



**SPECIAL AUDIT REPORT
ON THE ACCOUNTS OF
CONSTRUCTION OF CITIZEN'S
CLUB BUILDING AT F-9 PARK,
ISLAMABAD**

**CAPITAL DEVELOPMENT AUTHORITY
CAPITAL ADMINISTRATION AND
DEVELOPMENT DIVISION
GOVERNMENT OF PAKISTAN**

AUDIT YEAR 2016-17

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 Section 8 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The audit of the project "Construction of Citizen's Club Building at F-9 Park, Islamabad" executed by Capital Development Authority, Capital Administration and Development Division, Government of Pakistan, was carried out accordingly.

The Directorate General Audit Works (Federal), Islamabad conducted audit of the project during the year 2016-17 for the period from 2007-08 to 2015-16 with a view to reporting significant findings to stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the project. In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules, and regulations in managing the project. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the project. Audit observations included in the report have been finalized in the light of written responses of the management and discussion in DAC meeting.

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

Islamabad
Dated: 6th April, 2017

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

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Abbreviations and Acronyms

BOQ	Bill of Quantities
CADD	Capital Administration and Development Division
CDA	Capital Development Authority
Cft	Cubic Feet
CPWD	Central Public Works Department
CSR	Composite Schedule of Rates
Cu.m	Cubic Meter
DWP	Development Working Party
ECNEC	Executive Committee of the National Economic Council
EPC	Escalation Payment Certificate
HVAC	Heating, Ventilation and Air-Conditioning
HT	High Tension
IESCO	Islamabad Electric Supply Company
INTOSAI	International Organization of Supreme Audit Institutions
IPC	Interim Payment Certificate
LC	Letter of Credit
LT	Low Tension
MB	Measurement Book
MES	Military Engineer Services
MS	Mild Steel
NADA	Nayyar Ali Dada Associate
NIT	Notice Inviting Tender
PCC	Plain Cement Concrete
PPRA	Public Procurement Regulatory Authority

PEC	Pakistan Engineering Council
PPWD	Pakistan Public Works Department
PTCL	Pakistan Telecommunication Company Limited
Rft	Running Feet
QS	Quantity Surveying
SAR	Special Audit Report
SH	Sub-Head
SNGPL	Sui Northern Gas Pipelines Ltd
SP	Special Provision
Sq.m	Square Meter
TOR	Terms of Reference

EXECUTIVE SUMMARY

Special Audit of “Construction of Citizen’s Club Building at F-9 Park, Islamabad”

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, who consume major portion of the Public Sector Development Programme funds/budget, namely Capital Development Authority, Civil Aviation Authority, National Highway Authority, Pakistan Public Works Department, Estate Offices, Higher Education Commission (Infrastructure development projects of federally chartered universities) Workers Welfare Fund/Boards and Planning, Development & Reform (Special Project Cell).

The Directorate General Audit Works (Federal) conducted special audit of the accounts of “Construction of Citizen’s Club Building at F-9 Park, Islamabad” during November 2016. The project was executed by Capital Development Authority (CDA). The objective of the special audit was to assess whether the resources had been utilized for the purposes for which they were provided for, with due economy, efficiency and effectiveness. The report was intended to analyze the management decisions by highlighting the weaknesses in project performance with recommendations for improvements. The audit was conducted in accordance with the INTOSAI Auditing Standards.

CDA, the executing agency, was established under the CDA Ordinance promulgated on 27th June, 1960. CDA is managed through an Executive Board constituted by the Federal Government under Section 6 of CDA Ordinance, 1960. The Secretary, Capital Administration & Development Division is the Principal Accounting Officer. Member (Finance), CDA is incharge of Finance/Accounts Wing and is responsible for preparation of budget and allocation/distribution of funds to different Divisions/Formations, which are entrusted with different functions. The project was executed by Project Management Office.

The objective of the project was to have attractive, viable, landmark, recreational facilities in Islamabad. The Citizen's Club consists of the facilities like Club House, Entertainment Area, Health and sport facilities, Community Centre, Guest Rooms, Auditorium and Open Amphitheatre and Outdoor Sport Facilities.

The project was initially approved with PC-I cost of Rs 896.033 million in May 2006. Subsequently, the revised PC-I of Rs 1,890.412 million was approved in July 2015 over and above 111% of the original PC-I. The work was awarded on 16th December, 2007 at a contract cost of Rs 1,254.149 million with commencement date 12th February, 2008 and completion date 11th August, 2010. The project was delayed for more than six years due to stoppage of work at site in April 2010, which was resumed in October 2010, but suspended again in December 2013 due to funding and end use issues. The total expenditure booked up to October 2016 was Rs 1,380.937 million.

The design and estimate of the project was prepared by the Consultant, M/s Nayyar Ali Dada and Associates (NADA), Lahore. As per initial plan the site was located in H-11/2 and then shifted to I-12, but due to non-possession of land, the site was finalized at F-9 Park, Islamabad.

Major issues highlighted in the report are:

- a. Due to abnormal delay in completion and non-operation of Citizen's Club CDA sustained loss of revenue of Rs 2,028.00 million, besides delay of social benefits. (Para 4.4.1)
- b. Development funds amounting to Rs 1,380.937 million were utilized ineffectively without achievement of prescribed objectives (Para 4.2.1)
- c. Improper planning and inefficient project execution resulted in cost overrun of Rs 1,157.967 million. (Para 4.4.3)

- d. Work was awarded over and above the approved PC-I cost, involving excess cost of Rs 358.116 million (39.97%), in violation of Guidelines for Project Management. (Para 4.4.4)
- e. Higher rates of an item of sand stone were paid resulting into loss of Rs 48.617 million. (Para 4.4.5)
- f. Payment of Rs 25.401 million was made on account of incomplete work not executed as per specifications.
(Para 4.4.6)
- g. Allocated/released budget of Rs 239.622 million was not utilized due to inefficient project management. (Para 4.2.2)
- h. Price escalation of Rs 54.712 million was paid in violation of provision of contract agreement. (Para 4.2.3)

Recommendations

- i. Project be completed without further delay to achieve the monetary and social benefits as provided in the approved PC-I.
- ii. Project management guidelines be implemented in letter and spirit to ensure proper planning to avoid changes in execution phase resulting cost overruns and delay in completion of project.
- iii. Measures be taken to improve financial management to ensure smooth funding and timely/proper utilization of funds.
- iv. Overpaid amounts be recovered from the contractor.

1. INTRODUCTION

- 1.1** The Directorate General Audit Works (Federal), Islamabad conducted audit of the project “Construction of Citizen’s Club Building at F-9 Park, Islamabad” during the year 2016-17.
- 1.2** Islamabad being our capital city has people residing from all walks of life including the diplomats. As the city was created much after the independence for a specific purpose, it did not inherit any recreational infrastructure except for a beautiful lush green surrounding, undulating land creating various water streams/channels and Margalla hills as its skyline. With the passage of time this city has grown manifolds and could be compared with any modern city of the time. With the growing population, it was felt that more recreational facilities are required. Accordingly, the project “Construction of Citizen’s Club” was conceived with the objective to have attractive, viable, landmark, recreational facilities in Islamabad.
- 1.3** CDA approved the project with PC-I cost of Rs 896.033 million in May 2006 with stipulated completion period of 30 months. The revised PC-I was approved in July 2015 for Rs 1,890.412 million (111% above the original PC-I cost). In original PC-I the cost for works was taken on covered area basis. The actual/revised PC-I cost was based on detailed specifications and design provided by the consultant on instructions of CDA.
- 1.4** The project was to be financed on self-finance basis by CDA without funding from the Public Sector Development Programme or foreign aid component.
- 1.5** The objective of the “Construction of Citizen’s Club Building at F-9 Park, Islamabad” is the same as of a proper club added with various sport facilities. The concept is based on providing various facilities within the same compound yet all facilities have independent accesses. The design was such that all type of

recreational community facilities had been accommodated which would be enjoyed by all age groups. The layout of the Citizen's Club has been kept in such a way that various activities would go on simultaneously, or any part could be used without disturbing the other. A very careful division of noisy and quiet areas have been incorporated. The Citizen's Club consists of the following facilities:

- i. Club House
- ii. Entertainment Area
- iii. Health and sports facilities
- iv. Community Centre
- v. Guest Rooms
- vi. Auditorium & Open Amphitheatre
- vii. Outdoor Sports Facilities.

1.6 The design and estimate of the project was made by the Consultant M/s Nayyar Ali Dada and Associates (NADA), Lahore. M/s NADA started the design work as per the scope of project. The Consultants carried out several exercises at proposed site of H-11 for Construction of Citizen's Club, thereafter, the site was shifted to F-9 Park due to non-possession of site in H-11. The Chairman CDA, finally approved the site of F-9 Park, Islamabad.

1.7 Notice Inviting Tenders (NIT) was issued to the six (06) construction firms on 3rd November, 2007. Five (05) firms out of six (06) purchased the tender documents. Three (03) firms submitted their bid according to schedule as under:

S. No.	Construction Firms	Bid Cost (Rs in million)
1.	M/s Mughals Pakistan (Pvt) Ltd	1,742.344
2.	M/s Metracon Pakistan – XB JV	1,686.711
3.	M/s Expertise (Pvt) Ltd	1,254.149

The construction work of the project was awarded to M/s Expertise

(Pvt) Ltd. being the first lowest, at a cost of Rs 1,254.149 million on 6th December, 2007.

- 1.8** The stipulated completion period of the project was thirty months. The work commenced on 12th February, 2008 was to be completed within two and half years with completion date of 11th August, 2010. The project was not completed in stipulated period and delayed for six years. The main reason for delay was stoppage of work at site by the project authorities in April 2010, which was resumed in October 2010, but suspended again in December 2013 due to funding and end use issues.
- 1.9** Variations were made in project by CDA. As per original concept the building was designed in a sunken area to avoid exposure from the public park. During Principal Architect's presentation to CDA Board it was decided to re-orientate the building which brought it near to Nullah and increased the earth works. An additional space was created in order to provide attached sitting room with eight (8) executive rooms. The existing Nullah got closer to the building, therefore, it was decided to convert the whole length of Nullah in RCC duct. Hi Grip waterproofing membrane was applied around foundations to avoid water seepage. Upon replacement of structural glazing with facial stone the brick surface was needed to be plastered to avoid water ingress from joints of stone. It was decided during CDA Board Members meeting to use high performing HAVC system for higher return on investment and lesser monthly operation, maintenance and replacement cost rather than a conventional HAVC System.

The project involved inefficient/ineffective utilization of public development fund without achievement of prescribed objectives.

1.10 Year-wise Budget Allocation, Releases and Expenditure is as under:

(Rs in million)

S.No.	Year	Allocation	Releases	Expenditure
1.	2007-08	300.00	300.00	169.570
2.	2008-09	449.00	249.00	220.483
3.	2009-10	550.00	0.000	169.904
4.	2010-11	200.00	385.00	200.00
5.	2011-12	250.00	0.00	152.225
6.	2012-13	350.00	320.149	146.235
7.	2013-14	40.00	0.00	29.516
8.	2014-15	0.00	0.00	0.000
9.	2015-16	251.34	129.605	249.810
10.	2016-17*	700.00	236.805	43.194
Total		3,090.34	1,620.559	1,380.937

* Up to October 2016

2. AUDIT OBJECTIVES

The objective of the audit was to evaluate whether the Project has been successfully executed with respect to economy, efficiency, effectiveness and whether the desired goals and targets were achieved successfully and effectively. The audit also aimed at reviewing compliance with applicable rules, regulations and procedures.

3. AUDIT SCOPE AND METHODOLOGY

3.1 The audit scope included the examination of project documents, record and accounts since the inception of project in 2007. The audit team comprising three members conducted audit in the office of Project Director “Construction of Citizen’s Club, F-9 Park, Islamabad”. During the Special audit, site visits were also conducted.

3.2 Audit methodology included data collection, analysis/consultation of record, discussion with staff, site visits, etc.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 The project was initially executed through Project Management Office (PMO). The PMO was abolished in 2012 as per decision of CDA Board. Presently, Engineering Wing CDA is responsible for execution of the project. M/s Nayyar Ali Dada & Associates is the consultant firm and the staff of CDA i.e. Project Director, Assistant Director and other staff is supervising the project.

Effective monitoring and reporting is essential to determine the progress, status and the achievements of the projects. For this purpose the project management office was required to carry out monitoring of the inputs, processes and outputs, and submit quarterly review and progress reports on the approved format, i.e. quarterly progress report of ongoing project on PC-III. Contrary to the instructions of Planning Commission, the project management did not prepare PC-III of the project, which implies that financial and physical progress of the project was not brought into the notice of the competent forum.

4.1.2 Under Clause 14 of the Conditions of Contract, the contractor was responsible to submit programme of work within 28 days after acceptance of the tender. The programme was to be revised every three months and was to include a chart of the principal quantities of the work and an updated Schedule of Payments expected to be made to the contractor. The contractor submitted several work programmes showing month-wise Schedule of Work and Cash Flow estimates, but the same were not implemented effectively and work could not be completed within the stipulated period.

4.1.3 A Directorate of Internal Audit exists in the Capital Development Authority which is headed by a Director. The major function of Internal Audit Wing is to ensure compliance with prescribed rules, policies and procedures of CDA. It conducts audit of the financial transactions of the

projects being executed by CDA. In addition, it also conducts audit of maintenance works, revenue, operations & management contracts. Internal Audit Report is approved by the Member (Finance) and submitted to the Chairman for consideration and directions. However, Internal Audit Reports in respect of this project were not provided to external audit.

4.1.4 Project accounts, being maintained centrally in the CDA Headquarters, were not computerized and all accounts including general ledgers, cashbooks, journals, trial balance, contractor ledgers and paid vouchers were maintained manually.

4.2 Financial Management

4.2.1 Inefficient/ineffective utilization of public development funds without achievement of prescribed objectives - Rs 1,380.937 million

Para 2.1 of Guidelines for Project Management provides that policy of the Government of Pakistan is to efficiently utilize natural and economic resources of the country for socio-economic welfare of the people. This objective may be achieved only when development projects are planned and executed with vigilant management. Objective of development planning is to have projects implemented for the benefit and social uplift of the society. For achievement of stipulated targets and tangible returns, it is imperative to entrust management and supervision of the project during implementation stage to capable and competent persons of required qualifications, experience and caliber.

Para 3.6 of Guidelines for Project Management provides that the rationale behind the project appraisal is to provide the decision-makers financial and economic yardsticks for the selection/rejection of projects from among competing alternative proposals for investment. If the project is found technically sound, financially and economically viable and socially desirable only then project is approved.

CDA Development Working Party in its meeting held in May 2006 approved PC-I for “Construction of Citizen’s Club” to provide recreational facilities in Islamabad for Rs 896.033 million.

Audit noted that Director, Project Management Office (PMO) CDA, Islamabad awarded the work “Construction of Citizen’s Club at F-9 Park, Islamabad in December 2007 to contractor M/s Expertise (Pvt.) Ltd at a cost of Rs 1,254.149 million. The work was started on 12th February, 2008 with a completion period of 30 months and an expenditure of Rs 1,380.937 million was incurred up to October 2016 including a sum of Rs 1,368.993 million on civil works (up 57th running bill).

Audit observed that the work could not be completed despite lapse of a period of nine years. The work at site was stopped in April 2010, which was resumed in October 2010, but suspended again in December 2013 due to funding and end use issues. The work resumed in November 2015 and only 79% project was completed. HAVC work, finishing work of club building was still incomplete. Thus planned objectives were not achieved due to inefficient utilization of public resources. This resulted in irrational/inefficient utilization of public funds of Rs 1,380.937 million without achievement of specified objectives.

Audit maintains that value for money was not achieved due to poor planning and mismanagement.

Audit pointed out the matter to the management in December 2016. The Authority replied that delay in project was caused due to following reasons:

- i. Change of Location
- ii. Financial constraints
- iii. Suspension of work on orders of Honourable Supreme Court of Pakistan.
- iv. Delay in administrative approvals due to abolishment of PMO Directorate.

- v. Delay in decision regarding usage of Citizen's Club Building in the light of decision of the Honourable Supreme Court of Pakistan.

The finishing works of the subject facility were in progress and near to completion, HVAC equipment was ordered and as per revised time schedule the facility would be functional by the end of the current fiscal year. As admitted in the reply the project was delayed due to financial constraints and late accord of administrative approval. In fact work/project was badly delayed due to late decision of end use plan of the Citizen's Club building. Nine years had been elapsed but Civil and Electrical/HVAC works were still incomplete. Due to abnormal delay in completion of the Citizen's Club building, intended social benefits and revenue generation as approved in PC-I were delayed. Delay due to mismanagement was on the part of Project Management.

The matter was discussed in the DAC meeting held on 23rd February, 2017. CDA explained that major causes of delay include change of location/site of project, suspension of work on the orders of Supreme Court of Pakistan, usage of Citizen's Club in the light of orders of Supreme Court of Pakistan, overall financial constraints and abolishment of Project Management Directorate. However, 90% civil work had been completed and Letter of Credit (LC) had been established for import of equipment. The last extension of time was granted up to 31st May, 2017 and the facility would be functional by 30th June, 2017. The Committee directed that prompt decision making be ensured and all administrative and financial hurdles may be removed and project be completed within the target date and outcome be shared with Audit. DAC further directed CDA to provide copies of letter of extension of time, progress report and LC to Audit for verification.

The compliance of DAC's directives was not conveyed to Audit till the finalization of the Report.

Audit recommends early compliance of DAC's directive.

(Para 9)

4.2.2 Non-utilization of allocated/released budget due to inefficient project management - Rs 239.622 million

As per Acceptance Letter No. CDA/PMO/(08B)2007/5880 dated 6th December, 2007, Construction of Citizen's Club Building at F-9 Park, Islamabad was to be completed in 30 months. Annex-B of approved PC-I also provides financial phasing for three years from 2006 to 2009.

Audit noted that funds amounting to Rs 3,090.340 million were allocated during financial years 2007-08 to 2016-17, against which funds were released and expenditure sanction was issued for Rs 1,620.559 million. However, project management could utilize a sum of Rs 1,380.937 million.

This resulted into non-utilization of allocated/released budget for Rs 239.622 million due to financial mismanagement.

Audit maintains that irregularity occurred due to lack of oversight mechanism for implementation of internal controls regarding efficient utilization of available resources.

Audit pointed out the irregularity to the management in December 2016. The Authority replied that due to financial crunch in CDA the releases were less than the allocated budget and the expenditure was incurred as per the releases made. As far as the financial year 2016-17 is concerned, funds have been released and would be utilized as import of items like HVAC, Lifts and Generators was under process.

Audit holds that less release of allocated funds and non-utilization of the allocated/released budget tantamounts to financial indiscipline.

The matter was discussed in the DAC meeting held on 23rd February, 2017 wherein CDA explained that funds allocated for 2016-17 would be utilized in full as activities were at advance stage of execution. The Committee directed CDA to ensure prompt utilization of funds to make the facility operational by 30th June, 2017.

Audit recommends early compliance of DAC's directives to make the facility operational.

(Para 10)

4.2.3 Unauthorized payment of price escalation in deviation of the agreement provision - Rs 54.712 million

Clause 47.1 of contract agreement provides that the contract price is to be adjusted for change in the cost of labour, material, transport or other costs of execution of the works and the method for calculating such adjustment shall be specified in the Preamble.

Clause 4.2 of preamble to schedule of prices provides that unless otherwise stipulated in the conditions of contract, the rates and prices entered by the bidder shall not be subject to adjustment during the performance of the contract.

Sub-clause 31.1(C) of special condition of contract provides that escalation shall be made only for the quantities of ordinary Portland cement and reinforcement steel, HT and LT cables, as specified in Appendix C to tender only when the ex-factory price changes more than +5% of the price on the date of opening of tender and as announced and recorded by the consultant on day of opening of tender.

Sub-clause 47.1 provides that price adjustment due to any escalation in prices, labour, material and transport etc. is not allowed.

Audit noted that the Project Management Office made payment of Rs 54.712 million on account of price escalation to the contractor (M/s Expertise (Pvt.) Ltd.) for steel items and cement up to IPC-6.

Audit observed that wording of sub-clause 47.1 was tampered by cutting the word "not" from the sentence "The price adjustment due to any escalation in prices, labour, material etc is not allowed". Thus, price escalation was allowed by manipulating the contract agreement. This resulted into unauthorized payment of Rs 54.712 million.

Audit maintains that unauthorized payment occurred due to weak internal controls and inadequate oversight mechanism.

Audit pointed out the unauthorized payment to the management in December 2016. The Authority replied that the escalation paid to the contractor was as per Contract Clause 31.1(C). There was no overpayment involved in the paid EPC's, however, the contractor had already submitted a comprehensive / EPC covering all paid IPC's in conformity with the standard procedure.

The reply was not accepted as appendix-C to the contract agreement was not used. The conditions of contract part I & II did not support payment of price escalation. Price adjustment was paid up to 6th IPC and then stopped, despite the fact that running payments were made upto IPC-43.

Appendix-C to instructions to bidders at P-55 of the contract which is used for specified material and co-efficient of each specified material was marked "Not used". Rejected tender was also requested to further examination but it was not provided to Audit.

The matter was discussed in the DAC meeting held on 23rd February, 2017, wherein CDA explained that escalation had been paid as per contract clause 31.1 (c) and price adjustment was provided in the original as well as revised PC-I. Audit contended that Appendix-C, indicating specified items, was not used as such price adjustment was not admissible. The Committee directed that clarification may be obtained from Pakistan Engineering Council with regard to appendix-C and outcome be shared with Audit.

The compliance of DAC's directives was not conveyed to Audit till finalization of the Report.

Audit recommends early compliance of DAC's directive.

(Para 6)

4.2.4 Non-recovery due to non-provision of employer’s facilities by the contractor - Rs 15.900 million

As per contract agreement, the contractor was required to provide and maintain for the Engineer’s and Employer’s Representatives, three vehicles 1000 cc Air-conditioned with drivers and running maintenance cost for the management of the site of work.

Audit noted that the contractor did not provide vehicles to the employer’s/engineer’s staff as required under agreed clauses of the agreement. The cost of provision of vehicles was inbuilt in other pay items. The management neither took up the matter with the contractor for provision of facilities of cars nor any action for recovery of cost of these facilities, was initiated by the CDA. This resulted in non-recovery of Rs 15.90 million from the contractor, as calculated below:

No. of Vehicles, with driver and fuel	Per month Cost	Period	Amount (Rs in million)
03	Rs 50,000	106 months (February 2008 to November 2016)	15.900

Audit maintains that non-provision of facilities occurred due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out the irregularity to the management in December 2016. The Authority replied that contractor provided all facilities to employer/engineer staff as required under clauses of the contract agreement. The reply was not supported with documentary evidence.

The matter was discussed in the DAC meeting held on 23rd February, 2017, wherein CDA explained that contractor had provided all contractual facilities/vehicles. The Committee directed CDA to provide certificate that vehicles provided to the employer were being maintained by the contractor.

The compliance of DAC's directives was not made till the finalization of the Report.

Audit recommends early compliance of DAC's directive.

(Para 16)

4.2.5 Overpayment due to incorrect rate analysis by allowing installation/commissioning @ 18% instead of agreement provision of 3% - Rs 10.423 million

Sub-clause 31.1 (g) of the particular conditions of contract provides that the cost of variations of BOQ quantities shall be on the same basis as in the BOQ, in so far as such rates or prices apply; and where such rates or prices are not applicable, the cost shall be determined on the basis of the following formula:

i.	Let the market price of material/equipment	Rs 100.00
ii.	Loading/unloading transportation cost including all taxes duties etc. on actual not exceeding 2%	Rs 2.00
iii.	Fixing/ installation labour charges, testing/Commissioning of work equipment and all accessories or material required for the job/item on actual/ not to exceed 3% of (i) above	Rs 3.00
iv.	Contractor's overhead profit @ 25% of (i)	Rs 25.00
Total		Rs 130.00

Audit noted that Project authorities of Citizen's Club F-9 Park, Islamabad allowed and paid rates of varied item on the basis of incorrect rate analysis, wherein installation charges/testing commissioning was provided and paid @ 18% instead of 3% as per provision of contract agreement.

Audit observed that incorrect rate analysis resulted into overpayment of Rs 10.423 million.

Audit maintains that the overpayment occurred due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out the overpayment to the management in December 2016. The Authority replied that rate analysis wherein 18% installation/ commissioning was provided was not approved by “The Engineer” M/s NADA. Subsequently, the revised rate analysis was prepared in accordance with the provision of contract agreement and the same was later approved by “The Engineer”, and the Employer. Payments were released according to the revised approved rates, as per provision of the contract agreement.

The reply was not tenable as rate analysis for the new item was prepared and approved without valid quotations duly approved by the Engineer.

The matter was discussed in the DAC meeting held on 23rd February, 2017. CDA explained that installation/commissioning had been paid as per approved percentage provided in the agreement. The Committee directed CDA to get the complete record including rate analysis and basis of rates and approval of competent authority verified from Audit.

The compliance of DAC’s directives was not made till the finalization of the Report.

Audit recommends early compliance of DAC’s directives.

(Para 8)

4.3 Procurement and Contract Management

4.3.1 Excess/unjustified provision of Consultant fee on account of Design and Site Supervision through revised PC-I - Rs 81.841 million

PC-I for construction of Citizen's Club in Islamabad was approved by the CDA DWP for Rs 896.033 million vide file No. CDA-54(354)-status/2006 PC-I No. 823/43/2006, wherein the consultant fee was approved as follows:

Activity	Unit	Rate	Amount (Rs)
Design Building	250,000 sft	Rs 35 per sft	8,750,000
Design External Building	32 acres	Rs 1,500 per acre	330,000
Construction Supervision	Lump sum		3,600,000
Total			12,680,000

Audit noted that consultancy fee was enhanced to Rs 94.521 million for designing/supervision of the Citizen's Club, F-9 Park, Islamabad through revised PC-I vide No. 1334/07/2015, which constituted 645% excess over the original PC-I cost. This resulted into excess and unjustified enhancement of consultancy fee by Rs 81.841 million (Rs 94.521 million – Rs 12.680 million).

Audit maintains that irregularity occurred was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity to the management in December 2016. The Authority replied that the consultancy services were hired for the designing and detailed supervision for the project with the approval of the CDA Board, as per provision of the Board Order Instructions (BOI) 2007. Separate agreement was signed with M/s Nayyar Ali Dada &

Associates with agreed payment @ 5% of the actual project cost, and same was concurred by the CDA DWP while according approval to the revised PC-I.

The reply was not tenable. Provision of fee for consultants provided in the approved PC-I was not followed. Consultancy fee enhanced through revised PC-I, was found irrational and payments were made to the consultants in deviation of the contract agreement.

The matter was discussed in the DAC meeting held on 23rd February, 2017. CDA explained that total expenditure was within revised PC-I and agreement cost. The Committee directed CDA to get the record/facts verified from Audit.

The compliance of DAC's directives was not made till the finalization of the Report.

Audit stresses to justify the irrational provision of consultancy fee over and above the provision of approved PC-I to Audit.

(Para 15)

4.4 Construction and Works

4.4.1 Abnormal delay in completion of the Project resulting into loss - Rs 2,028.00 million

Income plan on account of life time membership fee of Citizen's Club, F-9 Park, Islamabad was provided in the revised PC-I for Rs 1,097.250 million including estimated revenue of Rs 945.00 million for 2000 permanent members through first year membership fee, as detailed below:

S. No.	Particulars	No.	Fee (Rs)	Amount (Rs)
1.	General Public	1,400	700,000	980,000,000
2.	Public Sector Employees	250	150,000	37,500,000
3.	CDA Employees	200	100,000	20,000,000

S. No.	Particulars	No.	Fee (Rs)	Amount (Rs)
4.	Diplomatic Members	50	200,000	10,000,000
5.	Non-Diplomatic Foreign Members	50	200,000	10,000,000
6.	Corporate Member	50	750,000	37,500,000
7.	Temporary Members (for one month)	50	10,000	500,000
8.	Temporary Members (for two month)	50	15,000	750,000
9.	Temporary Members (for three months)	50	20,000	1,000,000
Total				1,097,250,000

Similarly annual rent for living blocks, 38 rooms and 8 suites was provided for Rs 155.125 million per annum.

Audit noted that work on project “Construction of Citizen’s Club” started on 12th February, 2008 was to be completed in 30 months. The work at site was firstly suspended on 15th April, 2010 due to Honourable Supreme Court decision, which was resumed on 6th October, 2010. The work was again suspended due to funding and end use issues on 1st December, 2013 and was resumed on 30th November, 2015. Last extension in time was granted to the contractor up to 31st December, 2016.

Audit observed that work was not completed at site uptill 1st December, 2016 as finishing work and HVAC work were yet to be started.

Due to abnormal delay in completion of Citizen’s Club, the objectives to provide attractive, viable, landmark recreational facilities and earning of revenue through allotment of lifetime membership to 2000 members, annual membership renewal and earning rent of 38 rooms and 8 suites was not achieved. This resulted into loss of Rs 2,028.00 million to the Authority, as calculated below:

Membership fee	Rs 1,097.250 million
Rent of 38 Rooms and 8 suites per annum		
@ Rs 155.125 million x 6 years	<u>Rs 930.750 million</u>
Total		Rs 2,028.00 million

Audit maintains that delay in completion of project was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the issue to the management in December 2016. The Authority replied that delay in completion of project was caused due to financial constraints, delay in administrative approvals due to abolishment of PMO, delay in decision regarding usage of Citizen's Club Building in light of decision made by the Honourable Supreme Court of Pakistan, etc. The finishing works of the subject facility were in progress and near to completion and it would be functional by the end of the current fiscal year and would be generating revenue.

Audit holds that work/project was badly delayed due to late decision of end use plan of the Citizen's Club building. Nine years had since been elapsed but Civil and Electrical/HVAC works were still incomplete. Due to abnormal delay in completion of the Citizen's Club building, opportunity of revenue generation was not materialized as envisaged in PC-I. The delay was due to mismanagement on the part of CDA.

The matter was discussed in the DAC meeting held on 23rd February, 2017. CDA explained that major reasons for delay include overall financial constraints, delay in administrative approvals due to abolition of Project Management Directorate and decision regarding use of Citizen Club in the light of judgment of Supreme Court of Pakistan. However, 90% work had been completed and LC had been established for import of equipment. The last extension of time was granted up to 31.05.2017 and the facility would be functional by 30th June, 2017. The first priority is to complete the project then its usage would be decided in the light of Supreme Court judgment. The Committee directed that prompt decision making be ensured and all administrative and financial hurdles may be removed and project be completed within the target date and outcome be shared with Audit. DAC further directed CDA to provide

copies of letter of extension of time, progress report and LC to Audit for verification.

The compliance of DAC's directives was not conveyed to Audit till finalization of the Report.

Audit recommends early completion of the project to achieve the social and monetary benefits provided in the approved PC-I.

(Para 2)

4.4.2 Unauthorized payment due to unauthentic measurements/non-recording detailed measurements in MB - Rs 1,368.393 million

Para 208 of Central Public Works Account Code provides that unless in any case, the administration after consultation with Accountant General, direct otherwise, payments for all work done are to be made on the basis of measurements recorded in the Measurement Book (MB) which is a permanent record issued to supervisory officer to record date-wise activity and mandatory tests at site. Para 4.19 (i) of Pak PWD Department Code, 1982 provides that Executive Engineer shall be responsible for the execution and management of all works within his Division. It shall be part of his duties to organize and supervise the execution of works and to see that they are suitable and economically carried out with good workmanship and material of good quality. The Executive Engineer shall spend a minimum of 10 days in a month, on an average, on inspection of works and shall record his instructions to the Assistant Executive Engineer/ contractor in site order book immediately after an inspection.

Audit noted that the Project Director, Citizen's Club, F-9 Park, Islamabad made payments to contractor without recording detailed measurements of quantities of work done in MBs. Payment were made on the basis of abstract recorded in the MB without detailed measurements on the approved format of MB duly authenticated and test checked by the Project Engineers. This resulted in unauthentic payments of Rs 1,368.393 million in violation of CPWA Code.

Audit maintains that unauthentic payment/non-recording of detailed measurements was due to failure of internal controls and negligence of the Authority.

Audit pointed out the irregularity to the management in December 2016. The Authority replied that detailed measurements of quantities of all the IPC's against the work done were duly recorded in the MB.

The reply was not tenable. Detailed record entries in the light of Paras 208-209 of CPWA Code were not taken in the MB duly certified / test checked by the CDA Engineer for all IPCs.

The matter was discussed in the DAC meeting held on 23rd February, 2017. CDA explained that detailed measurements had been recorded in the MB. The Committee directed CDA to get the MB verified from Audit.

The compliance of DAC's directives was not made till the finalization of the Report.

Audit stresses for recording of detailed measurement of all work done in the measurement books on prescribed proforma duly test checked by the CDA Engineer.

(Para 7)

4.4.3 Improper planning and inefficient project execution resulted in cost overrun - Rs 1,157.967 million

PC-I of the Project Construction of Citizen's Club Building at F-9, Park, Islamabad was approved in March 2006 at a cost of Rs 896.033 million with completion period of 30 months. Proforma annexed with PC-I contained financial and economic analysis report which showed that project would provide basic facility for sports and social activities and project would be completed within the approved cost and time. Since the PC-I was prepared by the Project Management Consultant; therefore, they

were responsible for planning the entire work to ensure completion by 2011.

Audit noted that the tendering process was initiated in utter disregard to the physical phasing planned in PC-I. Resultantly, the project was extra-ordinarily delayed for about six (06) years and the Project Management and supervisory consultant failed to perform their contractual role with regard to the timely execution of work. Still the Project Director, Supervisory Consultants and contractor were unable to give final assessment of the completion of work. Now all the assumptions for financial analysis based on capital cost, operating expenses and revenue generation have become outdated and could reflect a negative picture. An expenditure of Rs 1,380.927 million was incurred up to October 2016 against the PC-I cost of Rs 896.033 million and revised cost approved for Rs 2,054.00 million through variation orders.

Audit observed following apparent reasons for inefficient and delayed execution:

- a) Work under different sub-heads was awarded without due consideration to their inter-relationship and interfacing issues. Electrical works, Lifts works, HAVC work, Lighting System Power supply and networks were dependent upon progress of Civil Works, but they were awarded through one estimate and all sub-heads subsequently faced delays.
- b) Performance of Design-cum-Supervisory Consultants remained unsatisfactory in relation to planning, like mismanaging all the works resulting in adverse effect on work schedule, late approval of contract activities, design changes, etc. delay in approval of variation orders by CDA management and late decision on end use of the building in the light of Honourable Supreme Court decision in 2010.
- c). The Consultant prepared cost estimates on lump sum basis instead of covered area basis and item-wise basis. During execution phase, the cost of the components increased

drastically. The cost of major components of HVAC system was also missing in PC-I. Consequently, preparation of PC-I in a non-professional manner resulted in unrealistic cost estimation with subsequent cost overrun.

Audit maintains that irregularity occurred due to inadequate oversight mechanisms and non-exercising of the relevant financial rules and internal controls and failure of Authority to protect public interest, through effective project monitoring.

Audit pointed out the irregularity to the management in December 2016. The Authority replied that the project was initiated with proper planning and fulfillment of all codal formalities. Delay in the project was caused due to change of location, as per initial plan the site was located in H-11/2 and then in I-12, but due to non-possession of land the competent authority finalized the site in F-9 Park, Islamabad. After the tendering process the work was carried out as per schedule, until the Suo Moto of Honourable Supreme Court of Pakistan in 2010, when the work was stopped and as per decision the usage of the said facility was to be for Public Welfare. The Honourable Supreme Court directed the Authority and the Project Consultants to re-visit the usage of the whole facility at the stage when the structure was 100 % complete. In the meanwhile, the Authority was also facing financial constraints, which further affected the pace of the work. The PC-I of the project was revised and approved for Rs 1,890.415 million by CDA DWP. All the works under head of Civil, Electrical or Mechanical were properly planned to be executed, but progress affected by factors beyond the control of management and consultants.

The reply was not tenable. Original completion period provided in the agreement was 30 months but the work was still incomplete despite lapse of 09 (nine) years. The suo moto action of Honourable Supreme Court of Pakistan held up the work for only six months. On the directions of Honourable Supreme Court of Pakistan that project of Citizen's Club may be made a project of public welfare, no visible change in the original concept and design of a luxurious building for elite was made by the CDA.

The matter was discussed in the DAC meeting held on 23rd February, 2017. CDA explained that the project was delayed due to change of location. Work was awarded to the lowest bidder as per PPRA rules. However, changes/additions were made in the light of orders of Supreme Court of Pakistan and in the interest of public welfare. The agreement cost of the project was Rs 1,254.149 million but due to lapse of 7-8 years, revised cost of the project came to Rs 1,890.422 million. The Committee directed CDA to get the revised PC-I, actual cost and Variation Orders verified from Audit.

The compliance of DAC's directives was not made till the finalization of the Report.

Audit recommends early completion of the project to achieve the social and public welfare benefits at the earliest.

(Para 13)

4.4.4 Loss due to non-adherence of Guidelines for Project Management - Rs 358.116 million

Para 2.1 of Guideline for Project Management provides that policy of the Government of Pakistan is to efficiently utilize natural and economic resources of the country for socio-economic welfare of the people. This objective may be achieved only when development projects are planned and executed with vigilant management. Objective of development planning is to have projects implemented for the benefit and social uplift of the society. For achievement of stipulated targets and tangible returns, it is imperative to entrust management and supervision of the project during implementation stage to capable and competent persons of required qualifications, experience and caliber. Para 3.6 provides that the rationale behind the project appraisal to provide the decision-makers financial and economic yardsticks for the selection/rejection of projects from among competing alternative proposals of investment. If the project is found technically sound, financially and economically viable and socially desirable only then project is approved.

Audit noted that scheme (Construction of Citizen's Club) was principally approved by CDA DWP for Rs 896.033 million with the condition that final approved cost shall be intimated subsequently after discussion with the Chief Physical Planning and Housing (P.P&H) Section and Planning and Development Division, Government of Pakistan.

The Citizen's Club contained a club house, entertainment area, health and sport facilities, community centre, 38 guest rooms, 08 suites, auditorium and open theatre. Subsequently, Citizen's Club was shifted to F-9 Park wherein number of guest rooms increased to 48 by the Chairman CDA at his own level without obtaining approval of the CDA DWP.

In PC-I the rough cost estimate for Citizen's Club was Rs 896.033 million against which BOQ was prepared for Rs 1,280.414 million which was 42.89% above the PC-I cost. The contract was awarded at Rs 1,254.149 million. This resulted into loss of Rs 358.116 million (Rs 1,254.149 – Rs 896.033 million) to the Authority.

Audit holds that work was awarded over and above the provision of approved PC-I without getting revision of PC-I before award of work, was irregular and unauthentic.

Audit maintains that irregularity occurred due to lack of oversight mechanism for implementation of internal/financial controls.

Audit pointed out the irregularity to the management in December 2016. The Authority replied that the revised PC-I of the project had been duly approved by CDA DWP in its 35th meeting held on 17th March, 2015, along with all the variations including 48 suites. The project was shifted to F-9 Park as per instructions of the Chairman, CDA. Due to change in location revised design and cost estimates increased above the PC-I cost. It was mentioned that increase in scope especially 48 suites will surely contribute tangible returns besides state of the art facility to the citizens of capital city.

The reply was not tenable. The project was approved for Rs 896.033 million, whereas work was awarded at contract cost Rs 1,254.149 million, which involved excess of Rs 358.116 million (39.97%) above the approved PC-I. Award of work without revision of PC-I and without obtaining approval of Chief P.P& H Section, Planning Commission was unauthorized/unjustified.

The matter was discussed in the DAC meeting held on 23rd February, 2017. CDA explained that revised PC-I had been approved by the CDA DWP in its meeting held on 17th March, 2015 after consultation with Chief PP&H Section, Planning and Development Division. Further, PPRA rules were adhered to and proper estimation and bidding process was followed. The Committee directed that revised PC-I may be got verified from Audit and minutes of the meeting with Planning Division may also be shown to Audit.

The compliance of DAC's directives was not made till the finalization of the Report.

Audit recommends early compliance of DAC's directives.

(Para 4)

4.4.5 Loss due to allowing higher rates of an item of sand stone - Rs 48.617 million

GFR-10(i) Vol-I provides that 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. The expenditure should not be prima facie more than the occasion demands.

Audit noted that Project Director Citizen's Club F-9 Park Islamabad allowed and paid an item No. 12 of external stone "Providing and fixing of 1.50" thick sand stone on external face of building with clamps having 6" to 15" width and 18" to 30" height as per drawing,

design, etc.” for 229,468.93 Sft @ Rs 598/75 per Sft which was a substituted item, allowed and paid at much higher rates.

Audit observed that a similar nature item No. 34 “Providing and fixing 1.50” thick natural sand stone on walls with cement sand mortar 6” to 15” width and 18” to 30” height as per drawing, design and approved pattern complete in all respects” was allowed and paid @ Rs 386/88 per Sft. Audit holds that payment of item of natural sand stone at much higher rates than rates paid for similar nature item with a difference of cement plaster and clamps resulted in loss of Rs 48.617 million (Rs 211.87 per Sft x 229,468.93 Sft).

Weak internal controls resulted in defective rate analysis and loss of Rs 48.617 million to the Authority.

Audit pointed out the loss to the management in December 2016. The Authority replied that sand stone with cement mortar was to be fixed on steps, parapet walls and other low placed locations inside the building as per approved design, whereas, sand stone with clamps had been installed on the façade of the building and internal lobbies at height of 30 to 40 feet.

The reply was not tenable. Rate analysis of item No.34 which was a substituted item was not provided to Audit. As design of the building was prepared by the design consultant, by whom item of natural sand stone was substituted on the plea to avoid exposure of the building. Substitution of agreed item having economical rates with item having higher rates without rate analysis was a post tender change. This resulted into loss of Rs 48.617 million to the Authority.

The matter was discussed in the DAC meeting held on 23rd February, 2017. CDA explained that specification and design of sand stone with clamps was totally different from sand stone with cement mortar. Additional cost involved in sand stone with clamps was properly derived and approved by the Engineer and the competent authority. The Committee directed that necessity/justification for substitution of item,

break-up/rate analysis and estimated cost of each component of original item and substituted item may be produced to Audit for verification.

The compliance of DAC's directives was not made till the finalization of the Report.

Audit stresses that justification of substituted item allowed at higher rates and rate analysis of substituted item be got verified from Audit.

(Para 5)

4.4.6 Unauthentic/inadmissible payment on account of incomplete work not executed as per agreed specification - Rs 25.401 million

As per instructions No. 6 & 8 contained in flyleaf of the Measurement Book, Sub-Divisional Officer is responsible for 50% test check of the measurements and Executive Engineer/Divisional Officer shall apply 10% check of the measurement recorded in the MB and shall accept the responsibility of the bill as a whole. According to Para-209 (d) of CPWA Code all payment for work done or supplies are made on the basis of quantities recorded in the Measurement Book. It is incumbent upon the person taking measurements to record the quantities clearly and accurately. He would also work out and enter in the measurement book the figure for the contents or area column.

Audit noted that Project Director Citizen's Club F-9 Park Islamabad allowed and paid an item No. 28 boundary wall fence i.e. Providing and fixing of fence consisting of $\frac{3}{4}$ " x $\frac{3}{4}$ " MS bars in panels and columns including excavation of wall, PCC 1:4:8 in footing of walls and columns, bricks measuring in footing of 22,416.09 Sft@ Rs 1,345/94 full rate allowed at part rate Rs 1,211/35 i.e. 90% Rs 25.401 million were paid through IPC No. 57.

Audit observed that item of providing and fixing fence around the building of Citizen's Club was shown executed in piecemeal and found

incomplete/un-finished. Allowing payment @ 90% for an incomplete work which was visible around the building without proper exercising test check by the Project Director was unauthentic and inadmissible. As detailed record entry of work done was not made in the measurement books, lump sum measurement made by the contractor staff was endorsed by the supervising consultant. This resulted into inadmissible/unauthentic payment of Rs 25.401 million for incomplete work.

Audit maintains that the irregularity occurred due to mismanagement and non-adherence to the administrative controls.

Audit pointed out the irregularity to the management in December 2016. The Authority replied that the item of boundary wall fence was a composite item which included excavation, PCC 1:4:8, Brick masonry, Mild Steel bars and panels and was measured in Sft. More than 90% work of the said item was completed and payment against the executed quantity was made in part rate accordingly. Moreover, the detailed measurements were duly recorded in measurement books with test checks as per procedure.

The reply was not tenable. Part payment was made for incomplete item of work as some portions of boundary wall alongwith iron fence were missing.

The matter was discussed in the DAC meeting held on 23rd February, 2017. CDA explained that most of the work had been completed, however, some openings were left for movement of machinery and landscape work etc. Any wear and tear would be rectified in final handing over. The Committee directed CDA to get payments verified with reference to measurements in Measurement Book.

The compliance of DAC's directives was not made till the finalization of the Report.

Audit recommends early compliance of DAC's directive.

(Para 12)

4.4.7 Non-installation of Electric and Gas connections for the Citizen's Club by the Project Management and non-payment of demand notice of IESCO - Rs 6.670 million

As per decision No. 3 circulated by the Director Staff to Chairman CDA vide No. CDA/D(staff)2(2)/2012/2005 dated 31st August, 2012 Chairman, CDA, instructed the Project Director to make all the necessary arrangements for obtaining IESCO connection, Gas connection and water connection for the Citizen's Club to makes it operational.

Audit noted that Project Director Citizen's Club F-9 Park Islamabad did not pay demand note issued by the IESCO for Rs 6.670 million on account of Electric connection for the Citizen's Club building F-9 Park Islamabad issued by the Chief Engineer (P&E) IESCO Islamabad.

Demand note of IESCO was not paid/deposited by the Project Director due to non-availability of required funds. Last correspondence made by the Project Engineer regarding issuance of revised demand note by the IESCO vide letter dated 16th March, 2016. Similarly, Gas connection by the SNGPL was also not obtained.

Audit observed that Project management did not pay demand notice issued by the IESCO in 2011. Both demand notices in respect of Electric Supply and Gas connection had not been issued by the respective agencies for which concrete efforts were not made by the CDA authorities. This resulted into mismanagement and delay in getting service connections for the public welfare project.

Audit maintains that the irregularity occurred due to mismanagement and non-adherence to the administrative controls.

Audit pointed out the irregularity to the management in December 2016. The Authority replied that the process for acquiring the connections had already been initiated. Project Management is pursuing the matter

rigorously and would acquire connections well before completion of the project.

The reply was not tenable. The process of getting Electric Connections was started in August 2012, but demand note issued by the IESCO in 2011 was not paid by the project authorities for want of funds. Cases for getting connection had not been pursued properly.

The matter was discussed in the DAC meeting held on 23rd February, 2017. CDA explained that matter had been taken up with the concerned departments for connections and Design Books had been submitted for issuance of Demand Note. The Committee directed CDA to make sure that connections are in place prior to final completion of the project. DAC further directed CDA to get the record/efforts made verified from Audit.

The compliance of DAC's directives was not conveyed to Audit till finalization of the Report.

Audit recommends early compliance of DAC's directive.

(Para 17)

4.4.8 Overpayment due to allowing loose quantity of earth and sand without deduction of voids - Rs 2.965 million

As per MES specification section 01-06, Packed measure has been defined as materials which have been spread/placed, leveled and/or filled, watered and rammed or equally consolidated (e.g. heaps, etc consolidated by exposure to weather, etc. for a period exceeding 6 months). Loose measure has been defined as packed measure but not rammed or equally consolidated. Table 1.1 of the specifications, conversion factor of packed measure of soil @ 0.89 and for loose measurement @ 0.80 shall be applied.

Audit noted that Project Director Citizen's Club F-9 Park Islamabad allowed and paid item of structural excavation for foundation trenches, basement, etc. in any kind of soil/ rock including separating and

stacking and back billing in foundation compaction and disposal of surplus earth outside of CDA limits for quantity of 1,825,328.69 Cft.

Audit observed that loose quantity of earth was allowed and paid through measurement of stacked earth in lump sum quantity evident from measurement sheets, without necessary deduction of voids @ 20%. Similarly sand filling under floors was measured and paid in lump sum quantity without deduction of voids factor @ 11%. This resulted into overpayment Rs 2.965 million as detailed below:

Item	Quantity (Cft)	Voids	Quantity not deducted (Cft)	Rate	Amount (Rs in million)
Earth	1,825,328.69	20%	365,065.738	Rs 7 per cft	2.555
Sand	297,909.35	11%	37,770	Rs 18.75 per cft	0.614
Sub-Total					3.169
Less 6.45%					0.204
Overpayment					2.965

Audit holds that overpayment occurred due to weak financial and internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment to the management in December 2016. The Authority replied that structural excavation was a composite item including disposal of surplus earth and back filling of suitable earth in all respects. The measurement of the said item was taken against the excavated quantities of earth and deduction of void was not required. Sand filling was measured for compacted sand filling and not against the loose sand fill. Hence, there was no need of void deduction.

The reply was not tenable. Deduction of voids from loose earth was necessary to be made. Loose measurements of earth and sand were taken for lump-sum quantities without deduction of voids.

The matter was discussed in the DAC meeting held on 23rd February, 2017. CDA explained that item structural excavation was a composite item including disposal of surplus earth and back filling of suitable earth. The measurement of the said item had been taken against the excavated quantities of earth and no deduction of voids was required. The Committee directed that layer wise placement of earth and measurement in the MB may be got verified from Audit.

The compliance of DAC's directive was not made till the finalization of the Report.

Audit recommends early compliance of DAC's directive.

(Para 18)

4.5 Asset Management

Under Special Provision V, Volume-III of Contract Agreement, the contractor was liable for providing equipment and furnishing of employer's office along with laboratory equipment and transport for engineers. Accountal of such assets was not made in project records, so as to ensure their safeguard and further disposal.

Recommendations: Proper measures need to be taken for safeguard of public assets.

4.6 Monitoring and Evaluation

Internal checks, such as inspection, monitoring, supervision, mechanized testing/laboratory test reports of executed works are important tools to ensure proper execution of the work.

The Consultant hired for the project was responsible for exercising qualitative and quantitative checks, including laboratory tests and to ensure proper execution of the project. Overall supervision of contractor's work rested with the Deputy Director who had no technical support staff through which monitoring of the work could be done. CDA is completely

dependent upon the Consultant for supervision. CDA has its own Engineering / Technical Wing which conducts inspection of the projects in order to ensure the quality checks but periodical inspection notes by the CDA, Wing were not prepared and made available to audit which showed that no such inspections were carried out.

Recommendations: Internal controls need to be strengthened. Procedures for hiring well reputed consultant firms and designers on the basis of past performance be followed for proper supervision of the projects.

4.7 Environment

Environment Protection Act, 1997, an Environment Impact Assessment comprising collection of data, prediction of qualitative and quantitative impacts, comparison of alternatives, evaluation of preventive, mitigatory and compensatory measures, formulation of environmental management and training plans and monitoring arrangements and framing recommendations is required to be carried out for each project.

As per PC-I, the project is environmental friendly. However, during construction phase the project may have some negative aspects for the nearby residents which would be minimized by adopting efficient construction management techniques. Landscape works i.e. 500 trees and 1,000 shrubs was a part of Citizen's Club project. 95% plantation of trees and shrubs had been done on site.

4.8 Sustainability

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.

- i. Funding for completion of project has been arranged from Revenue Account of CDA.

- ii. Operational & Maintenance cost of Rs 65.788 million after completion has been provided in the approved PC-I.
- iii. CDA will be responsible for maintenance of the project, which will be arranged through Maintenance Account of CDA.

4.9 Overall Assessment

- i. **Relevance:** The project was executed by CDA from its own financial resources without any allocation from Federal Public Sector Development Programme. However, it is within the overall government's sectoral policies regarding sports and healthy activities.
- ii. **Efficacy:** Physical outcome and financial performance is behind the original plan. Audit noticed issues of contract management from planning to execution, allowing excess quantities, award of additional work without open bidding, extra expenditure on construction supervision due to delayed award and completion of work. This reflected inefficient internal controls towards implementation of contract clauses.
- iii. **Efficiency:** As per PC-I provision whole of the project was required to be completed by the year 2010 but upto June 2016 only 79% (overall progress) was completed. There was a time overrun of more than six years. Due to delay in award of work a cost overrun of Rs 484.904 million was observed.

Analysis of cost / time overruns is given below:

COST OVERRUN

Original PC-I cost	Rs 896.033 million
Revised PC-I Cost	Rs 1,890.412 million

Actual expenditure (up to October 2016)	Rs 1,380.937 million
Increase from original PC-I	Rs 484.904 million (54%)

(However, cost overrun with reference to revised contract cost of Rs 2,054.00 million is Rs 1,157.967 million i.e. Rs 2,054.00 million – Rs 896.033 million), which is 129%.

TIME OVERRUN

Date of commencement	12.02.2008
Planned Date of completion	11.08.2010
Actual date of completion	In progress
Time overrun up to 30.11.2016	75 months (250%)

- iv. **Economy:** Works was awarded on the basis of MES Schedule of Rates, guidelines and market rates after competitive bidding process.
- v. **Effectiveness:** Economic and social benefits of Rs 2,028.00 million were not achieved due to non-completion of the project in time.
- vi. **Compliance with rules:** Major stances of non-compliance with rules are:
 - a. Unauthorized payment Rs 1,368.393 million due to unauthentic measurements/non-recording detailed measurements
 - b. Loss due to allowing higher rates of an item of sand stone - Rs 48.617 million
 - c. Unauthentic/ inadmissible payment on account of incomplete work not executed as per agreed

specifications - Rs 25.401 million

vii. Performance Rating of Project

- a. Moderately Satisfactory

viii. Risk Rating of Project

- a. High; as end use of the facility for public welfare was yet to be decided by the management.

5. CONCLUSION

5.1 Key Issues for the Future:

The project was started in February 2008 and was to be completed in 30 months but was delayed due to ill-planning/mismanagement i.e. financial constraints, late accord of administrative approval by CDA. Civil and HAVC works were incomplete despite lapse of nine years. The delay in achievement of the set objectives also delayed accrued/desired benefits of the project. Appropriate measures be taken towards award and completion of balance finishing works to make the Citizen's Club building functional.

5.2 Lessons Identified:

The main cause of poor performance was ill-planning and inefficient surveys at the feasibility stage of planning and poor supervision at the stage of execution. Proper planning and smooth availability of funds should be ensured during the execution of project. Audit noticed that most of the irregularities were either due to absence of, or weak internal controls and lack of proper monitoring system. The management, therefore, needs to strengthen internal controls for successful implementation of future projects.

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