



SPECIAL AUDIT REPORT

ON

**URBAN WATER SUPPLY AND
DRAINAGE SCHEME DINGA CITY,
DISTRICT GUJRAT**

**HUD & PHE DEPARTMENT
GOVERNMENT OF THE PUNJAB
AUDIT YEAR 2015-16**

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General of Pakistan conducts audit under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with section 8 and 12 of the Auditor General's (Functions, Powers, and Terms and Conditions of Service) Ordinance, 2001. The special audit of the project "Water Supply and Drainage Scheme Dinga City in District Gujrat" executed by the Public Health Engineering Department, Government of the Punjab was carried out accordingly on the directives of the Public Accounts Committee Punjab.

The Directorate General Audit Works (Provincial), Lahore conducted special audit in March 2016 for the period 2014-15 and 2015-16 (upto January 2016) 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 test check basis whether the management complied with applicable laws, rules, and regulations in managing the Project. The Special Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the work. Audit observations included in the Audit Report have been finalized in the light of written responses and discussion in SDAC meeting.

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

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Islamabad
Dated: 7th July, 2017

(Imran Iqbal)
Acting Auditor General of Pakistan

TABLE OF CONTENTS

ABBREVIATIONS & ACRONYMS

EXECUTIVE SUMMARY

	Page No.
1. INTRODUCTION	1
2. AUDIT OBJECTIVES	2
3. AUDIT SCOPE AND METHODOLOGY	3
4. AUDIT FINDINGS AND RECOMMENDATIONS	3
4.1 Organization and Management	3
4.2 Procurement and Contract Management	4
4.2.1 Irregular/unlawful Process of Pre-qualification	4
4.2.2 Undue financial benefit due to non-obtaining of Performance Security for full period - Rs 9.919 million	5
4.2.3 Slow pace of work	7
4.3 Financial Management	8
4.3.1 Non-recovery of Mobilization Advance - Rs 3.175 million	8
4.3.2 Non-recovery/ Undue Financial Benefit of Secured Advance - Rs 2.214 million	9
4.3.3 Non-recovery of General Sales Tax - Rs 0.991 million	11
4.3.4 Loss due to less application of rate for old bricks - Rs 0.191 million	12
4.3.5 Overpayment due to wrong totaling - Rs 0.164 million	13
4.3.6 Overpayment due to excess quantity - Rs 0.134 million	14
4.4 Construction and Works	15
4.5 Monitoring and Evaluation	15
4.5.1 Unauthentic expenditure due to non-availability of lab test reports	15
4.6 Sustainability	16
4.7 Overall Assessment	16
5. CONCLUSION	17
ACKNOWLEDGEMENT	19
ANNEXURE	21

ABBREVIATIONS & ACRONYMS

AA	Administrative Approval
ADP	Annual Development Programme
B&R	Buildings and Roads
Cft	Cubic Feet
DAC	Departmental Accounts Committee
DFR	Departmental Financial Rules
DAO	Divisional Accounts Officer
FD	Finance Department
ISSAI	International Auditing Standards of Supreme Audit Institutions
KM	Kilometer
MB	Measurement Book
M&R	Maintenance & Repair
MRS	Market Rates System
MTDF	Medium Term Development Framework
PC-I	Planning Commission Proforma-I
PCC	Plain Cement Concrete
P/L	Providing & Laying
Pft	Per Foot
PHE	Public Health Engineering
PITAC	Pakistan Industrial Technical Assistance Centre
PPRA	Punjab Procurement Regulatory Authority
PVC	Poly Vinyl Chloride
RCC	Reinforced Cement Concrete
RD	Reduced Distance
RR&MTI	Road Research & Material Testing Institute
SAP	System Application and Products
SDAC	Special Departmental Accounts Committee
Sft	Square Feet
TE	Transfer Entry
TSE	Technical Sanctioned Estimate
UET	University of Engineering and Technology

EXECUTIVE SUMMARY

Directorate General Audit Works (Provincial), Lahore conducted the special audit of the project “Urban Water Supply and Drainage Scheme in Dinga City District Gujrat” in March 2016 on the directive of Public Accounts Committee of Punjab Assembly to look into financial and contract management issues. The audit was conducted in accordance with the International Auditing Standards of Supreme Audit Institutions (ISSAI).

The scheme was funded by the Government of the Punjab under Annual Development Programme (ADP) which was approved at a cost of Rs 197.050 million by the Secretary, HUD & PHE Department in May 2014 with a completion period of eighteen (18) months.

The work was awarded at an agreement amount of Rs 198.374 million in November 2014. The execution of the work was in progress till the time of audit. Expenditure of Rs 71.817 million, including advance payments, incurred up to January 2016, which was audited accordingly on test check basis.

Project objectives and targets as envisaged in the PC-I could not be evaluated because the project was in execution phase and further, that the department was not maintaining any socio-economic data, which could be utilized as the basis for evaluation of the project.

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

Key Audit Findings

Audit findings categorized into major issues in financial management and procurement & contract management, were as under:

- i. Original prequalification criteria was not followed which hampered the transparency of subsequent bidding process rendering the prequalification process irregular. (Para 4.2.1)
- ii. Undue financial benefit was extended to the contractor due to non-obtaining of Performance Security for full period. (Para 4.2.2)
- iii. Work was not executed as per approved timeline and progress was lagging behind due to unsatisfactory performance of the contractor and funding issue. (Para 4.2.3)
- iv. The management did not recover the mobilization and secured advances from the contractors as per contract. (Paras 4.3.1 & 4.3.2)

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, periodic inspections of works by supervisory officers are required to be 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 be fixed against the officer(s) concerned for lapses and violation of rules besides effecting recoveries.

1. INTRODUCTION

Dinga city, with a population of 55621 inhabitants, is located on Kharian - Mandi Bahauddin Road at a distance of 55 km from its District Headquarters Gujrat. The Director General Audit Works, (Provincial), Lahore conducted special audit of the work “Urban Water Supply and Drainage Scheme Dinga City in District Gujrat” in March, 2016. The project was funded by Government of the Punjab through ADP during the financial years, 2014-15 and 2015-16. The Administrative Approval of the work was accorded at a cost of Rs 197.050 million in May 2014 and technical sanctioned estimate was approved by Chief Engineer Public Health Engineering (PHE) Department Lahore for Rs 200.161 million in October 2014. The work was awarded to contractor on 17.11.2014 for Rs 198.374 million with a completion period of 18 months.

1.1 Project Objectives

Water supply scheme did not exist in Dinga before this project. As per PC-I, this project will facilitate supply of potable water to 100% of the inhabitants to prevent waterborne diseases. In addition to many other benefits living standards of inhabitants of Dinga City will definitely be raised by providing water supply and drainage schemes.

1.2 Beneficiaries

As per PC-I, main beneficiaries of the project are inhabitants of Dinga City.

1.3 Time phasing of the project

The work was awarded to the contractor M/s Ghazali Construction Company on 17.11.2014 at an agreement amount of Rs 198.374 million with a completion period of 18 months.

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

Table 1**(Rs in million)**

Sr. No.	Year	Proposed Funds allocation as per PC-I	Actual Releases	Actual Expenditure
1	2014-15	103.348	50.00	49.985
2	2015-16	94.426	25.308	21.832
Total		197.477	75.308	71.817

Source: Budget Book and statement of releases / expenditure.

Physical progress vis-a-vis PC-I targets was as under:

Table 2**(Rs in million)**

Agreement Cost	Completion Period (scheduled completion date)	Date of Completion	Expenditure upto January 2016	Percentage of expenditure
198.374	18 months (16.5.2016)	In Progress	71.817*	36.20

*This amount included mobilization/secured advances and payment to WAPDA

The above table depicted that the management could not complete the work within given time line as per PC-I.

Head wise detail of expenditure is as under:

Table 3**(Rs in million)**

Mobilization Advance	Secured Advance	Boring	Distribution System	Pump House	Drainage Portion	WAPDA Payments/Contingencies	Total Expenditure
10.913	7.274	4.059	27.621	0.604	18.761	2.585	71.817

2. AUDIT OBJECTIVES

Audit objectives were to:

- i. Analyze the overall performance vis-à-vis planned targets, achievement of objectives, cost and time over-run and timely accrual of benefits / outcomes.

- ii. Assess whether or not the resources were utilized for the purpose for which they were provided with respect to three Es (Economy, Efficiency, and Effectiveness).
- iii. Review compliance with applicable rules, regulations and procedures.

3. AUDIT SCOPE AND METHODOLOGY

- 3.1 The audit scope included the examination of accounts of the scheme for the financial years from 2014-15 to 2015-16 (upto January 2016).
- 3.2 Audit methodology included data collection, examination / analysis of record, discussions with engineering staff and interviews. Site visits were also conducted to have a physical view of the scheme.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 The scheme was executed by the Public Health Engineering Division, Gujrat under the administrative control of PHE Department. The Division was also engaged in execution of other schemes besides this one during that period. 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 said staff was well defined in the Public Health Engineering Code. The Sub-Engineer was supposed to be present at site throughout execution of the work.

4.1.3 The contractor was 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. Then the cheques were issued to the contractor by the Sub-Divisional Officer for payment.

4.1.4 The accounts of formation were compiled on monthly basis and submitted to the Director General Accounts Works, Lahore for post audit purpose. However, civil accounts of the formation are prepared on System Application and Products (SAP)R-3 system in the respective District Accounts Offices.

4.1.5 Internal audit mechanism does not exist in the organizational set-up of the department.

4.2 Procurement and Contract Management

Issues relating to non-observance of contractual obligations observed during audit were as under:

4.2.1 Irregular/unlawful process of pre-qualification

As per Para 3.2 of pre-qualification documents, a detailed criteria was laid down by Public Health Engineering Department for the scheme “Provision of urban water supply and drainage scheme for Dinga City”. The criteria comprised four sub heads having different marks allocations¹. Further, in order to prequalify, an applicant was required to secure at least 50% marks in each category and at least 60% marks in total.

Executive Engineer, Public Health Engineering Division, Gujrat pre-qualified four (04) contractors out of twenty one (21) for the execution of work. The original criteria circulated for pre-qualification process was not followed/adhered to in letter and spirit while prequalifying the bidders. Six (06) firms/contractors were awarded 55% to 59% marks whereas, these firms fulfilled the original criteria of pre-qualification. One of the firms, M/s SKAFS International secured 59% marks and challenged the unlawfully amended parameters and grounds of disqualification but department did not respond. Further, a contractor M/s Warriach Construction Company was not prequalified

¹ Annex-1

whereas, this firm was prequalified for the execution of similar project of Public Health Engineering Department i.e. “Extension of Urban Water Supply and Drainage Scheme Sara-i-Alamgir City”. One contractor M/s Ch. Amjad Ali was pre-qualified with 62 marks while this firm did not fulfill the standard under the category of “General Experience” and undue favour was given to this contractor/firm. Audit holds that six (06) contractors were deprived of their rights to participate in tendering process.

Non-implementation of original criteria of pre-qualification resulted in irregular pre-qualification.

Audit pointed out the irregularity in March 2016. The department replied that pre-qualification was processed by the Employer for the selection of competent bidders with reference to appropriate level of experience and capacity of firms in the best interest of public after fulfilling all codal formalities. The reply was not tenable as the original criteria circulated for pre-qualification was not followed in letter and spirit, resultantly some of the bidders could not qualify and in some other cases undue favour seemed to have been extended, raising doubts upon the transparency of tendering process.

The matter was also discussed in the SDAC meeting held on 20.09.2016. The department reiterated its previous reply and also contended that realistic process of pre-qualification was adopted. The Committee appreciated the Audit for pointing out the irregularity / lapse in pre-qualification process and directed to probe the matter by the Administrative Department within 30 days. The compliance of the Committee’s directive was not reported till the finalization of this report.

Audit recommends early compliance of the SDAC directives.

(Para 17)

4.2.2 Undue financial benefit due to non-obtaining of Performance Security for full period - Rs 9.919 million

According to Finance Department’s Notification No. RO(Tech)FD/1-2/831-VI(P) dated 06.04.2005, read with clause-7 of contract agreement, performance security in shape of bank guarantee

was to be obtained at the rate of 5% of contract sum from the contractor if the cost of work exceeded Rs 50.00 million which would be refunded to him after expiry of three months, after the issue of the certificate of completion of the work under clause-40 or alongwith the final bill, if prepared after that period on account of some unavoidable circumstances.

The Executive Engineer, Public Health Engineering Division, Gujrat awarded the work to the contractor at an agreement cost of Rs 198.374 million, but obtained performance security in the shape of bank guarantee @ 5% for the period from 26.12.2014 to 24.03.2015 which was subsequently extended from 23.11.2015 to 20.02.2016. The same was required to be obtained upto 16.08.2016 in the light of contract clause referred in criteria *ibid*.

Non-compliance of FD instructions resulted in non-obtaining the performance security @ 5% i.e. Rs 9.919 million for the full period.

Audit pointed out the irregularity in March 2016. The department replied that performance security @ Rs 5% of contract amount was received for period of 03 months and after that contractor / concerned bank had extended the validity period at regular intervals. At the initial stage the contractor was not compelled to provide the bank guarantee for a period of 21 months as he had to resume the work at site. So, in the best interest of execution of work performance security @ Rs 5% for 3 months was accepted which was got extended by the contractor subsequently. The reply was not tenable because performance security was required to be obtained from the contractor for full period and was to be refunded to him after 03 months of completion certificate.

The matter was also discussed in the SDAC meeting held on 20.09.2016. The department produced the photo copies of record. The Committee pended the para till production of original record of performance security and its verification from Audit within 30 days. The compliance of the Committee's directive was not reported till the finalization of this report.

Audit recommends early compliance of Committee's directive.

(Para 13)

4.2.3 Slow Pace of Work

As per acceptance letter issued vide No. 2075-10 dated 17.11.2014, the work was awarded to the contractor for an agreement cost of Rs 198.374 million on 17.11.2014 which was to be completed upto 16.05.2016 (18 months).

Scrutiny of 08th running bill dated 26.01.2016 indicated that total value of work done was Rs 51,045,283 which was 25.73% (excluding advance payments) of total cost and more than 80% of time had elapsed. Due to slow progress of work Executive Engineer and Sub Divisional Officer (Dinga) had directed the contractor through repeated reminders to accelerate the pace of work.

Weak supervisory and administrative controls resulted in slow progress of work and non-achievement of targets in specified time.

Audit pointed out the slow progress of work in March 2016. The department replied that pace of work of the contractor was not slow. The contractor had utilized Rs 47.950 million during the financial year 2014-15 against release of Rs 50.00 million. The contractor had completed work as per availability of funds. The reply was not tenable because progress of work could not be linked with funding position. The contractor was required to execute work first and then claim the bill. Question of funding was valid only if the contractor had executed work but was not paid.

The matter was also discussed in the SDAC meeting held on 20.09.2016. The department stated that the pace of work of the contractor was not slow and he had utilized the available funds. The Committee directed the department to produce the funds utilization position, time extension, reasons for time extension. The compliance of the Committee's directive was not reported till the finalization of this report.

Audit recommends early compliance of directives of the SDAC.

(Para 14)

4.3 Financial Management

Cash flows / releases of funds were regulated by the Finance Department through its cash management plan. Generally, funds were released to the executing department at the start of the financial years to take up execution of works as per work plan. Position regarding release of funds and their utilization during the financial years 2014-15 and 2015-16 is placed below.

(Rs in million)

Sr. No.	Year	Phasing as per PC-I	ADP Allocations / Releases	Actual Expenditure	Lapsed
1.	2014-15	103.348	50.00	49.985	0.015
2.	2015-16 (upto January 2016)	94.426	25.308	21.832	--

Above table depicts that funds released during the year 2014-15 and 2015-16 were less than the PC-I financial phasing, however, the released funds were fully utilized. The expenditure was reconciled with the Accounts Office and payments were regulated by the provision of contract agreements, Departmental Financial Rules (DFR) and Market Rates System (MRS).

Irregularities pertaining to the financial management involving recoveries, losses and overpayments etc. observed during audit, valuing Rs 6.868 million were as under:

4.3.1 Non-recovery of mobilization advance - Rs 3.175 million

As per Para-5 of Notification issued by the Finance Department vide No.RO(Tech)F-D.18-44/2006 dated 07.12.2007 recovery of mobilization advance would commence after the lapse of 20% of contract period or after the execution of the 20% of work (in financial terms) whichever was earlier. The rate of recovery would be 25% of the value of work done in each interim payment certificate.

The Executive Engineer, Public Health Engineering Division, Gujrat paid mobilization advance amounting to Rs 19,840,000 to the contractor at the rate of 10% of agreement cost. During scrutiny of 3rd running bill dated 28.05.2015, it was observed that 20% period expired in March 2015 and total value of work done was Rs 12,698,352. The department did not recover mobilization advance @ 25% of total value of work done.

Violation of Finance Department's notification resulted in non-recovery of mobilization advance amounting to Rs 3,174,588.

Audit pointed out the non-recovery of mobilization advance in March 2016. The department replied that recovery of mobilization advance had been made @ 25% of total value of work done and no amount was pending and recovery omitted in the 3rd running bill was got effected in the next running bill and presently no balance recovery was outstanding. The reply was not tenable as due mobilization advance was not got recovered.

The matter was also discussed in the SDAC meeting held on 20.09.2016. The department contended that recovery of mobilization advance had been made @ 25% of total value of work done. The department produced the record of deduction of mobilization advance for Rs 2,117,397 out of total mobilization advance paid. Audit verified the relevant record i.e. MB and voucher. At that stage an amount of Rs 3,174,588 of Mobilization Advance was less recovered. The Committee directed the department to recover the balance mobilization advance and responsibility be fixed against those responsible for non-deduction of the mobilization advance in 3rd running bill. The compliance of the Committee's directive was not reported till the finalization of this report.

Audit recommends early recovery besides regularization of irregularity.

(Para 6)

4.3.2 Non-recovery of secured advance -Rs 2.214 million

According to Para 2.98 (a) of B&R Department Code and C&W letter vide No. SO-III (C&W) 2-14/97, dated 29.05.1997,

recovery of secured advance so made would not be postponed until whole of the work entrusted to the contractor was completed under normal circumstances, the secured advance was to be recovered within three months.

The Executive Engineer, Public Health Engineering Division, Gujrat made payment of secured advance of Rs 4,427,324 against the item "Supply of 4 Vertical Turbine Pumps 1.00 cusec capacity" on 06.03.2015. But till February, 2016 neither the secured advance was recovered nor pumps were installed at site. The position indicated that pumping machinery was procured without urgent necessity at site.

Violation of the rule resulted in non-recovery of secured advance / undue financial benefit to the contractor for Rs 4,427,324.

Audit pointed out the non-recovery in March 2016. The department replied that contractor had arranged 04 pumping sets from M/s Flow Pak Pumps Industries Pvt. Limited Lahore (manufacturer) and secured advance was paid. Demand notices from GEPCO WAPDA were paid but the GEPCO had not energized the scheme up till now and pumping machinery was not installed at site due to chances of theft. As soon as the scheme would be energized by WAPDA, the pumping machinery would be installed and recovery of amount paid in shape of secured advance would be adjusted. The reply was not tenable because secured advance was required to be recovered on consumption or within 03 months whichever was earlier. The period of 03 months had elapsed in June, 2015 but secured advance was not recovered even upto February 2016.

Para was also discussed in the SDAC meeting held on 20.09.2016. The Department stated that an amount of Rs 2,213,662 out of Rs 4,427,324 on account of secured advance was recovered / adjusted in 12th running bill. Audit verified the relevant record i.e. MB and voucher. The Committee directed the department to effect the balance recovery within 30 days. Para was reduced to the extent of Rs 2,213,662. The compliance of the Committee's directive was not reported till the finalization of this report.

Audit recommends early recovery of secured advance.

(Para 8)

4.3.3 Non-recovery of General Sales Tax - Rs 0.991 million

As per FBR / Sales Tax and Federal Excise Wing letter No.4.2 STB/2007 (PT) dated 13.07.2007, the government departments were authorized to function as withholding agents for collection of sales tax on taxable purchases made by them. For this purpose, the government departments would deduct an amount equal to 1/5th of the total sales tax amount shown in the sales tax invoice.

The Executive Engineer, Public Health Engineering Division, Gujrat made payment to the contractor for the item “Supply of Vertical Turbine Pump 1.00 cusec capacity” for total value of Rs 5,831,100 but neither amount equal to 1/5th Rs 198,257 of total sales tax was deducted at source nor sales tax invoice/returns of balance amount of Rs 793,030 produced.

Violation of FBR instructions resulted in non-deduction/recovery of sales tax amounting to Rs 991,287.

Audit pointed out the non-recovery of sales tax in March 2016. The department replied that M/s Flow Pak Pumps Industries Pvt., Limited had provided the certificate that they had provided 4 pumping sets for the subject scheme and had received the GST from the contractor and paid vide their NTN No.0306841300137. The reply was not tenable because 1/5th sales tax was required to be deducted from the contractor at source and balance return was to be provided to reconcile the matter.

The matter was also discussed in the SDAC meeting held on 20.09.2016. The department stated that manufacturer had received the GST from the contractor and paid vide their NTN No.0306841300137. The certificate of the firm was attached. Audit argued that 1/5th was required to be deducted from the contractor at source and balance return was to be provided to reconcile the matter. Para was kept pending for verification of record. The compliance of the Committee’s directive was not reported till the finalization of this report.

Audit recommends early compliance of the SDAC directives.

(Para 7)

4.3.4 Loss due to application of less rate for old bricks - Rs 0.191 million

According to rule 2.10 (a)(i) of PFR Vol-I, every Govt. servant would exercise the same vigilance for incurring expenditure from Govt. revenue / funds as a person of ordinary prudence would exercise in respect of expenditure incurred from his own money.

The Executive Engineer, Public Health Engineering Division, Gujrat made recovery for the item “old bricks obtained from dismantling of bricks soling” @ Rs 1,672 per thousand on the basis of rate provided in estimate @ Rs 1,600 per thousand. The rate of new bricks for the 2nd bi-annual 2014 District Gujrat as per input rate was Rs 6,900 per thousand. Audit observed that recovery rate of old bricks was required to be 50% of the rate of new bricks (as per prevailing practice of PHE Department) i.e. Rs 3,450. The recovery at less rate by Rs 1,933 per thousand ($3,450 + 4.5\% = 3,605 - 1,672$) for 98777 Nos. old bricks was applied.

Weak financial and technical controls resulted in less application of rate amounting to Rs 190,936.

Audit pointed out the less application of rate for old bricks in March 2016. The department replied that viewpoint of the audit was not correct and that the recovery was made as per provision of T.S. estimate duly sanctioned by the competent authority. The reply was not tenable because provision was required to be made in accordance with rates provided in input rates of Finance Department and minimum at 50% of new bricks was being applied in all over the Punjab.

The matter was also discussed in the SDAC meeting held on 20.09.2016. The department stated that competent authority allowed the rates of old bricks as Rs 1,672 per thousand. The Committee directed to verify the criteria for preparation of rate of old bricks within two weeks. The compliance of the Committee’s directive was not reported till the finalization of this report.

Audit recommends early verification of record.

(Para 4)

4.3.5 Overpayment due to wrong totaling - Rs 164,888

According to rules 7.28 and 7.29 of DFR Vol-I, before signing the bill, the officer / official would compare the quantities in the bill with those recorded in measurement book and see that all the rates were correctly entered and that calculations had been checked arithmetically to be correct.

The Executive Engineer, Public Health Engineering Division, Gujrat worked out amount of Rs 27,621,411 in the 08th running bill under sub-head “Distribution System” and Rs 18,196,551 under sub-head “Drainage Portion” which was accordingly paid, but actual amount came to Rs 27,571,355 and Rs 18,081,719 respectively. Audit observed that an amount of Rs 164,888 was paid in excess due to incorrect totaling.

Weak supervisory and financial controls resulted in overpayment of Rs 164,888 to the contractor.

Audit pointed out the overpayment in March 2016. The department replied that the wrong totaling, if any would be rectified in the next running bill of the contractor.

The matter was also discussed in the SDAC meeting held on 20.09.2016. The department stated that total was correct and no overpayment was made to contractor. The Committee directed the department for detail verification by Audit. On detailed verification it was noted that the item PCC 1:7:20 was measured for 1145 cft. The quantity was scored out and written as 485 cft. The amount worked out in the MB was for quantity of 1145 cft which was paid. However, in Bill/Vr. scored out quantity against the item was 485 cft. The para was kept pending by the Committee for recovery or rectification in next bill and its verification within 30 days. The compliance of the Committee’s directive was not reported till the finalization of this report.

Audit recommends early compliance of the SDAC directives.

(Para 2)

4.3.6 Overpayment due to excess quantity - Rs 133,766

As per Rule 7.16 read with Rule 7.17(b) of DFR, all payments for work or supplies were based on the quantities recorded in the measurement book. It was incumbent upon the person taking the measurements to record the quantities clearly and accurately.

The Executive Engineer, Public Health Engineering Division, Gujrat made payment of item PCC 1:7:20 for the quantity of 485 cft but PCC 1:2:4 was measured and paid for the quantity of 1145 cft against the quantity of 485 cft as both the items were required to be executed equally as per provision of detailed estimate sanctioned by the competent authority. Hence, 660 cft quantity of PCC 1:2:4 was paid in excess.

Weak supervisory and financial controls resulted in overpayment of Rs 133,766 to the contractor.

Audit pointed out the overpayment in March 2016. The department replied that quantity of PCC 1:2:4 laid by the contractor was 1145 cft each. However, the quantity of 660 cft 1:7:20 laid under 1:2:4 was withheld, which was not incorporated in the bill and no overpayment was made. The reply was not tenable because PCC 1:2:4 was paid for 1145 cft and the question of withheld quantity of 1:7:20 laid under 1:2:4 was not understandable. The position indicated the quantity pointed out was paid without execution at site.

The matter was also discussed in the SDAC meeting held on 20.09.2016. The department stated that the quantity executed at site was PCC 1:7:20 for 1145 cft and PCC 1:2:4 as well 1145 cft but quantity of 660 cft for the item 1:7:20 was withheld to ensure its proper curing. Audit argued that quantity of PCC 1:2:4 was required to be withheld instead of 1:7:20 as curing needed for 1:2:4. The Committee did not agree with the contention of the department and directed to obtain fact finding inquiry report by Administrative Department within 30 days. The compliance of the Committee's directive was not reported till the finalization of this report.

Audit recommends early finalization of inquiry report and recovery of overpayment besides fixing responsibility.

(Para 3)

4.4 Construction and Works

Design and drawings were prepared by the Field Engineers concerned and got vetted / approved by the competent authority. Cost estimates of the scheme were prepared according to the approved specifications and design on the basis of MRS.

4.5 Monitoring and Evaluation

Execution of work was supervised through construction schedule agreed between the employer and the contractor. Progress of execution was slow as the executing agency had directed the contractor by issuance of repeated reminders. Internal checks such as inspections, regular monitoring, and supervision by field engineers, mechanized testing and laboratory test reports of the executed work were also vital to ensure qualitative execution of work in line with the specifications but these tests were executed from PITAC, Laboratory, Lahore instead of UET, Lahore. The 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 officer need to be implemented.

Issues relating to monitoring and evaluation were as under:-

4.5.1 Unauthentic expenditure due to non-availability of lab test reports

According to clause 28 of contract agreement all materials used in work, contractor would supply samples of materials before incorporation in the works for testing as may be selected and required by the engineer-in-charge. The cost of making such tests would be borne by the contractor.

The Executive Engineer, Public Health Engineering Division, Gujrat made payment for the total value of work done Rs 51,045,283

(excluding advance payments) but the laboratory test reports of the material were got conducted from PITAC, Laboratory Lahore while the same were required to be got tested from UET, Lahore.

Weak supervisory and administrative controls resulted in non-conducting of lab tests causing in doubtful quality of material used in the work and stood un-authentic expenditure.

Audit pointed out the unauthentic expenditure in March 2016. The department replied that no specification restricted any department to get the material tested from UET, Laboratory only. Any how the specific gravity test and Hydraulic pressure test performed on PVC pipes of various sizes ranging from 3" dia to 8" dia were got conducted from UET Laboratory, Lahore. The reply was not tenable because material was required to be got tested from a reliable lab instead of any other laboratory to obtain authentic test reports.

The matter was also discussed in the SDAC meeting held on 20.09.2016. The department produced only one original lab test report of PVC pipe. The Committee settled the para subject to production of all original reports from UET, Lahore. The compliance of the Committee's directive was not reported till the finalization of this report.

Audit recommends early compliance of directives of the SDAC.

(Para 16)

4.6 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.

4.7 Overall Assessment

The overall assessment of the project was derived from the available data as under:

4.7.1 **Efficiency:** The project was planned to be completed within eighteen (18) months upto May 2016 but was delayed due to poor performance of contractor and also short fundings from government.

4.7.2 **Economy:** The work was awarded through open competition among the pre-qualified bidders. Pre-qualification process was, however, not found to be transparent (Para 4.3.1.2).

4.7.3 **Effectiveness:** Since the scheme remained incomplete, therefore successful achievement of objectives, targets and desired results cannot be analyzed and assessed.

4.7.4 **Compliance with Rules:** Issues of poor financial management, contract management and construction & works depicting irregularities of Rs 16.788 million were noticed. Non-adherence to good financial management practices was critical area which needed to be given serious thought for improving service delivery and ensuring timely execution of quality work.

4.7.5 **Performance Rating:** Project execution was still at initial stage as only 26% physical progress was achieved. As per PC-I the scheme was to be completed within 18 months. Hence, performance of project construction work was not satisfactory.

4.7.6 **Risk Rating** Medium

5. CONCLUSION

5.1 **Key issues for the Future:** Fluctuation in the prices of materials / labour and climatic conditions and inadequate funding are likely to limit project / scheme performance and achievement of objectives.

5.2 **Lessons Learnt:** For better operational performance and sustainability of the project sufficient flow of funds at all stages was required. Further, non-compliance of contractual obligations and violation of rules were critical areas to be improved.

- i. Performance security of the work required to be obtained in time to safeguard the public interest.
- ii. Adherence to contractual obligations needed to be ensured at every stage of execution.
- iii. Action needed to be initiated and responsibility fixed against the officers concerned for lapses and violation of rules besides effecting recoveries.

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Annex-1
Irregular/unlawful process of pre-qualification
(Reference 4.3.1.2)

	Original criteria		Revised Criteria	
	Criteria	Marks allocated	Criteria	Marks allocated
A	General experience of contractor / Firm (40%)			
(i)	At least <u>one</u> (01) project of similar nature of work having cost of Rs. 50.000 million or above completed during last 03 years	15	<i>At least <u>03</u> projects of similar nature having cost of Rs 50 million or above</i>	20
(ii)	At least one project of similar nature of work having cost of Rs. 20.000 million or above in hand.	10	No change	10
(iii)	Ten years of general experience of Civil works	10	<i>Marks reduced without any cogent reasons</i>	<u>5</u>
(iv)	Status of enlistment /registration / prequalification for sewerage / drainage / water supply works with public health Engineering department, Government of Punjab	5	No change	5
B	Personal Capabilities (10%)			
(i)	At least 01 experienced Graduate Civil Engineer registered with PEC, (01 number for each year of experience of engineer)	6	No change	6
(ii)	At least 02 number of Diploma engineer (Civil) (1/2 number for each year of experience of diploma engineer)	4	No change	4
C	Equipment Capabilities (10%)			
(i)	List of relevant equipment Tractor, Trolley, vibrator,	10	No change	10

	concrete batching plant, shuttering, Scaffolding, and concrete mixing machine minimum capacity 4 cft.(with documentary proof of ownership)			
(ii)	In case of hired above mentioned equipment (on contract basis), provided valid agreement with the owners. Then weightage will be reduced to 06 Nos.	--	No change	--
D	Financial Position (40%)			
(i)	Minimum Rs. <u>20.000 million</u> available as bank credit Line (if balance is within 10.00 to 20.00 million then proportionate numbers)	10	<i>Minimum bank credit line was enhance from Rs 20 million to Rs 30 million</i>	10
(ii)	Average minimum Rs. 20.00 million per year turnover from construction business (in Govt. deptts) in last 3 years (FY 2011-12, 2012-13, 2013-14)	30	No change	30
		100		100