



# **PROJECT AUDIT REPORT**

**ON**

## **CONSTRUCTION OF FLYOVER ON G.T. ROAD GUJRANWALA**

**C & W DEPARTMENT  
GOVERNMENT OF THE PUNJAB  
AUDIT YEAR 2014-15**

**AUDITOR GENERAL OF PAKISTAN**

# PREFACE

The Auditor General conducts audit under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. Audit of the Project "Construction of Flyover on G.T. Road Gujranwala" executed by Communication & Works Department, Government of the Punjab was carried out accordingly.

The Directorate General Audit Works (Provincial), Lahore conducted audit of the project "Construction of Flyover on G.T. Road Gujranwala" during 2014-15 for the period 2012-13 to 2013-14 with a view to reporting significant findings to the stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the Project. In addition, audit also assessed, whether the management complied with applicable laws, rules, and regulations in managing the project. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the project.

All the observations included in this report have been finalized in the light of written responses and discussion in SDAC meeting.

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

Islamabad  
Dated: 4<sup>th</sup> April, 2017

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

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## **ABBREVIATIONS & ACRONYMS**

AA	Administrative Approval
ABC	Asphaltic Base Course
ADP	Annual Development Programme
AWC	Asphaltic Wearing Course
CE	Chief Engineer
Cft	Cubic Feet
CM	Cubic Meter
C&W	Communication and Works
DFR	Departmental Financial Rules
JMF	Job Mix Formula
MB	Measurement Book
M&R	Maintenance & Repair
MRS	Market Rates System
MTDF	Medium Term Development Framework
PC-I	Planning Commission Proforma-I
NLC	National Logistic Cell
RCC	Reinforced Cement Concrete
RR&MTI	Road Research & Material Testing Institute
SDAC	Special Departmental Accounts Committee
TSE	Technically Sanctioned Estimate

## **EXECUTIVE SUMMARY**

Directorate General of Audit Works (Provincial), Lahore conducted the project audit of “Construction of Flyover on G.T. Road Gujranwala” covering the financial years 2012-13 to 2013-14 (upto June 2014) to evaluate overall performance, achievements of the project objectives and the desired benefits as envisaged in PC-I.

The scheme, funded under Annual Development Programme (ADP), was approved at a cost of Rs 3,618.562 million in September 2012 with completion period of eight (08) months. The detailed estimate was technically sanctioned for Rs 3,600.289 million in October 2012. Due to increase in the cost of utilities and services, revised administrative approval was accorded for Rs 3,920.782 million in February 2013. Similarly, amended technical estimate was also revised at a cost of Rs 4,138.066 in September 2013. The 2<sup>nd</sup> revised administrative approval was accorded at a cost of Rs 3,938.464 million and 2<sup>nd</sup> revised estimate was technically sanctioned at a cost of Rs 3,938.464 million on actual cost of work done as per site requirements.

The work was awarded to the contractor without open competition for Rs 3,146.616 million in October 2012 on single source basis. The execution of work had been completed at site in October 2013. Expenditure of Rs 3,849.783 million had been incurred till June 2014 and audited accordingly.

Funds for the project were released according to the ADP year-wise allocations. There was no difference between ADP year-wise allocations and year-wise release orders. This indicated that funds releases were well regulated. Project objectives and targets, as envisaged in the PC-I, could not be evaluated and quantified because the department was not maintaining any socio-economic data which could become the basis of evaluation of the project.

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

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

#### Key audit findings

The report was discussed in the Special Departmental Accounts Committee meeting held on 09.09.2016. Eleven paras were settled during the meeting after verification of recovery of Rs 25.130 million. Remaining audit findings categorized into major issues of financial management, procurement & contract management, construction & works were as under:

- i. Pavement design was not got approved from Road Research Testing Laboratory resulting into irregular expenditure of Rs 253.444 million (Para 4.2.11.1).
- ii. High rate of base and sub base course was paid due to allowing inadmissible cost of dumper and lorry which resulted into loss of Rs 20.431 million (Paras 4.2.11.3, 4.2.11.5).
- iii. Available earth from excavation was not adjusted for formation of embankment resulting into loss Rs 20.495 million (Paras 4.4.5.1, 4.4.5.2).

#### **Recommendations**

Audit observed that most of the irregularities were due to weak technical, supervisory and financial controls as well as poor contract

management. Principal Accounting Officer needs to strengthen internal controls regime in the department in the light of following recommendations:

- i. Internal controls be strengthened and implemented in letter and spirit.
- ii. Adherence to contractual obligations needs to be ensured at every stage of execution.
- iii. Action needs to be initiated and responsibility fixed against the officers concerned for lapses and violation of rules besides effecting recoveries.
- iv. Responsibility for cost overrun and time overrun needs to be fixed against the officers/officials concerned.

## 1. INTRODUCTION

1.1 The project “Construction of Flyover on G.T. Road Gujranwala” was envisaged to facilitate movement of freight and passenger traffic and to reduce traffic jams, noise and air pollution. It is a two lane flyover on either side having a length of 1.755 km and width of 17 m. The flyover is signal free facility for traffic coming from Rawalpindi and Lahore. The specification and design of road was as under:

### Geometric Design

1	Design Speed	60 KPH
2	Length of Project	2.187 Km
3	Bridge Length	1,433.25 m
4	Width of Bridge	17 m
5	Carriage lane width	3.3 m
6	No. of lane	2 either side

1.2 The work was allotted to the contractor M/s National Logistic Cell (NLC) for execution on 23.10.2012 for Rs 3,146.616 million with a time limit of 08 months on single source basis. Hence, while awarding the contract the management did not comply with the PPRA rules.

1.3 Original PC-I was approved at a cost of Rs 3,618.56 million in September 2012 and revised at a cost of Rs 3,920.782 million in February 2013. Technical Sanctioned Estimate was approved for Rs 4,138.066 million in September 2013 due to increase in the cost of utilities & services. The 2<sup>nd</sup> revised administrative approval was approved at a cost of Rs 3,938.46 million in June 2014 on actual cost of work done as per site requirements and 2<sup>nd</sup> revised estimate was technically sanctioned for Rs 3,909.30 million.

1.4 Scope of work approved in the 2<sup>nd</sup> revised PC-I/TSE was allotted to the contractor and completed 100% at site on 15.10.2013.



1.5 Project objectives were as under:

- i. To facilitate movement of freight and passengers traffic
- ii. To reduce traffic jams, noise and air pollution
- iii. To ease the flow of traffic
- iv. To provide smooth diversion of traffic coming from Rawalpindi and Lahore through separate ramps converging at the Sialkot road.

1.6 Summary of year-wise financial results i.e. ADP allocations, funds released and actual expenditure was as under:

**Table 1** (Rs in million)

Sr. No.	Year	ADP allocations	Releases	Actual expenditure
1	2012-13	2,000.000	2,000.000	1,999.997
2	2013-14 (Up to June 2014)	1,991.786	1,849.785	1,849.785
<b>Total</b>		<b>3,991.786</b>	<b>3,849.785</b>	<b>3,849.782</b>

Source: Budget Book and statement of releases / expenditure.

1.7 Physical progress in comparison to PC-I was as under:

**Table 2** (Rs in million)

Revised planned cost as per Revised PC-I	Planned period of completion as per PC-I	Actual period of completion of project	Actual expenditure upto June 2014	Percentage of expenditure
3,920.782	08 months	11.5 months	3,849.783	100%

The above table depicts that the management could not complete the project within given timeline as fixed in PC-I.

1.8 The cost of the project was revised due to increase in the rates of materials and scope of work but without changing the scope as originally planned in PC-I. Details of revisions were as under:

**Table 3****(Rs in million)**

<b>Cost as per original PC-I</b>	<b>Cost as per 1<sup>st</sup> revised PC-I</b>	<b>Original TS estimate</b>	<b>1<sup>st</sup> revised TS estimate</b>	<b>2<sup>nd</sup> revised TS estimate</b>	<b>Expenditure upto January 2012</b>
3,618.562	3,920.782	3,600.289	4,138.066	3,938.464	3,849.783

## **2. AUDIT OBJECTIVES**

- i. To analyze the overall performance vis-à-vis planned targets, achievement of objectives, cost and time over-run and timely accrual of benefits/outcomes.
- ii. To assess whether the resources were utilized for the purpose for which they were provided with respect to three Es (Economy, Efficiency and Effectiveness).
- iii. To review compliance with applicable rules, regulations and procedures.

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

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

3.2 The audit scope included the examination of accounts of the scheme for the financial years from 2012-13 to 2013-14 (upto June, 2014).

## **4. AUDIT FINDINGS & RECOMMENDATIONS**

### **4.1 Organization and Management**

4.1.1 The scheme was executed by the Provincial Highway Division, Gujranwala under the administrative control of C&W Department. During

that period, the Division was also executing other schemes besides this project. The Division was headed by an Executive Engineer and supported by Sub-Divisional Officers, Sub-Engineers and Divisional Accounts Officer.

4.1.2 Job description of the staff was well defined in Paragraph No. 1.45 & 1.58 of Buildings and Roads departmental code. The Sub-Engineer was supposed to be present at site throughout execution of the work. The Sub-Divisional Officer was to visit the site in routine and was responsible for 100% checking of work. Executive Engineer was supposed to visit the site occasionally and was responsible to carry out 10% check measurements of the work done. The Chief Engineers and Superintending Engineers concerned were also required to carry out physical inspections of the schemes under execution as per Secretary C&W letter No. SOH-11(C&W)/2-15/200 dated 26.03.2007.

4.1.3 As per procedure, the contractor was required to submit the bills through Sub-Engineer which were forwarded to the Sub-Divisional Officer. The Divisional Accounts Officer pre-audited the bills which were passed by the Executive Engineer. Finally, the cheques were issued to the contractors by the Sub-Divisional Officer for payment. Pre audit conducted by the DAO / XEN was not found effective as audit observations like overpayment, non-recovery and loss to the government were found and accordingly reported.

4.1.4 Accounts of formations were compiled on monthly basis and submitted to the Director General Accounts Works, Lahore for consolidation and onward transmission to the Accountant General Punjab for incorporation in the monthly accounts of the province.

4.1.5 Internal audit was not conducted because internal audit mechanism and IT system did not exist in the organizational set-up of the department. Monitoring system of projects, however, existed but without any IT support, PC-IV was not prepared to get post completion feedback.

## **4.2 Financial Management**

4.2.1 Cash flows / release of funds were regulated by the Finance Department through its cash management plan. Generally, funds were released to the executing agency at the start of the financial year to take up execution of works as per work plan.

4.2.2 As explained in Table 4 (below), all the released funds were fully utilized during 2012-13 to 2013-14.

4.2.3 Details of surrenders were as under:-

**Table 4** **(Rs in million)**

Sr. No	Year	ADP Allocations	Releases	Actual Expenditure	Re-appropriation	Lapsed
1	2012-13	2,000.000	1,999.997	1,999.997	2,000.000	-
2	2013-14	1,990.786	1,849.786	1,849.785	1,849.785	-

Source: Annual Development Programme, Expenditure Statements/ Monthly Accounts and Release Orders.

Perusal of above table depicted that the department showed good performance regarding utilization of funds during the Financial Year 2012-13 to 2013-14.

4.2.4 Financial reports were prepared on monthly basis in respect of development schemes. After incorporation in the provincial monthly account, these were submitted every month to the Finance Department.

4.2.5 Financial reports were prepared on the format as prescribed in the accounting policies and procedures prescribed by the Auditor General of Pakistan.

4.2.6 Accounts were submitted on monthly basis to the accounting offices upto 5<sup>th</sup> of every calendar month.

4.2.7 Reconciliation of expenditures was done with the accounting offices on monthly basis by the spending units as prescribed in the Punjab Budget Manual.

4.2.8 Payments were withdrawn from pre-audit counters of field accounting offices of Accountant General Punjab.

4.2.9 Payments were regulated by the provision of contract agreements, Departmental Financial Rules (DFR) and Input material, labour and machinery rates.

4.2.10 Engineering divisions maintained their accounts manually. Hence, data archiving was not involved.

4.2.11 The issues relating to the financial management observed during audit involving an amount of Rs 286.575 million were as under:

**4.2.11.1 Irregular expenditure due to non-approval of pavement design amounting Rs 235.444 million**

According to the condition No. (iv) of the administrative approval issued by the Secretary C&W vide No. SOH-II(C&W)3-6/2012(GWL) dated 26.09.2012, the design of pavement shall be got vetted from the RR&MTI, Lahore.

Executive Engineer, Provincial Highway Division, Gujranwala made payment for items of work “premix carpeting for Asphaltic base course” 7,287.579 CM @ Rs 1,9072.98 per CM and “premix carpeting for Asphaltic wearing course” 4,461.278 CM @ Rs 21,627.98 per CM without approval of pavement design from the RR&MTI, Lahore as directed by the Secretary, Communication & Works Department before execution of items.

Weak technical and supervisory controls resulted in irregular expenditure of Rs 235.444 million

Audit pointed out the irregularity in November 2014. The department did not reply.

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that the administrative approval of the scheme was issued by the Secretary, C&W and detailed estimate was technically sanctioned by the CE (Highway North). Payment was made to contractor M/s NLC after verification of consultant M/s NESPAK accordingly. The committee directed the department to get the design verified from RR&MTI Lahore and from Audit within 15 days. The compliance of SDAC's directive was not made till finalization of this report.

Audit recommends verification of design at the earliest.

**(Para-17)**

#### **4.2.11.2 Loss due to double payment on account of RCC shuttering - Rs 15.483 million**

As per rate analysis of the item "reinforced cement concrete" prepared by the consultants, rate of shuttering is already included in the composite item and not to be paid separately.

Executive Engineer, Provincial Highway Division, Gujranwala made payment for the item of work "Poplar wooden planks" for the purpose of shuttering of RCC structure. The cost of shuttering and carpenters was paid @ Rs 562.74 per CM (456+20%+13%) for 27,514 CM. The cost of shuttering was not deducted from the items of RCC.

Weak supervisory and financial controls resulted in double payment of Rs 15,483,228.

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

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that the wooden planks were provided for shuttering duly approved in A.A/T.S which cannot be removed from site as per design of bridge which can be physically verified in the structure. The Committee directed the department that certificate to this effect by the

CE concerned be obtained and got verified from Audit within 15 days. The compliance of SDAC's directive was not made till finalization of this report.

Audit recommends that technical probe of the matter regarding non retrieval of wooden planks may be got conducted at the administrative department level and audit may be informed accordingly.

**(Para-24)**

#### **4.2.11.3 Loss due to paying higher rate of base course - Rs 13.005 million**

As per Finance Department Notification No. RO (TECH) FD 2-3/2004 dated 02.08.2004, the cost of dumper and water lorry is not to be included in the rate analysis of base course.

Executive Engineer, Provincial Highway Division, Gujranwala made payment for item of work "Providing/laying base course" 14,165.466 CM @ Rs 3,934.65 per CM at higher rate instead of admissible rate of Rs 3,016.51 per CM. Rate was higher because unjustified provision of dumper, water lorry etc under the head equipment and 180 Km lead was also added for carriage of stone instead of 161 Km from Sargodha to Gujranwala via Pindi Bhattian, Hafizabad.

Weak supervisory and financial controls resulted in loss of Rs 13,005,880.

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

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that the analysis of rate of the said item and provision of dumper, water lorry etc. under the head equipment had been taken as engineer estimate based on NHA template. The carriage of stone with lead of 180 KM was correctly added in the rate analysis of the item. The contention of the department regarding lead of 180 KM was verified

and accepted by the committee. Amount of the para was reduced to Rs 9.308 million. However, Committee directed the department to send the case for other issues to Finance Department for clarification on dumpers taken in analysis of rate. The compliance of SDAC's directive was not made till finalization of this report.

Audit recommends early recovery.

**(Para-21)**

#### **4.2.11.4 Loss due to allowing excess bitumen and carriage on bajri in rate analysis of carpeting - Rs 11.625 million**

As per Finance Department Notification No. RO (TECH) FD 2-3/2004 dated 02.08.2004, payment was to be made to contractor as per Job Mix Formula or actual bitumen used in the work.

Executive Engineer, Provincial Highway Division, Gujranwala made payment for items of work "Asphaltic base course" with 3.3% ratio of bitumen and Asphaltic wearing course with 4.2 % ratio of bitumen. In the rate analysis, sanctioned for Engineer's estimate, the quantity of bitumen was 14.85 tons and 18.90 tons for 187.5 CM whereas the bitumen contents should have been worked out to 14.57 tons and 18.61 tons for 187.5 CM for ABC & AWC respectively and same quantity was to be added in the rate analysis. Further, input rate with carriage for bajri used for carpeting was also added in the rate analysis instead of input rate of bajri at site as notified by the Finance Department.

Weak supervisory and financial controls resulted in overpayment of Rs 11,625,777.

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

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that the recovery on account of asphaltic base course plant mix (class B) and asphalt wearing course plant mix (class A)



will be effected as per extraction tests. The Committee accepted the view of the department and settled the para subject to the verification of extraction test and contents of para within fortnight. The compliance of SDAC's directive was not made till finalization of this report.

Audit recommends early recovery.

**(Para-22)**

**4.2.11.5 Loss due to allowing higher rate of sub base course -  
Rs 7.426 million**

As per Finance Department Notification No. RO (TECH) FD 2-3/2004 dated 02.08.2004, the cost of dumper and water lorry is not to be included in the rate analysis of base course.

Executive Engineer, Provincial Highway Division, Gujranwala made payment for item of work "Providing/laying sub base course" 7,281.543 CM at higher rate of Rs 2,690.82 per CM instead of Rs 1,671 per CM because unjustified provision of dumper, water lorry etc under the head equipment was added in the rate analysis. Further, rate of aggregate for sub base/pit run bed run gravel was paid on higher side than notified in 2<sup>nd</sup> biannual 2012.

Weak supervisory and financial controls resulted in overpayment of Rs 7,425,863.

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

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that the analysis of rate of the said item the provision of dumper, water lorry etc. under the head equipment had been taken as engineer estimate based on NHA template. However, the committee directed the department to refer the case to Finance Department for clarification regarding inadmissible items in the rate analysis. The

compliance of SDAC's directive was not made till finalization of this report.

Audit recommends verification of clarification at the earliest.

**(Para-23)**

#### **4.2.11.6 Overpayment due to non-recovery of cost of less used bitumen – Rs 2.587 million**

According to Finance Department Notification No.RO(Tech) FD/2-3/2004 dated 02.08.2004, the rate for the item of Carpeting should be fixed by the Chief Engineer on the basis of different percentages of bitumen from 3.5% to 6%. However, payment will be made as per JMF or bitumen used on the work as per Job Mix Formula recommended by Road Research & Material Testing Institute Lahore (RR&MTI).

Payment of items of work “premix carpeting for Asphaltic base course” for 7,287.579 CM and “Asphaltic wearing course” for 4,461.278 CM was made to the contractor @ Rs 19,072.98 per CM and Rs 21,627.98 per CM with bitumen ratio of 3.3 % and 4.2% respectively against estimated rate of Rs 17,292.02 per CM and Rs 19,473.43 per CM on the basis of rate analysis. The payment was made as per rate analysis instead of the extraction test reports of 3.20% and 4.16%.

Payment of carpeting at higher percentage of bitumen by 0.1% and 0.04% resulted in overpayment of Rs 2,587,226 to the contractor.

Audit pointed out the overpayment loss in November 2014. The department replied that overpayment calculated by Audit for carpeting with excess ratio than actual was not based on facts. The test report of Ring Road Lahore for this purpose was not applicable on this work. The reply was not tenable because the payment was to be made in accordance with the extraction test reports.

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that the recovery on account of asphaltic base course plant mix (class B) and asphalt wearing course plant mix (class A)

will be effected as per extraction tests. The Committee accepted the view of the department and settled the para subject to the verification of extraction test reports or recovery within 15 days. The compliance of SDAC's directive was not made till finalization of this report.

Audit recommends verification of extraction test and recovery at the earliest.

**(Para-13)**

**4.2.11.7 Loss to government due to preparation and approval of incorrect rates - Rs 802,165**

According to Framework Agreement executed between Government of the Punjab, Communication and Works Department and M/s National Logistic Cell on 20<sup>th</sup> September 2012 notified by the Secretary C & W Department vide No. SOH-II(C&W)/3-27/2012 dated 22.09.2012, rates of contract would be 13% above rates of Engineer's Estimate prepared on input rates notified by the Government of the Punjab, Finance Department in case of projects of Bridges/Flyovers/Underpasses and road project.

Executive Engineer, Provincial Highway Division, Gujranwala got approved and made payment for the items of work "Breaking of existing road pavement structure and stacking 2 KM lead" 7,057.588 CM @ Rs 417.31 per CM and "Disposal of existing unsuitable pavement structure (Asphaltic) with 10 KM" 7,057.588 CM @ Rs 221.01 per CM respectively against estimated rates of Rs 369.30 per CM and Rs 195.58 per CM as per rate analysis prepared on the basis of Input material/labour/machinery rates of 2<sup>nd</sup> bi-annual 2012 (August 2012-January 2013) district Gujranwala. Rate analysis already included disposal of dismantled material upto 10 Km. Hence, carriage charges upto 2 Km in the rate for breaking of existing road pavement were not justified.

Weak supervisory and financial controls resulted in loss to government due to inclusion of inadmissible carriage charges in the rate analysis of Rs 802,165.

Audit pointed out the loss in November 2014. The department replied that the rate analysis for disposal of material was separately paid for 2 km. Thus additional lead was correctly paid according to the site requirement. Hence, no overpayment involved. The reply was not tenable because dismantled material was to be disposed off upto 10 Km after dismantling. Hence, additional lead for 2 Km was not admissible which needs to be recovered from the contractor.

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that as per site requirement there was no other option to complete the work at fast track to minimize the public disturbance and to facilitate them at large. The department also explained that quantity dismantled at site was reused in various items of work and stack was also made. The Committee did not agree with the contention of the department and directed that detail of quantity measured at site and its reuse be made and got it verified from Audit within 30 days. The committee kept the para pending. The compliance of SDAC's directive was not made till finalization of this report.

Audit recommends verification of detail of quantity measured at site and its reuse at the earliest.

**(Para-12)**

#### **4.2.11.8 Loss to government due to incorrect preparation of rate analysis - Rs 202,537**

As per Finance Department template 10% sundries are not admissible under the head "Labour".

Executive Engineer, Provincial Highway Division, Gujranwala got approved and made payment for the item of work "Poplar wooden Planks" of Poplar wood for 15,591.730 SM (14,607.546+984.184) @ Rs 1,036.13 per SM against estimated rate of Rs 916.93 per SM based on rate analysis prepared and approved on the basis of Input material/labor and machinery rates for 2<sup>nd</sup> bi-annual 2012 (August-2012 to January 2013) Gujranwala District as non-scheduled item. In the rate analysis, 10 %

sundries were added in the labour component that was not admissible because it was not added in the other rate analysis prepared on the NHA's template.

Weak supervisory and financial controls resulted in loss to government due to inclusion of inadmissible sundries charges in the rate analysis of Rs 202,537.

Audit pointed out the loss in November 2014. The department replied that the sundry expenses were admissible on all items provided in rate analysis prepared and approved on the basis of input material /labour and machinery rate per input rate for 2<sup>nd</sup> Bi-Annual 2012. But, inadvertently sundry expenses were missed on some items of analysis. Overall the rate approved was on lesser side. Hence, no loss to government was involved. The reply was not tenable because the same template approved/adopted for the same item was to be adopted in the scheme in question. Hence, recovery needs to be effected from contractor.

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that entries were provided as per rate analysis approved by the competent authority. The committee did not agree to the department and directed that full recovery of Rs 202,537 may be made from the contractor bill / security within 15 days and got verified from Audit. The compliance of SDAC's directive was not made till finalization of this report.

Audit recommends verification of recovery at the earliest.

**(Para-09)**

### **4.3 Procurement and Contract Management**

4.3.1 No centralized procurements by the department were involved in the project. The material consumed in the project was supplied by the contractor and payments made on Input material, labour and machinery rate.

4.3.2 Civil works were required to be executed in accordance with the approved specifications and design. The quality of the construction materials was tested by regional material testing laboratories and Road Research & Materials Testing Institute (RR&MTI) Lahore.

4.3.3 Payments to the contractors were regulated by the framework provided in the DFR and Department's Codes/instructions. However, some lapses were observed which led to irregular award of work without observing PPRA rules and sub-letting of contract to private contractor by the original contractor i.e. M/S NLC.

4.3.4 Issues relating to non-observance of contractual obligations involving Rs 3,383.359 million, observed during audit, were as under:

**4.3.4.1 Irregular award of work due to non-calling of tenders and allowing inadmissible cushion- Rs 3,146.616 million**

As per section 23 of the Punjab Procurement Regulatory Authority Act 2009 (Act-VIII of 2009) read with Public Procurement Rules 2004, an open and transparent tendering procedure shall be adopted by the department to achieve the most economical and competitive rates in respect of its works, supplies, services and purchases. PPRA Board may, for reasons to be recorded in writing, recommend to the Government that the procurement of an object or class of objects in the public interest be exempted from the operation of this Act, the rules, the regulations or any other law regulating public procurement.

Executive Engineer, Provincial Highway Division, Gujranwala awarded the work for Rs 3,146.616 million against estimated cost of Rs 2,785.220 million i.e.13% above on single source basis to M/s National Logistic Cell without calling tenders through wide publicity as required under PPRA Act 2009 to achieve the most economical and competitive rates without obtaining exemption from PPRA Board from this Act.

Violation of PPRA rules resulted in irregular award of work amounting to Rs 3,146.616 million.

Audit pointed out the irregular award of work in November 2014. The department replied that the work was awarded to M/s NLC after fulfillment of all codal/financial requirements. The due approval was taken from the Chief Minister of the Punjab on framework agreement. The reply was not tenable because work was to be awarded after observing PPRA Act 2009 which was in vogue at the time of allotment of work.

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that tender were called for after approval of the Chief Minister. The Committee did not agree to the explanation given by the department and directed that condonation from PPRA may also be sought and produced to Audit. No progress was reported to audit till finalization of this report.

Audit recommends appropriate action against those responsible.

**(Para No. 05)**

#### **4.3.4.2 Loss to government due to sub-letting of work to private contractor - Rs 236.743 million**

As per clause 27 of the contract agreement the contractor shall not sublet the works or any part thereof except where otherwise provided by the contract, without the prior written consent of the Engineer-in-charge and such consent, if given, shall not relieve the contractor from any liability or obligation under the contract and he shall be responsible for the acts, defaults and negligence of any sub-contractor.

Executive Engineer, Provincial Highway Division, Gujranwala awarded the work for Rs 3,146.616 million against estimated cost of Rs 2,785.220 million i.e.13% above on single source basis to M/s National Logistic Cell vide framework agreement for Execution of Priority Projects by NLC signed between Government of Punjab and NLC circulated by Secretary, Communications and Works Department No. SOH-II(C&W)/3-27/2012 dated 22.09.2012. As per letter from DCO, Gujranwala vide No. PS/DCO/GRW/712 dated 27.11.2012, the work was sub-letted to another

contractor M/s Habib Construction Company which was violation of the contract agreement but no action was taken against the contractor.

Weak supervisory and financial controls resulted in loss to government of Rs 236.744 million due to violation of agreement because 13% premium was paid to a private contractor instead of 4.5%. Further, though the work was executed by a private contractor but government was deprived of income tax @ 6% amounting to Rs 195.891 million.

Audit pointed out the loss in November 2014. The department replied that neither M/s NLC applied to the Engineer-Incharge for subletting the work nor it was allowed by the department. All the work was executed by the NLC and payment was made for work done to the NLC duly verified by the consultant M/s Nespak. The premium of 13 % was approved by the competent authority. The reply was not tenable because record of the scheme clearly showed that the work was sub-letted to private contractor for which no prior approval was taken as required under clause *ibid*. Hence, 13% cushion admissible for NLC work was not to be allowed to private contractor. Thus recovery needs to be effected.

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that no work was sub-letted and all the work were carried out by the NLC. It was further added that letter issued by the DCO lacks clarity which may be referred to the concerned DCO for clarification. The compliance of SDAC's directive was not made till finalization of this report.

Audit recommends early recovery.

**(Para-07)**

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

4.4.1 Design and drawings were prepared by the consultant concerned and got vetted / approved through Planning & Design Directorate from the competent authority.



4.4.2 Cost estimates of the scheme were prepared according to the approved NHA specifications and design on the basis of MRS.

4.4.3 Tendering process as laid down in the rules was not followed and the work was awarded on single source basis 13% above the rates approved in the Engineer's cost estimate.

4.4.4 Execution of work was supervised through construction schedule agreed between the employer and the contractor. Progress of execution was supervised through periodic progress reports and physical inspection of works by the field engineers for ensuring quality and quantity both.

4.4.5 Issues including overpayment due to non-deduction of cost of dismantled material, non-utilization of available earth at site, non-recovery/accountal of replaced material noticed during audit amounting to Rs 20.495 million were as under:

**4.4.5.1 Loss due to non utilization of available earth - Rs 14.185 million**

As per specification No. 411-413 of Roads and Bridges construction 1971 earth obtained as result of regular excavation should be reused for embankment and deducted from it.

Executive Engineer, Provincial Highway Division, Gujranwala made payment for item of Structural excavation for 65,970 CM and also made payment for Formation of embankment from borrow excavation with 10 km lead for 25,317 CM @ Rs 608.58 per CM without adjustment of available excavated earth received from structural excavation.

Weak supervisory and financial controls resulted in loss of Rs 14.185 million to the government.

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

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that the excavated surplus / common material was un-suitable for embankment as the area of flyover was in middle of the city which was verified by the Consultant. The Committee did not agree with the viewpoint of the department and directed to produce lab test report regarding the suitability / unsuitability of material and get it verified from Audit. The compliance of SDAC's directive was not made till finalization of this report.

Audit recommends early verification of soil investigation report by the Buildings Research Station besides recovery.

**(Para-20)**

**4.4.5.2 Loss to government due to non-utilization of available earth –  
Rs 6.310 million**

As per specification No. 411-413 of Roads and Bridges construction 1971 earth obtained as result of regular excavation should be reused for embankment and deducted from it.

Executive Engineer, Provincial Highway Division, Gujranwala made payment for item of work formation of embankment from borrow excavation in common material 25,317.150 CM @ Rs 608.56 per CM without deduction/adjustment of 10,367.918 CM available earth at site on account of excavation in common material, excavation for sub grade preparation in earth cut (Widening portion), Excavation for Horticulture work (Median), U-Turn Boundary Wall Pier#5-6 & Pier # 39-40 (Median) Footpath and construction of pavement/shoulder between the newly constructed road and existing footpath as per specifications.

Weak supervisory and financial controls resulted in loss to government of Rs 6,309,500 due to non-recovery of cost of dismantled material.

Audit pointed out the loss in November 2014. The department replied that the excavated surplus/common material was un-suitable

material for embankment as the flyover was in middle of the city therefore the un-suitable/surplus common material was disposed off outside as the re-use of this material for embankment was not possible. The reply was not tenable because laboratory test report regarding unsuitable excavated material was not produced to audit for verification. Hence, recovery pointed out be made and got verified from audit.

The para was discussed in the SDAC meeting held on 09.09.2016. The department explained that the excavated surplus / common material was un-suitable for embankment as the area of flyover is in mid of the city which is verified by the consultant. The Committee did not agree with the view point of the department and directed that lab test report regarding the suitability / un suitability of material may be produced and got verified from Audit. No progress was reported to audit till finalization of the report.

Audit recommends early verification soil investigation of report conducted by the Buildings Research Station and recovery.

**(Para-14)**

#### **4.5 Asset Management**

Data and manual record of road network under the jurisdiction of Communication & Works Department were being maintained road-wise and location-wise as prescribed in the Department's Codes and Manuals.

#### **4.6 Monitoring and Evaluation**

4.6.1 Progress of schemes under execution was reviewed on monthly basis and quarterly basis by the Chief Engineers, Principal Accounting Officer (PAO) concerned and Planning & Development Department.

4.6.2 Internal checks such as inspections, regular monitoring, supervision by field engineers, mechanized testing and laboratory test reports of the executed works were also vital to ensure qualitative execution of work in line with the specifications and approved design.

Two levels of monitoring/supervision firstly by RR&MTI and secondly by the supervisory engineers were prescribed in this regard.

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

#### **4.7 Sustainability**

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

4.7.2 Operational and maintenance cost at Rs 0.025 million per km per annum was provided in the PC-I of the scheme by the department. This yardstick needed revision in the light of price increase in the cost of materials and labour, otherwise, the department should devise policy to charge toll on the said road to improve funding position for up-keeping and maintaining the 24 feet wide metalled road.

4.7.3 M/s National Logistic Cell is responsible for maintenance of bridge for 3 years as per framework agreement and after that Communication & Works Department will be responsible for overall maintenance of inter-districts road network.

4.7.4 Recurring cost was being met through annual budget provision under Grant No. 25 (M&R).

4.7.5 Communication & Works Department had the required expertise and skill to operate the scheme.

#### **4.8 Overall Assessment**

4.8.1 **Relevance:** MTDF aims to improve existing road densities through rehabilitation/improvement and expansion of existing road network. The scheme was within overall MTDF and in line with Government's Sectoral Policies and sectoral priorities identified for Punjab's road sector.

4.8.2 **Efficiency:** The project which was planned to be completed within eight months upto June 2013 had been delayed for more than four months. The cost over-run is 8.841%, over the original planned cost in PC-I. The project was completed in 11.5 months instead of 08 months due to poor performance of the contractor.

4.8.3 **Economy:** The work was awarded on single source basis without open competition to M/s National Logistic Cell under framework singed by the Communication and Works Department on deferred payment mode.

4.8.4 **Effectiveness:** Since the project has been completed recently, therefore, successful achievement of objectives, targets and desired results could not be analyzed and assessed.

4.8.5 **Compliance with Rules:** Issues of poor financial management, contract management and construction and works depicting irregularities of Rs 3,622.21 million were noticed. Non-adherence to good financial management practices was critical area which needed to be given a serious thought for improving service delivery and ensuring timely execution of quality work.

4.8.6 **Performance Rating:** Moderately satisfactory.

4.8.7 **Risk Rating:** Medium.

## 5. CONCLUSION

5.1 **Key Issues for the Future:** Compliance of PPRA Rules and

contractual obligations are required to be ensured in the future projects.

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

- i. Internal controls like test check measurements / periodic inspections of works by supervisory officers needs to be implemented.
- ii. Adherence to contractual obligations needed to be ensured at every stage of execution.
- iii. Action needs to be initiated and responsibility fixed against the officers concerned for lapses and violation of rules besides effecting recoveries.



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