction works executed by the Contractor. The Consultant and PPWD were responsible for monitoring the satisfactory and timely completion of the project.

4.6 Environment

No environmental pollution effects are likely to be encountered as all the arrangements are available in area for proper disposal of waste water and sewerage, etc.

4.7 Sustainability

4.7.1 Probability of funding for project completion

Initially, the PC-I of the project was approved for Rs 255.125 million, but was revised to Rs 857.37 million due to enhancement and changes in scope of work. Sustainability of the project depends mainly upon the sufficient flow of financial resources, both during implementation and operation. The revised PC-I cost of Rs 857.37 million was to be spent over eight years from 2006-07 to 2014-15 as per financial

phasing but work was still not finally completed as the funds were not provided/utilized as per schedule.

4.7.2 Estimated annual recurring cost

An amount of Rs 35.204 million has been provided in PC-I (2nd revised) as annual operating cost after completion.

Recommendations:

Steps need to be taken to ensure smooth funding for operation/maintenance of the project as provided in PC-1.

4.8 Overall Assessment

4.8.1 Project remained lagging behind the planned progress. Progress reports were not prepared by the consultant monthly. Due to the reasons physical progress at different stages cannot be ascertained. Main causes attributed to the delay were post bid changes, slow progress in releasing funds by Finance Division besides hurdles in supplying of material to the red zone of Islamabad. Keeping in view the physical progress, the project has witnessed time/cost overruns.

4.8.2 Award of substituted/extra work due to design deficiency/post bid changes at non-competitive rates - Rs 123.787 million

Rule 12 (2) of Public Procurement Rules 2004 provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Rule 19 (iv) of GFR Vol-I provides that the terms of a contract once entered into should not be materially varied without the previous consent of the authority competent to enter into the contract as so varied.

Audit noted that the Executive Engineer, Project Civil Division-IV, Pak PWD, Islamabad, got executed, measured and paid twenty (20) extra/substituted items valuing Rs 123.787 million (33% of original contract cost). Audit observed that items provided in the agreement were changed for one or the other reasons and allowed higher rates without any competitive bid especially for items where quoted rates were less than Engineer's Estimate. Main variations are listed below:

1. Aluminum glazing and glass was changed on the plea that it was not sufficient for wind pressure so substituted item valuing Rs 26.905 million (22,330 sft @ Rs 1,204.87/sft) was got executed without obtaining competitive rates. Rate of original item in agreement was Rs 600 per sft.
2. Imported tiles were substituted with local tiles for Rs 51.955 million without obtaining competitive rates and without any reduction of rates. The tendered rate was below the Engineer's Estimates
3. Thickness of gypsum board 2'x2' was reduced from 3/4" to 3/8" @ Rs80 p/sft without any reduction in rate quoted for original item resulting overpayment of Rs 3.589 million.
4. 5mm thick double tinted glass of foreign make was substituted with 5mm thick double tinted tempered guardian glass of foreign make @ Rs 924 p/sft leading to varied item of Rs 21.352 million (23,102 sft). Rate of original item in agreement was Rs 85 per sft.
5. An item of aluminum gladding panels of HOWSOLPAN from Korea for 14,000 sft @ Rs 1,247.27 costing Rs 17.462 million was added without provision in agreement.
6. Extra items for load test piles, for Rs 1.500 million and lacquer polish for Rs 1.200 million was allowed contrary to provisions of the specification.
7. Partition work valuing Rs 5.432 million (qty 9,053.34 sft @ Rs 600) was paid without provision in PC-I, approval of item and without competitive bidding. This work was not part of the original project.

Audit further observed that rates of these items were allowed as submitted by the contractor without confirming the market price of the materials from the manufacturer. Evidence proving import of glass fixed on the project was also not available on record. Rates were finalized on the basis of quotations of single firm obtained by the contractor. Audit holds that award of additional/substituted work at higher rates without competitive bids was violation of the rules. Substitution of items having quoted rates less than estimate was undue favour to the contractor. This resulted in award of substituted/extra work for Rs 123.787 million due to design deficiency/post bid changes at non-competitive rates.

The department did not respond to the audit observation. The matter could also not be discussed in DAC meeting despite efforts made by Audit.

(Para 46)

4.8.1 Compliance with rules

Ministry of Petroleum & Natural Resources and Pak PWD, as government departments, are under the administrative control of the Government of Pakistan. The rules and regulations set out by the Ministry and the instructions issued from time to time by the Federal Government are binding on the Ministry. Scrutiny of the record pertaining to the project revealed that certain rules, regulations, procedures and instructions were not followed.

5. CONCLUSION

Physical progress of civil work remained far behind the planned schedule. The contractors could not complete the construction works despite extension in the original completion period. The management should determine the causes of slow progress and take measures for remedy. Correspondence with contractor/consultant indicates that contractor's performance is poor. Management should, therefore, take

prompt action for enhancement of contractor's performance. Following lessons were identified:

- Proper feasibility study
- Adherence to three E's, Agreement Clauses, PC-I and all applicable rules.
- Implementation and strict compliance of the approved specifications.
- Proper checks for all the payments made to the contractors.
- Executive should take necessary steps to evaluate and strengthen internal controls, i.e. internal system/checks in the organization based on rules & regulations, in order to ensure achievements of the objectives.

Acknowledgement

We wish to express our appreciation to the management and staff of Ministry of Petroleum & Natural Resources and Pakistan Public Works Department for the assistance and cooperation extended to the auditors during this assignment.

Annexure-A

Ref to Para 4.2.13

Overpayment due to substitution of imported tiles with local tiles without reduction in rate

		Rate per sft (Rs)	Qty (Sft)	Amount (Rs)
Basement-I	Floor tiles	200	5,663.86	1,132,773.00
	Skirting	220	145.00	31,900.00
G/floor	Floor tiles	200	8,765.09	1,753,018.00
	Skirting	220	500.00	110,000.00
1 st floor	Floor tiles	200	9,090.46	1,818,092.00
	Skirting	220	452.09	99,459.80
2 nd Floor	Floor tiles	210	9,090.46	1,908,996.60
	Skirting	230	452.09	103,980.70
3 rd Floor	Floor tiles	210	9,090.46	1,908,996.60
	Skirting	230	448.70	103,201.00
4 th Floor	Floor tiles	220	9,090.46	1,999,901.20
	Skirting	250	448.70	112,175.00
5 th Floor	Floor tiles	220	9,090.46	1,999,901.20
	Skirting	250	448.70	112,175.00
6 th Floor	Floor tiles	230	7,948.80	1,828,224.00
	Skirting	300	448.70	134,610.00
7 th Floor	Floor tiles	230	9,090.46	2,090,805.80
	Skirting	300	448.57	134,571.00
8 th Floor	Floor tiles	240	9,090.46	2,181,710.00
	Skirting	320	448.57	143,542.40
9 th Floor	Floor tiles	240	9,090.46	2,181,710.40
	Skirting	320	448.57	143,542.40
Total cost of the item (MB No. 360, page No. 90-91)				22,033,286.1
20%				4,406,657

Annexure-B

Ref to Para 4.3.1.2

Non-obtaining of insurance of works valuing Rs 257.289 million
 extending benefit - Rs 5.239 million

(Rs in million)

Sub-head of work	Name of contractor	Upto date payment	Contract cost	Additional 15% cost (where applicable)	Total including 15% cost	2% inbuilt insurance charges
Construction of petroleum house SH: Electrification	M/s MZ Awan & Sons	25.839	25.882	-	25.882	0.518
Construction of petroleum house SH: Diesel generating set	M/s Riaz & Sons	36.600	37.465	-	37.465	0.749
Construction of petroleum house SH: HVAC System	M/S Wular Engineers	129.395	133.886	-	133.886	2.678
Construction of petroleum house SH: External Electrification	M/s MZ Awan & Sons	22.279	19.418	2.913	22.331	0.447
Construction of petroleum house SH: Elevator works	M/s MZ Awan & Sons	29.505	29.070	0	29.070	0.581
SH: computer networking	M/s Laser Line Communications Rawalpindi	13.292	11.568	1.735	13.303	0.266
Total		256.91	257.289	4.648	261.937	5.239

Annexure-C									
Ref to Para 4.3.3									
Item of work (B-2)	BOQ Qty	Executed Qty	Excess Qty	Rate			Amount		
				BOQ	Estimate	Difference	BOQ	Estimate	Difference
1b	4,170 rft	7,830.06	3,660.06	2,500 p/rft	419.04 + 75% = Rs .733.32	Rs1,766.68 (240%)	Rs 9,150,150	Rs 2,683,995	Rs 6,466,154
4	10,000 cft	20,498.32	10,498.32	10,000 %cft	4588.93 + 75% = Rs8030.63	Rs 1,969.37 (24.5%)	Rs 1,049,832	Rs 843,081	Rs 206,705
6 (ii)	227 rft	5,537.54	5,310.54	1,600 rft	Rs631.58 +75% = Rs1,105.27	Rs 494.735 (44.76 %)	Rs 8,496,864	Rs 5,869,554	Rs 2,627,310
8	32,712 cft	46,480.46	13,768.46	30,000 %cft	Rs 13,129.45 + 75% = Rs22,976.54	Rs 7,030.46 (30.5 %)	Rs 4,130,538	Rs 3,163,515	Rs967,022
16	8,520	9,093.46	573.46	4,000 cwt	Rs 1,779.31 + 75% = Rs3,113.79	Rs 886.21 (28.46%)	Rs 2,293,840	Rs 1,785,634	Rs 508,205
21	2,000 lbs	83,055 lbs	81,055 lbs	100 p/lbs	15.20 + 75% = Rs26.60	Rs 73.40 (275%)	Rs 8,105,500	Rs 2,156,063	Rs 5,949,437
24	7,100 sft	74,117.30 sft	67,017 sft	Rs5,000 %sft	Rs1,676.97 + 75% = Rs 2,934.70	Rs 2,065.30 (70%)	Rs 3,350,850	Rs 1,966,748	Rs 1,384,102
B-1									
12	1,200 lbs	10,700 lbs	9,500 lbs	100 p/lbs	15.20 + 75% = Rs26.60	Rs 73.40 (275%)	Rs 950,000	Rs 252,700	Rs 697,300
									18,806,235

Item of work	BOQ Qty	Executed Qty	Excess Qty	Rate			Amount		
				BOQ	Estimate	Difference	BOQ	Estimate	Difference
GF									
29	11,000 sft	0	-11,000 sft	Rs 80 per sft	Rs 58.84+75% = Rs 102.97	- Rs 22.97 (-39%)	Rs880,000	Rs1,132,670	-Rs262,670
Non-sc 1-a 1b	2,000 sft 1,500 sft	0	-2,000 sft -1,500 sft	Rs80 per sft	Rs 208	-Rs120 (-58%)	Rs160,000 Rs120,000	Rs 416,000 Rs 312,000	-Rs256,000 -Rs192,000
GF Sch.itm 26 A	9,000 sft	0	0	Rs20,000 per %sft	Rs 28,713	- Rs8,713 (-30%)	Rs 1,800,000	Rs 2,584,170	-Rs 784,170
GF Sch.itm 26 B	500 sft	0	0	Rs22,000 per %sft	Rs 28,713	- Rs6,713 (-23%)	Rs 110,000	Rs 143,565	-Rs 33,365
1 st to 9 th floors GF * 9 (Rs262,670 + Rs256,000 + Rs192,000+Rs784,170 + Rs 33,365)									-13,753,845
									15,282,050

Annexure-D						
Ref to Para 4.3.5.2						
Sub-head of work	Name of contractor	Contract cost (Rs)	Date of start/ Date of completion	Upto date payment (Rs)	Performance bond No.	Expiry date
Construction of petroleum house SH: Electrification	M/s MZ Awan & Sons	25,881,959	09.02.2008 08.12.2014	25,839,822	PB/IBD/00503/01/2009 dated 14.01.2009	13.01.2011
SH: Diesel generating set	M/s Riaz & Sons	37,464,950	27.09.2012 WIP	36,600,394	PB/MRG-00000/09/2012 dated 24.09.2009	10.03.2013
SH: HVAC System	M/S Wular Engineers	133,885,762	28.07.2009 WIP	129,394,561	UIC/RWP-05/PB/CG-494/07/2009 dated 13.07.2009	12.03.2011
SH: External Electrification	M/s MZ Awan & Sons	19,417,879	20.11.2009 15.12.2014	22,279,837	UIC/RWP-01/PB/CG-798/11/2009 dated 23.11.2009	22.11.2010
SH: Elevator works	M/s MZ Awan & Sons	29,070,076	18.06.2010 WIP	29,505,100	AGI/BP/210/06/2010 Dated 18/06.2010	17.06.2011
SH: computer networking	M/s Laser Line Communications Rawalpindi	11,568,097	04.02.2013 WIP	13,292,586	----	----
		257,288,723				

Annexure-E
Ref to Para 4.4.8

Unauthorized payment due to allowing excess quantities without approval

Item of work	BOQ Qty	Qty Executed	Excess Qty	Rate	Excess amount (Rs)
Basement-2					
1b	4,170 rft	7,830.06	3,660.06	2,500 p/rft	9,150,150
4	10,000 cft	20,498.32	10,498.32	10,000 %cft	1,049,832
6 (ii)	227 rft	5,537.54	5,310.54	1,600 rft	8,496,864
8	32,712 cft	46,480.46	13,768.46	30,000 %cft	4,130,538
16	8,520	9,093.46	573.46	4,000 cwt	2,293,840
21	2,000 lbs	83,055 lbs	81,055 lbs	100 p/lbs	8,105,500
Sub-Total					33,226,724
Less rebate 1% & 1.65%					880,508
Net					32,346,215

Annexure-F
Ref to Para 4.4.9

Execution of below specification work and overpayment

	Qty	Rate per sft (Rs)	Amount (Rs)
Basement – 1	5,400.61 sft	80	432,048
G/floor	8,800 sft	80	704,000
1 st floor	9,867.36 sft	80	789,388
2 nd Floor	9,867.36 sft	82	809,123
3 rd Floor	9,867.36 sft	85	838,725
4 th Floor	9,867.36 sft	85	838,725
5 th Floor	9,867.36 sft	90	888,062
6 th Floor	9,000 sft	90	810,000
7 th Floor	9,867.36 sft	90	888,062
8 th Floor	9,867.36 sft	100	986,736
9 th Floor	9,867.36 sft	100	986,739
Sub-Total			8,971,608
Overpayment due to below specification tiles @ 40% of 8,971,608			3,588,643

Annexure-G

Ref to Para 4.4.11

Overpayment due to use of steel of lesser weight than standard weight

No. & date of test report	Size in.	Weight in lbs per ft	Weight as per specification	Difference	% of difference of weight
UET/CED/ST/2k8-5919 dated 30.07.2008	½	0.584	0.668	- 0.084	- 12.57%
	5/8	1.080	1.043	+ 0.037	+ 3.5%
	1	2.601	2.670	- 0.069	- 2.58%
UET/CED/ST/2k8-5919 dated 30.07.2008	5/8	1.080	1.043	+ 0.037	+ 3.5%
	¾	1.438	1.502	- 0.064	- 4.26%
UET/CED/ST/2k8-5921 dated 30.07.2008	5/8	1.102	1.043	+ 0.059	+ 5.66%
	¾	1.438	1.502	- 0.064	- 4.26%
UET/CED/ST/2k8-5922 dated 30.07.2008	½	0.584	0.668	- 0.084	- 12.57%
	1	2.59	2.670	- 0.08	- 3%
	1 ¼	4.055	4.172	- 0.117	- 2.80%
UET/CED/ST/2k8-5920 dated 30.07.2008	5/8	1.08	1.043	+ 0.037	+ 3.5%
	¾	1.429	1.502	- 0.073	- 4.86%
	1	2.601	2.670	- 0.069	- 2.58%
UET/CED/ST/2k8-5938 dated 23.07.2008	1	2.596	2.670	- 0.74	- 2.77%
Total					- 36.09%
Average less weight for all dia steel 36.09% / 5					- 7.218 %

	Qty (cwt)	Rate per cwt (Rs)	Amount Rs	Page No. of MB-360
Basement-II	9,093.46	4,000	36,373,840	3
Basement -I	1,517.18	4,000	6,068,720	6
G/floor	1,314.703	4,000	5,258,812	8
1 st floor	1,261.30	4,000	5,045,200	12
2 nd Floor	1,274.99	4,000	5,099,960	15
3 rd Floor	1,278.53	4,000	5,141,120	18
4 th Floor	1,258.18	4,000	5,032,720	22
5 th Floor	1,132.965	4,000	4,531,872	28
6 th Floor	1,071.03	4,000	4,280,120	34
7 th Floor	1,071.865	4,000	4,287,460	39

	Qty (cwt)	Rate per cwt (Rs)	Amount Rs	Page No. of MB-360
8 th Floor	1,034.167	4,000	4,136,668	45
9 th Floor	963.687	4,000	3,854,748	51
Machine room	412.372	4,000	1,649,488	57
Boundary wall	162.62		650,480	60
			91,411,208	
Add price escalation on Rs 91,411,208 (Rs81,007,525 escalation /Rs307,088,060 W.D.)			24,114,276	
G. Total			Rs115,525,484	
7.218%			Rs 8,338,629	

Annexure-H

Ref to Para 4.4.12.1

Overpayment due to allowing higher rates of extra/substituted items

Sr No.	Description of Item	Qty paid	Excess Rate			Unit	Amount (Rs)
			3% supervision charges	7.5% income tax	Total including 10% CP		
1.	P/F deluxe model fix curtain wall system DC series 170mm*50mm*2.5mm thick ...	21,173.35 sft	Rs 29.62	Rs 74.06	Rs 114.05	p.sft	2,414,778
2.	P/F deluxe model fix curtain wall system DC series 76mm*50mm*2.5mm thick ...	756 sft	Rs 27.90	Rs 72.19	Rs 110.09	p.sft	83,234
3.	P/F 5mm thick tinted imported tempered guardian glass plus 12mm aluminum spacer ...	21,606.33 sft	Rs 22.84	Rs 58.81	Rs 89.815	p.sft	1,940,572
4.	P/F 5mm thick tinted imported tempered guardian glass plus 8mm aluminum spacer ...	4,860 sft	Rs 21	Rs 52.50	Rs 80.85	p.sft	392,931
5.	Fixing at site aluminum cladding panel HOWSOPAN from Korea 0.5mm*3mm*0.5mm thick ...	14,000 sft	Rs 30.66	Rs 76.66	Rs 107.32	p.sft	1,502,480
6.	P/L ¾" thick granite marble tile ...	8,404.95 sft	Rs 35.16	Rs 70.33	Rs 116.039	p.sft	975,302
Total							7,309,297

Annexure-I

Ref to Para 4.4.12.8

Irregular payment

Item	BOQ Qty	Rate	Qty Executed	Excess Qty	Reference	Excess Payment (Rs)
01 wiring for light fan or call bell point	562 points	Rs700.46 per point	894 points	332 points	MB-320 Page-91	232,552
04 wiring for sub main with 2x2.5 PVC insulated wire	3500 meters	Rs118.79 per meter	6,796.36 meters	3,296.36 meters	MB-320 Page-91	391,278
						623,830
Add 37% above						854,647

Unjustified payment

	Qty (sft)	Rate per sft (Rs)	Amount Rs	Page No. of MB-360
1 st floor	190.565	2,000 %sft	3,811.30	13
2 nd Floor	190.565	2,100 %sft	400,176.00	17
3 rd Floor	190.565	2,100 %sft	4,001.86	20
4 th Floor	190.565	2,200 %sft	4,192.43	25
5 th Floor	190.565	2,200 %sft	4,192.43	31
6 th Floor	190.565	2,200 %sft	4,192.43	36
7 th Floor	190.565	2,200 %sft	4,192.43	42
8 th Floor	190.565	2,300 %sft	4,382.99	48
9 th Floor	70	2,300 %sft	1,610	52
Roof machine room	190.565	2,300 %sft	4,382.99	54
			435,134.86	
	Less 2.65%		11,531.07	
	Net		423,603.79	
	Add 20% escalation		84,720.75	
	Total		508,324.54	

Annexure-K

Ref to Para 4.4.17

Overpayment due to execution of an item beyond specification

	Qty (sft)	Rate per sft (Rs)	Amount Rs	Page No. of MB-360
Basement-II	10,500.66	2,600	577,814	3
Basement –I	12,281.71	2,500	307,042	6
G/floor	2,937.35	2,500	73,433	8
1 st floor	2,107.71	2,500	25,692	12
2 nd Floor	2,107.71	2,600	54,800	15
3 rd Floor	2,107.71	2,600	54,800	19
4 th Floor	2,107.69	2,700	56,907	23
5 th Floor	2,107.53	2,700	56,903	29
6 th Floor	2,107.53	3,000	63,225	35
7 th Floor	2,107.71	3,000	63,231	40
8 th Floor	2,107.71	3,200	67,446	46
9 th Floor	2,095.91	3,200	67,069	53
			1,468,362	
			Less 2.65% rebate	Rs 38,912
				Net amount Rs 1,429,450