



**SPECIAL AUDIT REPORT**

**ON**

**THE ACCOUNTS OF**

**PAKISTAN HOUSING AUTHORITY**

**FOUNDATION**

**MINISTRY OF HOUSING AND WORKS**

**GOVERNMENT OF PAKISTAN**

**AUDIT YEAR 2015-16**

**AUDITOR GENERAL OF PAKISTAN**



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## **ABBREVIATIONS AND ACRONYMS**

APPM	Accounting Policies and Procedures Manual
BOQ	Bill of Quantities
BoD	Board of Directors
CDA	Capital Development Authority
CDWP	Central Development Working Party
CEO	Chief Executive Officer
Cft	Cubic Foot
CoC	Condition of Contract
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
CSR	Composite Schedule of Rates
Cu.m	Cubic Meter
DAC	Departmental Accounts Committee
DDWP	Departmental Development Working Party
ECNEC	Executive Committee of the National Economic Council
FGEHF	Federal Government Employees Housing Foundation
FIDIC	Federation Internationale Des Ingenieurs-Conseils (International Federation of Consulting Engineers)
GFR	General Financial Rules
JV	Joint Venture
MD	Managing Director
PAC	Public Accounts Committee
PC-I	Planning Commission (Proforma-I)
PEC	Pakistan Engineering Council
PHA	Pakistan Housing Authority
PHAF	Pakistan Housing Authority Foundation
PPRA	Public Procurement Regulatory Authority
PPWD	Pakistan Public Works Department
PSDP	Public Sector Development Programme

PWD	Public Works Department
Rft	Running Foot
RM	Running Meter
SECP	Securities and Exchange Commission of Pakistan
SAR	Special Audit Report



## **Preface**

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with the Sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of the accounts of the Federal and of the Provincial Governments and the accounts of any authority or body established by, or under the control of, the Federal or a Provincial Government.

The report is based on special audit of the accounts of Pakistan Housing Authority Foundation for the period from 2012-13 to 2015-16. The Directorate General Audit Works (Federal), Islamabad conducted special audit during March-May 2016 with a view to reporting significant findings to the relevant stakeholders.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening the internal controls to avoid recurrence of similar violations and irregularities.

Most of the audit observations included in this report have finalized on the basis of written response of the management.

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

**Sd/-**

(Rana Assad Amin)

**Auditor General of Pakistan**

Islamabad

Dated: 6<sup>th</sup> April, 2017



## EXECUTIVE SUMMARY

The Directorate General Audit Works (Federal), Islamabad, carried out the audit of Federal Government entities engaged in construction works, namely, Capital Development Authority, Civil Aviation Authority, National Highway Authority, Pakistan Public Works Department, Estate Office, Federal Government Employees Housing Foundation, National Construction Limited, Pakistan Housing Authority Foundation, Higher Education Commission (PSDP/Infrastructure development works executed by federally chartered universities/institutions), Workers Welfare Fund/Boards and Ministry of Planning, Development and Reform (Special Project Cell/Afghan Projects). These entities function under the administrative control of various Principal Accounting Officers and consume major portion of the funds provided under the Public Sector Development Programme.

Directorate General Audit Works (Federal) conducted special audit of Pakistan Housing Authority Foundation on request of Ministry of Housing and Works vide their letter No. D.O No.F.2(10)/2014-Admn-I dated 25<sup>th</sup> November, 2015.

The objectives of audit were to:

- i. Probe the reasons for non-submission of audited financial statements to Audit on close of each financial year;
- ii. Assess the genuine causes of the qualification of accounts,
- iii. Non-depiction of the anticipated receivables and payables in the accounts,
- iv. Ascertain achievement of objective regarding provision of shelter to shelterless, needy people as envisaged by the Prime Minister,
- v. Review transparency of balloting for allotment in accordance with the policy,

- vi. Utilization of sources for the purposes for which they were provided, with due regard to economy, efficiency and effectiveness,
- vii. Observe whether the expenditure incurred is in conformity with the laws, rules and regulations framed to regulate the procedure for expending public money;
- viii. Review, analyze and comment on impact and implications of various government policies relating to the audited entity,
- ix. Review, analyze and comment on budget, accounts, financial statements, balance sheet, etc. and
- x. Verify that rules and procedures were followed in assessment and collection of revenues.

**i. Scope of Audit**

Accounts for the financial years 2012-13 to 2015-16 were subject to audit on a test check basis.

**ii. Audit Methodology**

Audit methodology included:

- i. Updating the understanding of the business processes with respect to control mechanism.
- ii. Identification of key controls on the basis of prior years' audit experience/special directions from the Auditor General's office.
- iii. Prioritizing risk areas by determining significance and risks associated with the identified key controls.
- iv. Design/update audit programmes for testing the identified risk conditions.
- v. Selection of audit formations on the basis of:

- a. Materiality/significance
- b. Risk assessment
- vi. Selecting samples as per sampling criteria/high value items/key items.
- vii. Execution of audit programmes.
- viii. Identification of weaknesses in internal controls and development of audit observations and recommendations relating to non-compliance of rules, regulations and prescribed procedures.
- ix. Evaluating results.
- x. Reporting.
- xi. Follow-up.

### **iii. Audit Impact**

The report is not only aimed at enhancing the accountability process, but also intends to analyze the management decisions by highlighting the weaknesses of performance of Pakistan Housing Authority Foundation. On pointation of Audit, PHAF has started preparing Annual Financial Statements and annual budget estimates.

### **iv. Comments on Internal Controls and Internal Audit Department**

The management of audited entity is generally not sensitized to the imperative of strengthening internal control environment within the organization. The present report has identified a range of irregularities indicating the systemic issues due to inadequate oversight mechanism or ineffective implementation of internal controls.

Audit underscores the need for addressing the systemic issues, which are instrumental in occurrence of every irregularity, through a detailed review of the financial management practices.

PHAF does not have internal audit function. Audit emphasizes the need for establishing an internal audit regime in the organization, directly reporting to the Principal Accounting Officer.

**v. Key audit findings of the report**

- i. Elected Board of Directors was not constituted in pursuance of the Article of Association, as such running of Authority's affairs by the non-elected Board of Directors stood unauthorized/irregular. (Para 1.3.7)
- ii. Departmental Development Working Party (DDWP) was not constituted. Resultantly PC-I's were not prepared for development projects and technical sanction of engineer's estimate was not accorded by the competent technical authority. (Para 1.3.1)
- iii. The Prime Minister of Pakistan launched a scheme in 2008 with a vision "House for all" to construct one (01) million housing units during the tenure of the Government for the poor and the low income groups, whereas PHA launched only 20 schemes at Islamabad and Lahore wherein 8,085 apartments were planned and constructed, out of which 2,224 apartments/flats were handed over to the allottees. This indicates that Pakistan Housing Authority Foundation did not achieve its objectives regarding provision of shelter to low income groups, the poor and needy people. (Para 1.3.12)
- iv. Non-evaluation of the receivable on account of cost of sales along with the additional cost in the financial statements caused qualifications by the Chartered Accountants and short receipt of Rs 722.50 million in three schemes namely Wafaqi

Colony Lahore, Grey Structure Houses at Kuri Road, Islamabad and D-type apartments at G-10/2, Islamabad.

(Para 1.3.17)

- v. Due process and advertisement in the press was not followed before balloting of executive apartments in Sectors G-10, G-11 Islamabad and high rise apartments at Kuri Road Islamabad by PHA Foundation. (Para 1.3.33)
- vi. Irregular allotment of apartments resulted in double benefit to the officers in the shape of allotment of grey structure at Kuri Road and sale of apartments in Sector G-11/3, Islamabad.  
(Para 1.3.26)
- vii. Irregular transfer of apartments at subsidized rates resulted in undue benefit to investors/dealers at the cost of public exchequer. (Para 1.3.16)
- viii. A piece of land measuring 3.14 acres acquired from Pak. PWD was not properly protected by the PHAF and not handed over to Pak. PWD which caused land grabbing/encroachment and government sustained huge loss of billions of rupees. (Para 1.3.31)

**vi. Recommendations**

- i. Board of Directors be constituted after due process as per Article of Association to run the affairs of PHAF.
- ii. The Planning Commission's guidelines for approval and funding of projects (project management life cycle) be followed in letter and spirit.
- iii. Non-achievement of objectives as mandated to PHAF for non-providing of shelter to shelterless, needy, poor people and low income groups requires probe for assessment of the impediments and inefficiency of the PHAF and taking remedial measures therefor.
- iv. All receivables be evaluated and realized in a timely manner.

- v. Balloting process for allotment of apartments to Federal Government Employees and general public may be made in accordance with approved procedure in order to ensure transparency.
- vi. The allotment of the apartment in violation of eligibility criteria and extending benefit twice requires recovery of the cost of sale of apartments from the beneficiaries.
- vii. The apartments/grey structure houses were allotted to Federal Government employees at the subsidized rates whereas transfer of apartments/grey structure houses to private persons was allowed without receipt of full cost of apartment and title of ownership.
- viii. Action be taken against person(s) responsible for negligence resulting in encroachment of precious land in the light of inquiry report.
- ix. Internal controls be strengthened to ensure that irregularities, as reported in this Audit Report, are preempted.
- x. Facts finding inquiries and disciplinary actions be initiated to fix responsibility in respect of cases of irregular allotment of apartments.
- xi. Public Procurement Rules, 2004 be adhered to in letter and spirit while making procurement of goods, services and works.
- xii. The contractual obligations be monitored by the management at every stage of contract execution.
- xiii. Advances to the contractors be granted strictly in line with contractual provisions and recovered accordingly.
- xiv. Reconciliation of expenditure/revenue be carried out regularly.
- xv. Internal controls be periodically reviewed and made capable of forestalling chances of pilferage and defalcation.



# **PAKISTAN HOUSING AUTHORITY FOUNDATION (MINISTRY OF HOUSING AND WORKS)**

## **1.1 Introduction**

Cabinet Secretariat (Cabinet Division) through its Resolution dated 18<sup>th</sup> May, 1999, notified vide Gazette No. 408/99-Min, created Prime Minister's Housing Authority which was re-designated as Pakistan Housing Authority through a Resolution passed by the Ministry of Housing and Works, Government of Pakistan bearing No.1 (1)/200-Works dated 8<sup>th</sup> March, 2000 which was published in the Official Gazette through Notification No. N-382/L7646 dated 10<sup>th</sup> March, 2000. Subsequently in January 2012, PHA assumed the status of a Public Company after having itself registered with Securities and Exchange Commission of Pakistan under Section 42 of the Companies Ordinance, 1984, with title of Pakistan Housing Authority Foundation (PHAF) and it took over all the assets, liabilities, claims, rights, privileges and other interests of PHA.

The affairs of PHAF are being run by a Board of Directors. Federal Minister for Housing and Works is Chairman and the Federal Secretary Housing and Works is Deputy Chairman of the Board. The Board consists of members, namely, Managing Director/Chief Executive Officer, PHA Foundation; Member (Engineering) CDA; Joint Secretary; Financial Advisor; Joint Engineering Advisor Ministry of Housing and Works; Director General Federal Government Employees Housing Foundation and Director General Pakistan Public Works Department.

It has five Directorates, namely, Administration, Land and Estate, Engineering, Finance and Monitoring. Regional offices have also been established in Lahore and Karachi to provide services to the allottees of the respective areas.

The major objectives/services entrusted to PHA Foundation are as under:

- i. Being one of the implementing arms of the Ministry of Housing and Works, PHA Foundation is mandated to eliminate shelterlessness and to reduce the housing shortfall in Pakistan.
- ii. PHA Foundation provides low cost housing units to low and middle income groups of Pakistan on ownership basis. Since its inception in 1999, PHA Foundation has built several housing units for general public and Federal Government Employees in Federal and Provincial capitals to provide high quality and state-of-the-art buildings at low and affordable price.
- iii. In addition to Ground plus 3 building apartments, PHA Foundation has undertaken to construct high rise buildings. Construction of PHA-Maymar Towers in Karachi is first endeavor in this respect.

## 1.2 Comments on Budget and Accounts/Financial Statements

1.2.1 The table below shows the position of budget and expenditure of PHA Foundation for the financial years 2012-13, 2013-14 and 2014-15:

(Rs in million)

Year	Nature	Original Budget	Expenditure	Excess/ (Saving)	Excess/ (Saving) in%
2012-13	Non-Development (Operational)	147.90	140.67	(7.23)	(4.89)
	Development	1,857.16	59.56	(1,797.60)	(96.79)
<b>Total</b>		<b>2,005.06</b>	<b>200.23</b>	<b>(1,804.83)</b>	<b>(90.01)</b>
2013-14	Non-Development (Operational)	158.80	122.78	(36.02)	(22.68)
	Development	3,923.92	487.56	(3,436.36)	(87.57)
<b>Total</b>		<b>4,082.72</b>	<b>610.34</b>	<b>(3,472.58)</b>	<b>(85.05)</b>

Year	Nature	Original Budget	Expenditure	Excess/ (Saving)	Excess/ (Saving) in%
2014-15	Non-Development (Operational)	164.64	134.00	(30.64)	(18.61)
	Development	3,299.68	406.27	(2,893.41)	(87.69)
<b>Total</b>		<b>3,464.32</b>	<b>540.27</b>	<b>(2,924.05)</b>	<b>(84.40)</b>

### Consolidated Budget/Expenditure Position

(Rs in million)

Year	Nature	Original Budget	Expenditure	Excess/ (Saving)	Excess/ (Saving) in%
2012-13 to 2014-15	Non-Development (Operational)	471.34	397.45	(73.89)	(15.68)
	Development	9,552.10	1,350.84	(8,170.82)	(87.65)
<b>Total</b>		<b>10,023.44</b>	<b>1,748.29</b>	<b>(8,244.71)</b>	<b>(82.56)</b>

### Revenue

(Rs in million)

Year	Estimated Receipt	Actual Realized	Surplus/ (Deficit)	% of actual to the estimate
2012-13	1,896.59	493.58	(1,403.01)	(26.02)
2013-14	3,435.65	1,937.78	(1,497.87)	(56.40)
2014-15	4,189.59	707.63	(3,481.96)	(16.89)
<b>Grand Total</b>	<b>9,521.83</b>	<b>3,138.99</b>	<b>(6,382.84)</b>	<b>(32.97)</b>

1.2.2 Above analysis showed that development targets were not achieved optimally and more than 85% of the development budget remained unutilized every year.

1.2.3 Revenue target could not be met.

**1.2.4** Non-evaluation of the receivable on account of cost of sales along with the additional cost in the financial statements caused qualification and short receipt of Rs 722.50 million. (Para 1.3.17)

**1.2.5** Inapt evaluation of construction cost caused deficit receipt which is ultimate loss to Authority of Rs 382.572 million. (Para 1.3.10)

**1.2.6** PHA Foundation was created through a resolution issued by Cabinet Division dated 18<sup>th</sup> May, 1999 titled “Prime Minister’s Housing Authority” which was re-designated as PHA Foundation through another resolution dated 8<sup>th</sup> March, 2000. Clause 14 of both the resolutions states that the Authority shall maintain proper accounts and other relevant record and annual statement in such form as may be prescribed by rules. Subsequently, the Authority got registered itself from the Securities and Exchange Commission of Pakistan on 19<sup>th</sup> January, 2012 under Companies Ordinance 1984. Section-230 of the Ordinance inter alia states that annual accounts/statements shall be prepared for all sums of money received and expended by the company. Section 230(7) also requires punitive measures in case of failure in non-preparation of accounts. Rule 15 of GFR (Vol-I) also states that every one whose duty is to prepare and render any accounts or returns in respect of public money or stores, is personally responsible for their completeness and strict accuracy and their dispatch within the prescribed time.

The issue of non-preparation of financial statements by PHAF since 2009 was pointed out by Audit during 2013-14. On pointation of Audit, PHAF has started preparing year wise financial statements and getting the same certified from Chartered Accountant firms. During current audit, it was observed that certified financial statements for the financial years 2013-14 and 2014-15 were not available with PHAF. However, the certified financial statements of PHA Foundation, Islamabad (certification conducted by various Chartered Accountant firms) for the years 2008-09 to 2012-13 indicated that the Auditors Opinions contain serious qualifications of recurring nature. Qualifications as included in Auditor’s opinion for the year 2012-13, are as under:

- a. The Auditors were unable to physically verify property, plant and equipment, cash and cash equivalent and petty cash at hand as on 30<sup>th</sup> June, 2013.
- b. The Auditors were unable to obtain sufficient appropriate evidence regarding the basis of calculation of cost of sales of Rs 35.75 million.
- c. The management did not provided the Auditors with the ageing analysis of withholding taxes payables, other liabilities and payables to contractors/consultants. The Auditors were, therefore, unable to quantify the impact of penalty and/or surcharge and/or escalation claims to be paid on delayed payments.
- d. Work in progress for Rs 4,087.65 million has not been valued in line with the accounting policy as described in Note 3.6 to the financial statements. Instead, the work in progress has been valued at cost incurred to date on the projects. In addition to it, the management does not maintain the project wise data. The data is maintained on contractor wise/head wise basis. In the absence of working of cost and/or net realizable value of each individual project, the financial impact cannot be quantified.
- e. The project wise details of each individual allottee have not been provided to the Auditors, restricting to ascertain the receivable and /or from the individual allottees. Likewise the project wise details of costs have not been provided. The management holds data on contractor wise/head wise basis and thus the cost of each individual project is difficult to be ascertained with reliability.

The Chartered Accountants have further certified that because of the significance of the matters described in paragraphs (a-e) above, the Balance Sheet, Income and Expenditure Account, Cash Flow Statement and Statement of Changes in Equity together with the Notes do not

conform with approved accounting standards and do not give information required by Companies Ordinance, 1984, in the manner so required and respectively **do not give a true and fair view of the state of the Foundation's affairs** as at 30<sup>th</sup> June, 2013 and of the Surplus, its cash flows and changes in equity for the period then ended.

Audit is of the view that responsibility for not preparing the financial statements giving true and fair view of the state of affairs as of 30<sup>th</sup> June, 2013 may be fixed.

### **1.3 AUDIT PARAS**

#### **Irregularity and Non-Compliance**

##### **1.3.1 Non-preparation of PC-I and non-constitution of Departmental Development Working Party for approval of development schemes - Rs 5,378.0 million**

Para 3.3 of Guidelines for Project Management issued by the Planning Commission of Pakistan provides that it is mandatory that the projects of infrastructure sector should undertake proper feasibility studies before the submission of PC-I. Para 10.1(v) of the Guidelines further states that no project under directive of any authority is started without proper preparation of PC-I/PC-II and approval of the competent forum, as per decision of ECNEC made in its meeting held on 24<sup>th</sup> April, 2000. Feasibility report (PC-II) and Project Cost (PC-I) are mandatory prior to execution.

As per Planning and Development Division O.M No. 21(2-Gen)PIA/PC/2004 dated 18<sup>th</sup> December, 2004, autonomous organizations (commercial/non-commercial) having Board by whatever name called, should be competent to sanction their development schemes with 100% self-financing subject to the condition that a development working party should be constituted by each organization and notified to consider and approve their self-financed projects. The Development Working Party should be headed by the Chairman/head of the organization, with one member each from Planning Commission and Finance Division.

Audit noted that Pakistan Housing Authority Foundation (PHAF) launched 12 housing schemes in Islamabad and Lahore in order to provide the apartment/shelter to shelterless, needy people and low paid Federal Government employees. These schemes/projects were financed through 100% receipt from the allottees selected by balloting from the members and approved by the Board of Directors of PHAF at a cost of Rs 5,378.0 million.

Audit holds that these self-financed schemes were required to be got processed through Departmental Development Working Party for sanction of these development schemes in pursuance of afore-quoted Planning Commission's guidelines and PC-I were required to be approved by said forum.

However, when the PC-I and constitution of the DDWP was requisitioned by Audit, it was responded that neither the PC-I were prepared nor the DDWP of PHAF was constituted for said approval and sanction of the schemes. In absence of the approved PC-I and sanctions by the required competent forum on the basis of detailed designing authenticity and reasonability of the bid rates could not be adjudged and subsequent enhancement beyond the permissible limit of the projects could have not been restricted. For instance, cost of 7 stalled projects located in Islamabad and Lahore were increased about 45% above the original cost which would be borne by the low paid/poor/shelterless allottees.

Non-adherence to Planning Commission's guidelines resulted in unauthorized execution of schemes worth Rs 5,378.0 million.

Audit pointed out the irregularity to the management in March-May 2016. The Authority replied that all projects of PHA were launched after proper planning, and conducting comprehensive feasibility report by consulting and approved of Board of Directors. It is worth mentioning that all launched housing schemes were purely commercial and self-financed, source of funding of respective scheme were receipts from allottees. Feasibility studies, Engineering estimates, General condition of the contract, Bill of Quantities are prepared which are much more comprehensive than PC-I. Besides, a technical committee was notified to evaluate each project before hand. Moreover, approval of the Board was obtained in all projects.

The reply was not tenable. Planning and Development Division clearly provides that any autonomous organization commercial or non-commercial should constitute a Development Working Party for approval



of their self-financed schemes. Accordingly a sister organization Federal Government Employees Housing Foundation (FGEHF) formed said forum for processing, discussion and approval of the PC-Is, PC-IIs etc. In absence of approved PC-Is, feasibility study authentic estimation, processing of the schemes through technical forum all schemes launched by the PHAF could not be completed and this abnormal delay caused huge time and cost overrun.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that steps be taken to implement Planning Commission Guidelines while planning and executing development schemes.

(Para 02)

### **1.3.2 Irregular/unauthorized grant of Mobilization Advance for Rs 95.34 million and undue benefit in shape of additional mobilization advance through post-bid amendment - Rs 23.06 million**

Clause 60.11 of contract agreement provides that the employer shall make an advance as an interest free loan for mobilization advance, when the contractor submits a guarantee in accordance with contract clause. The total advance payment shall be in the amount of 12% of the contract price stated in the letter of acceptance, less provisional sums against bank guarantee from a scheduled bank of Pakistan. Appendix-A provides that mobilization advance shall be paid @12% of contract price stated in letter of acceptance.

Audit noted that a work “Construction of D-type apartments at G-10/2, Islamabad” was awarded to M/s Techno International at contract cost of Rs 635.631 million with completion period of 24 months.

Audit observed that the PHA-Foundation paid Rs 95.34 million to contractor as Mobilization Advance (635.631x15%). The management accepted Insurance Guarantee from the contractor instead of Bank Guarantee from a scheduled bank against the provision of the agreement.

Audit further observed that 15% Mobilization Advance was granted to contractor through post-bid amendment on 30<sup>th</sup> August, 2008, (1<sup>st</sup> installment 7.5% in August 2008 and 2<sup>nd</sup> 7.5% in November 2008) whereas only 12% mobilization advance was provided in contract in two installments (1<sup>st</sup> installment 7% and 2<sup>nd</sup> installment 5%).

This resulted in irregular/unauthorized grant of Mobilization Advance for Rs 95.34 million against Insurance Guarantee instead of bank guarantee and undue benefit of Rs 23.06 million in shape of extra mobilization advance.

Audit maintains that acceptance of insurance bond was due to non-adherence to the provision of the contract, weak financial management and internal control system.

Audit pointed out the irregularity to the management in March-May 2016. The Authority replied that Clause 60.11 of contract agreement was amended thorough an amendment No.01 to the agreement signed by both the parties wherein mobilization advance equal to the 15% of contract price as stated in letter of acceptance was incorporated in the light of PEC standard bidding documents.

In reply it was conceded that mobilization advance was granted against the insurance guarantee instead of bank guarantee through post-bid amendment as well as additional mobilization advance also granted beyond the provision of contract. This action by the Authority hampered the sanctity of competitive bidding.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that responsibility may be fixed for grant of mobilization advance against the insurance bond and extending undue benefit to the contractor.

(Para 08)

### **1.3.3 Irregular award of consultancy contract without competition - Rs 27.37 million and extension through amendment - Rs 64.892 million**

According to Rule 20 of Public Procurement Rules, 2004, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Audit noted that PHAF awarded the consultancy services for construction, management and supervision of work, "Construction of D-Type apartments at Sector G-10/2, Islamabad" to M/s Associated Consulting Engineers for agreed amount of Rs 27.368 million for the period of 24 months.

Audit observed that the contract of consultancy services was awarded without advertisement in the newspapers and without obtaining competitive bidding in violation of Public Procurement Rules, 2004.

It is worth mentioning that designing, preparation of engineer's estimate, drawings was also assigned to the said firm. During execution of the work several disputes arose with the construction contractor on account of discrepancies in the BOQ/estimate/designs which necessitated abnormal increase in the cost of project. The work remained suspended for a period of 18 months (November 2011 to February 2012 and May 2012 to June 2013) due to these disputes the contractor refused to execute the work on the basis of design/estimate prepared by the consultant. The consultant was paid full remuneration in this suspension period and his contract was extended through four (04) amendments up to 30<sup>th</sup> April, 2016 with the consultancy supervision cost of Rs 64.892 million (**Annexure-A**). The consultant failed to supervise the work for efficient and successful completion with sound economic engineering practices.

This resulted in irregular award of consultancy services amounting to Rs 27.368 million in violation of Public Procurement Rules, 2004 and unjustified extension of time up to 30<sup>th</sup> April, 2016 with cost of Rs 64.892 million, six year over the original completion time. The consultant was paid a sum of Rs 58.627 million from August 2008 to February 2016.

Audit maintains that the irregular award of consultancy services was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregular award of consultancy contract to the management in March-May 2016. The Authority replied that the Prime Minister of Pakistan announced a housing programme for construction of one million housing units on the floor of National Assembly on 29<sup>th</sup> March, 2008. Ministry of Housing and Works and the provincial Governments were entrusted with this gigantic task within 100 days. As such several rules and regulations to appoint the supervision consultant for subject mentioned project including PPRA Rules could not be followed in true letter and spirit.

In reply it was conceded that Public Procurement Rules were not followed during procurement process of consultancy contract and inordinate extensions in time limit and consultant remained idle during stalled period and payments were made regularly.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that responsibility may be fixed for award of consultancy contract and repeated extension in violation of Public Procurement Rules.

(Para 10)

#### **1.3.4 Irregular bridge financing and non-receipt of the additional cost - Rs 50.38 million**

Clause 10.1 of terms and conditions of allotment provides that the costs are tentative and are subject to variations on account of escalation in prices and unforeseen circumstances. The cost of apartment, if increases due to the factors beyond control of PHA, shall be finally determined and charged from the allottees on the basis of actual expenditures incurred on completion of the apartments which will be communicated to the allottees in due course.

Audit noted that a scheme for construction of E-type apartments at G-11/3, Islamabad was launched in 2008. The estimated construction cost of each apartment was Rs 1.50 million (ground floor) and all apartments were allotted with the same payment schedule. The construction contractor could not complete the work within stipulated completion period due to various reasons resultantly the cost escalated. As per terms and conditions of the allotment the additional cost was required to be borne by the allottees and accordingly notices with payment schedule of additional cost were issued to allottees. A review of the list of E-type apartments indicated that 63 allottees did not deposit the additional cost to PHA-Foundation whereas the construction work has since been completed and apartments were also handed over to the allottees after full payment.

PHA-Foundation incurred extra/additional cost of Rs 50.380 million (Rs 799,685 x 63) of these apartments through bridge financing from other projects in violation of the general financial rules. As per policy these apartments was required to be cancelled after non-payment of additional cost and putting these apartments into auction to defray the liabilities of the project but no such efforts have been taken so far. It is worth mentioning that an amount of Rs 894.791 million was spent on construction of 400 E-type apartments against which a sum of Rs 855.591 million was shown received leaving a balance of Rs 39.20 million yet to be recovered.

Non-adherence to rules caused irregular bridge financing and non-receipt of the additional cost of Rs 50.38 million.

Audit pointed out the issue to the management in March-May 2016. The Authority replied that PHA Foundation is self-revenue generated organization. All operational and development activities (schemes) were/are being launched from the sales proceeds of apartments. Seven (7) projects located in Islamabad and Lahore remained stalled due to different inquiries resulted in cost overrun and non-deposit of installments. Due to above narrated genuine reasons, funds were acquired from main account of PHA and the same were recouped after receipts from allottees and PHA suffered no financial loss.

In reply it was conceded that bridge financing was made from the receipt of other projects which was irregular/unjustified.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends maintenance of separate account of each project for efficient execution of projects. Appropriate measures be taken to improve financial management and avoid bridge financing.

(Para 21)

### **1.3.5 Loss due to non-award of work within validity period and subsequent award at higher rate through re-tendering - Rs 48.42 million**

Rule 38 of Public Procurement Rules, 2004 provides that the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

Contract clause IT-15 provides that each tenderer shall furnish as part of his tender a tender security in the amount stipulated in the tendering data. The tender security of the successful tenderer will be returned when the tenderer has furnished the required performance security and signed the agreement. The tender security may be forfeited if the tenderer withdraws his tender during the period of tender validity. In the case of successful tenderer if he fails within the specified time limit to furnish the required performance security; sign the contract agreement.

Audit noted that tender of the project “Infrastructure for D-type apartment at G-10/2, Islamabad” (Contract No.PHA-08/203) was floated on 4<sup>th</sup> November, 2010 through newspapers and bids were opened on 25<sup>th</sup> November, 2010. These bids were evaluated by the Design Consultant M/s ACE Pvt Ltd and after evaluation M/s Kaizen Satco JV, stood 1<sup>st</sup> lowest with bid price of Rs 149.256 million against the engineer’s estimate of Rs 161.974 million. The bid of the lowest bidder M/s Kaizen Satco JV was 7.85% lower than the Engineer’s Estimate. The consultant recommended that the work may be awarded to lowest bidder as the rates of the bidder are workable and balanced.

Audit observed that the lowest bidder did not commence the work at site. The Authority did not take any action against the bidder for non-commencement as per provision of contract/NIT and the work was retendered in January 2012 and 8 firms participated in the bidding process. The bids were opened on 31<sup>st</sup> January, 2012 after expiry of 14 months over the 1<sup>st</sup> bidding wherein and M/s Abid Brothers stood 1<sup>st</sup> lowest with bid price of Rs 197.676 million and work was awarded.

Audit holds that non-award of the work at first instance and its re-tendering after 14 months caused higher cost of Rs 48.42 million which would be charged to the shelterless people due to mismanagement of the Authority.

Non-adherence to rules, procedure and contract agreement caused loss of Rs 48.42 million due to non-award of work within validity period and subsequent award at higher rate through re-tendering.

Audit pointed out the irregularity to the management in March-May 2016. The Authority replied that same observation has already been raised in fiscal year 2011-12 and printed in Audit Report 2012-13 (Para 7.2.4.3). It is proposed that observation may be dropped and clubbed with already printed para 7.2.4.3 AR 2012-13.

The reply was not tenable as in inquiry report submitted along with the reply concluded that project was conceived and planned in haste and recommended the action against the then management of PHAF, but no action was taken despite expiry of 4 years. Therefore, observation was again taken up in the Special Audit.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that action may be taken against the persons responsible in the light of inquiry report.

(Para 09)

### **1.3.6 Irregular/unjustified allotment and undue benefit in the shape of sale profit - Rs 2.5 million**

PHA launched a scheme for Federal Government officers at Kuri Road, Islamabad and asked for down payment @ 25% of the total price in November 2010 from all applicant members and for remaining balance payment of 75% PHAF issued a payment schedule of 12 equal installments starting from 1<sup>st</sup> March, 2011 to 10<sup>th</sup> December, 2013.

Audit noted during review of the case file of allotment of category-III houses that a grey structure house No.524 lane No.13 (Cat-III) was offered/allotted to Mr. Abdul Jabbar Shaheen at Kuri Road project, Islamabad vide letter No.PHA/ISL/KRP-126/20-22/2013/2008 dated 28<sup>th</sup> May, 2013.



Audit observed that as the scheme was launched in 2010 and accordingly brochures and offer letter were issued to those officers who had opted for Islamabad as 1<sup>st</sup> option. The offer letter was issued to the said officer in 2013, whereas original payment schedule was to be completed in December 2013. This indicated that offer was made beyond the scheduled period in violation of the approved policy even though said officer had not opted for the scheme at Islamabad as 1<sup>st</sup> priority.

It is worth to mention that said officer was transitory posted as Deputy Managing Director, PHA Foundation on 09<sup>th</sup> April, 2013 and he took the advantage of posting at PHAF, got allotment of house on 28<sup>th</sup> May, 2013 within a period of two months. Further, the said house was sold in March 2016 with total consideration of Rs 7.221 million which included Rs 4.721 million paid to PHA and seller got the profit of Rs 2.500 million.

Non-adherence to approved policy of allotment and criteria caused irregular/unjustified allotment and undue benefit in the shape of sale profit of Rs 2.5 million.

Audit pointed out the irregular allotment to the management in March-May 2016. The Authority replied that as per policy the eligibility criterion for the allotment of housing unit in Cat-I, II & III was to be extended to all Federal Government officers of BPS 20-22 including ex-cadre officers and allotment was to be made on "First come first serve basis". In the light of above, the restriction of preference city was eliminated and allotments were made to all Federal Government officers in BPS 20-22 who had made requisite down payment along with the documents on "First come first serve basis". Further, after allotment the officer had right to transfer his property to any one on his own terms and PHAF had no concern with it.

The reply was not tenable as allotment was made in violation of the approved criteria on time barred application only to get the leverage of transitory posting in PHAF.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends investigation into the matter for fixing responsibility for entertainment of time bared application.

(Para 44)

### **1.3.7 Non-constitution of elected Board of Directors in pursuance of Article of Association**

Article of Association of PHAF provides that there shall be, for the overall management of the company's affair, a Board of Director, to be elected from amongst the members. One term of the Board of directors would be for three years. No person shall be appointed a director if he is ineligible to hold office of director of a company under section 187 of the Ordinance. No member shall hold more than one office in the company such as those of chief executive/director or company secretary. The composition of the Board will be, by designation, as under:

- Chairman
- Deputy Chairman
- Five (05) Members

Audit noted that PHA was converted in to a public company limited by the guarantee of Government of Pakistan under Section 42 of Companies Ordinance 1984. As per provision of the rules, Securities and Exchange Commission of Pakistan (SECP) approved Article of Association and Memorandum of Association of PHA-Foundation in 2012. As per provision of the Article of Association the Board of Director was required to be constituted by composition of the eligible Directors.

Audit observed that despite expiry of a period of more than four (04) years the formation of PHA-Foundation as a public company, Board of Directors in pursuance of the Article of Association has not been constituted so far.

It is worth to mention that affairs of the PHA-Foundation are being managed by the preceding board of PHA headed by the Minister for Housing and Works with selective members of sitting heads/officers of the sister organizations like Pak. PWD, CDA, Ministry of Housing and Works, National Construction Ltd, National Housing Authority, Federal Government Employees Housing Foundation.

Consequent upon the establishment of company under the Companies Ordinance, non-constitution of the elected Board of Directors in pursuance of Article of Association was mandatory requirement as such running of the Authority's affairs by the non-elected Board of Directors stood unauthorized/irregular.

Audit pointed out the matter to the management in March-May 2016. The Authority replied that PHA Foundation is registered as a company under administrative control of Ministry of Housing and Works, Government of Pakistan. The provision of law overrides the provision of the Articles of Association of the Foundation. Since PHA Foundation is wholly owned by the Federal Government, all the directors are nominees of the Federal Government, and hold office at the pleasure of the Federal Government. As such the provision of sections 178, 180 and 181 do not apply to the Board of Directors of PHA Foundation.

In reply it was conceded that Board of Directors of PHA was not constituted in consonance with the Article of Association approved by the SECP. A reference to the SECP regarding relaxation of the provision of Article of Association was made in July 2016 after pointation by Audit, whereas PHAF was incorporated in 2012 and no efforts towards relaxation/decision by SECP was made by the Authority.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that Board of Directors may be constituted in pursuance of Article of Association to run Authority's affairs.

(Para 01)

### **1.3.8 Irregular/unjustified allotment to a non-eligible retired officer**

Ministry of Housing and Works letter No.4(2)/2008-works(Vol-VIII) dated 16<sup>th</sup> December, 2008 provides approved parameters by the Prime Minister for allotment of residential plots/accommodation on ownership basis to the BPS 17-22 officers of the federal government at Kuri Road project, as only those officers (BPS 17 to 22) are to be considered for allotment who were in service on 01<sup>st</sup> January, 2008 instead of 01<sup>st</sup> July, 2006.

Audit noted during review of the case file of allotment of category-I houses that a grey structure house No.91 lane No.11 (Cat-I) at Kuri Road Project, Islamabad was allotted to Mr. Muhammad Salman Faruqi.

Audit observed that the officer had retired from service in 1999. The officer was not eligible for allotment as only those officers who were in service on 1<sup>st</sup> January, 2008 were eligible for allotment. As the retiring benefits had already been availed by the officer on or before date of retirement, this allotment stood irregular/unjustified.

Non-adherence to approved parameters/criteria for allotment caused irregular/unjustified allotment to a non-eligible retired officer.

Audit pointed out the irregular allotment to the management in March-May 2016. The Authority replied that allotment was made to the officer against hardship cases and his name was approved by the Prime Minister Secretariat.

The reply was contrary to the fact as per eligibility criteria officers retired in January 2008 were entitled for allotment, whereas this allotment was made in violation of the approved criteria.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that responsibility may be fixed for allotment to a non-eligible retired officer and action be taken against the person(s) responsible.

(Para 43)

### **1.3.9 Allotment of grey structure housing unit over and above the entitlement in violation of the approved criteria**

Prime Minister of Pakistan approved to provide the housing unit on the lines of the Pakistan Army Welfare Directorate Scheme for the officers of Federally Constituted Occupational Groups (in BPS 20-22) with the following eligibility criteria:

- i. All civilian officers who were/are in service on 01<sup>st</sup> January, 2008 to 31<sup>st</sup> December, 2013 and have submitted option forms with Islamabad as first preference city shall be eligible for the allotment of a housing unit on age wise seniority basis in relevant category. However, it was decided by the Board that the date may be opened to accommodate all Federal Government officers in the scheme after assessment of the initial response from the eligible members and subject to availability of land at Kuri Road.
- ii. Regular appointment in BPS shall be considered as on 01<sup>st</sup> January, 2011 for the allotment. The Pay-Scale of selection grade/move over, acting charge, adhoc appointment shall not be considered in the relevant category.
- iii. If an officer is promoted to a higher position subsequent to the cut-off date of the scheme, it would entitle him to higher category subject to its availability otherwise he/she shall accept previous category.

- iv. The eligible officers of BPS 20-22 will be offered houses. The offer will stand valid in case of in-service death of the eligible officer or his/her death after retirement.

Audit noted that in certain cases officers in BPS-20 and 21 were allotted grey structure housing units over and above their entitlement in violation of the approved criteria for allotment as detailed below:

<b>S. No.</b>	<b>Name of officer</b>	<b>Designation/BPS</b>	<b>House/Category allotted</b>	<b>Category entitled</b>
1	Muhammad Aslam	Deputy Registrar - BPS-20 (Supreme Court of Pakistan)	No.339 Lane-5 Cat-II	Cat-III
2	Sibte Hassan	Joint Secretary - BPS-20 (Labour & manpower Division)	No.340 Lane-5 Cat-II	Cat-III
3	Agha Sikandar Ali	Joint Director General - BPS-21 (Intelligence Bureau)	No.101 Lane-12 Cat-I	Cat-II
4	Ali Akbar Shaikh	BPS-21	Cat-I	Cat-II

Audit observed that non-observance of allotment criteria was due to weak financial and internal control.

Audit pointed out the irregular allotment to the management in March-May 2016. The Authority replied that in the 1<sup>st</sup> meeting of Board of Directors held on 8<sup>th</sup> March, 2012 it was decided that:

- i. Due to dismal response to the scheme, the eligibility be extended to all Federal Government officers in BPS 20-22.

- ii. One category above housing units in three (3) categories to those who were interested for the same, subject to payment of difference in cost.

In the light of above decision, one category above units were allotted to those officers who have applied for it and paid all till date dues. Therefore, there was no violation of the criteria and same was duly approved by Board of Directors.

The reply was not tenable as higher category house was allotted in violation of approved policy.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that responsibility be fixed for allotment of higher category houses to non-eligible officers and action be taken against persons responsible.

(Para 48)

## **Performance**

### **1.3.10 Inapt evaluation of construction cost caused less receipt/ultimate loss to Authority - Rs 382.572 million**

Note 3.5 of financial statements provides that the carrying amount of the Foundation's assets is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indications exist the assets recoverable amount is estimated in order to determine the extent of the impairment loss if any impairment loss is recognized as expense in the income and expenditure account.

Note 3.6 of financial statements provides that the cost of projects comprises the cost of acquisition and development of land, consultation fee, cost of civil works and infrastructure. All these costs are stated at

lower cost incurred to-date on projects or net realizable value. Work in progress (WIP) is charged to cost of sales on the basis of unit cost method of the units transferred to allottees in a period.

PHA launched a scheme for construction of 368 D-type apartments (1035 sft) i.e. 268 for FG employees and 100 for general public, at G-10/2, Islamabad. Cost of price was determined as under:

For General Public	ranging from Rs 3.350 million to Rs 3.50 million (Floor wise)
For FG employees	ranging from Rs 1.750 million to Rs 1.900 million (Floor wise)

**1.3.10.1** Audit noted that aforesaid apartments of G-10/2 scheme were offered to the general public and federal government employees. A statement prepared by the Land Wing indicated that total payment of apartments was received after sale of apartments as below:

General Public	100 Nos	Rs 357.520 million
FG employees	268 Nos	<u>Rs 672.269 million</u>
<b>Total:</b>		<b>Rs 1,029.789 million</b>

Audit observed that construction cost, as calculated by the Engineering Wing excluding the land cost, was to Rs 1,146.351 million and total cost including land cost Rs 112.71 million, was Rs 1,259.061 million as detailed below: .

General Public	100 Nos	Rs 396.991 million
FG employees	268 Nos	<u>Rs 749.360 million</u>
<b>Sub-Total:</b>		<b>Rs 1,146.351 million</b>
Add land cost		<u>Rs 112.710 million</u>
<b>Grand total:</b>		<b>Rs 1,259.061 million</b>

From above it is construed that sale price was not synchronized with the construction cost and the Authority incurred extra expenditure on



the scheme and ultimately sustained loss of Rs 229.273 million (Rs 1,259.061 million – Rs 1,029.788 million).

Audit pointed out the loss to the management in March-May 2016. The Authority replied that sale price was not synchronized with the construction cost. However, total land cost collected from general public and government employees was Rs 1,284.0 million and expenses were Rs 1,146.0 million resulting in profit of Rs 14.0 million.

The reply was not tenable as the comparative examination of the construction cost inclusive of land cost was higher than the actual receipt of sale price of apartments. In reply it was conceded that land cost was not included in the construction cost of apartments whereas as per accounting procedures this would be included for determination of sale cost.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends investigation with a view to ascertaining the facts for non-inclusion of land cost, fixing responsibility and recovery thereof from the allottees.

(Para 39)

**1.3.10.2** Audit noted during review of a statement prepared by the Land Wing indicated that a sum of Rs 855.591 million was collected on account of sale of apartments in G-11/3 against raised amount of Rs 894.791 million.

Audit observed that construction cost as calculated by the Engineering Wing including the land cost was Rs 1,008.890 million as below:

FG employees	400 Nos	Rs 913.245 million
Add land cost		<u>Rs 95.645 million</u>
<b>Grand total:</b>		<b>Rs 1,008.890 million</b>

From above it is evident that sale price was not synchronized with the construction cost. The actual cost/expenditure on the scheme was higher than the sale price determined by the Authority resulting in loss of Rs 153.299 million (Rs 1,008.889 million – Rs 855.590 million).

Audit pointed out the loss to the management in March-May 2016. The Authority did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that matter be investigated to ascertain the facts for non-inclusion of land cost and effect recovery thereof from the allottees in violation of standard accounting procedure.

(Para 47)

### **1.3.11 Loss to PHAF due to violation of approved policy of launching scheme for general public - Rs 6.75 million**

PHAF was established to promote, control and coordinate the development of low budgeted housing schemes for low income groups at selected places throughout the country on no-profit no-loss basis as a welfare measure. Allottees will be entitled only one housing unit under this housing scheme located anywhere in the country. After the receipt of application forms complete in all respects from all the eligible applicants the apartment, floor and site will be allotted through balloting to general public.

Scheme for construction of C-type apartments at G-11/3 was launched by PHA-Foundation. This scheme was meant for providing shelter/apartment to general public. The scheme was launched in 2008 which was to be completed within 24 months completion period. Sale price of C-type apartment was fixed at Rs 4.850 million to Rs 5.000

million. As per policy these apartments were to be allotted to successful applicants through balloting.

As per clause-5 (eligibility criteria), all Pakistanis are eligible to apply having valid computerized National Identity Card issued by NADRA. Further, under clause-6, allotment of apartments and floor was to be made through random computer balloting.

The cost of the apartment was tentative as given in schedule under clause 10.8. For the first floor, it was Rs 5.00 million (20%) on allotment and balance 80% in 12 installments.

**1.3.11.1** Audit noted that Mr. Waseem-ur-Rehman Baig (bearing membership No.400-21795) was offered a C-type apartment (GF-03, Block-04) for the housing programme for general public at G-11/3 through balloting vide No. PHA/IsI/ASC/51 G-11/3-09/1744 dated 24<sup>th</sup> February, 2009 at a total price of the apartment for Rs 5.00 million with the schedule of payment of 12 installments from 01<sup>st</sup> June, 2009 to 10<sup>th</sup> March, 2012. The apartment was cancelled due to default in payment schedule vide No. PHA/IsI/ASC/51-G-11/3C-11/11848 dated 23<sup>rd</sup> December, 2011 but his deposited amount was not refunded.

Audit further noted that after cancellation, the same apartment was offered to Director, PHA (membership No.400-24421) vide No. No.PHA/IsI/ASC/G-11/3C-03/04 dated 23<sup>rd</sup> December, 2011 at a total price of Rs 2.90 million, 15% down payment and balance 85% in 12 quarterly installments with revised schedule commencing from 01<sup>st</sup> April, 2012 to be completed up to 10<sup>th</sup> January, 2015.

Audit observed the following:

1. The scheme was launched for general public and allotted accordingly but on cancellation the said apartment was allotted to the Director PHA as an employee of the PHAF, Ministry of Housing and Works. Allotment of general

public plot to Federal Government Employee was a violation of prescribed quota.

2. Both the down payment and cost of apartment were reduced from 20% to 15% and Rs 5.00 million to Rs 2.90 million respectively. The huge difference of cost of apartment i.e. Rs 2.10 million is big question mark on the calculation of cost of apartments for public and for the PHA/Ministry employees.
3. The policy for allotment of apartments to the employees of PHAF and Ministry of Housing and Works was not transparent.
4. It is pertinent to note that application form for membership was used that was specified for general public with same terms and conditions for general public by application No 400-24421. Application form was submitted without nomination, bank account and also not signed by the applicant.
5. Offer letter was issued on the same date of cancellation of apartment without mentioning diary/dispatch number.
6. The allottee paid only down payment of Rs 435,000 and sold the apartment to Mr. Muhammad Idrees membership No.40492 for Rs 5.00 million on 31<sup>st</sup> January, 2012 as per sale deed just after 40 days with the approval of Director (Land).
7. The apartment was transferred to Mr. Muhammad Idrees vide No.PHA/ISL/ASC/51G-11/3C-2012/3020 dated 06<sup>th</sup> March, 2012 with the same terms and condition and price as that of allottee (Director PHA).
8. With this deal the allottee fetched a profit of Rs 4.365 million just in 40 days and the Authority sustained loss of Rs 2.10 million and delay in payment schedule.
9. The apartment was originally allotted to Mr. Waseem-ur-Rehman Baig and he had deposited an amount of Rs 5.007

million but neither the possession was handed over nor the deposited amount was refunded to the allottee.

From above stated position, it is safely concluded that cancellation of the apartment from the original allottee tantamounts to mis-use of powers which was exercised only to benefit PHA officer without his entitlement at the cost of public exchequer. Further, it was also a violation of prescribed quota.

Audit pointed out the loss to the management in March-May 2016. The Authority replied that the apartment was allotted to Director PHA under the same policy which was approved in the 20<sup>th</sup> Authority meeting. Mr. Waseem ur Rehman Baig had not paid the installments in time so that possession cannot be handed over to him as his allotment was cancelled. As far as refund of deposited amount is concerned, this office had requested him many times to settle his account but he was not willing to do so.

The reply was not tenable as sale price of the apartments was fixed Rs 5.000 million for general public, therefore, its allotment to PHA's own officers was violation of the policy approved by the Government/Prime Minister. Selling of the property is the right of the every citizen but not at the cost of the public exchequer as the allottees had not paid full cost of the apartment, therefore, they had no rights of the ownership.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends investigation for fixing responsibility against those responsible. Appropriate measures be adopted to ensure that allotment is made strictly in accordance with the approved policy and no manipulative practice is followed to benefit PHA's employees.

(Para 27)

**1.3.11.2** Audit noted that Mr. Nawaz Hussain membership No.400-23165 was offered C-type apartment for the housing programme for general public at G-11/3 through balloting vide No.PHA/IsI/ASC/92 G-11/3-09/1785 dated 24<sup>th</sup> February, 2009 at a total price of the apartment for Rs 4.950 million with the schedule of payment of 12 installments to be paid up to 10<sup>th</sup> March, 2012. The apartment was transferred in the name of M. Aminullah membership No.40379 vide No.PHA/IsI/ASC/92-G-11/3C-2010/12717 dated 09<sup>th</sup> December, 2010, balance amount to be paid with same schedule. The apartment was cancelled due to default in payment schedule vide No.PHA/IsI/ASC/92-G-11/3/2012/3981 dated 27<sup>th</sup> April, 2012. At the time of cancellation the allottee had paid Rs 3.545 million and he was refunded Rs 2.950 million on 26<sup>th</sup> November, 2012 after deduction of dues and levy of cancellation charges.

Audit further noted that the same apartment was offered to Mr. M.B Awan membership No.400-22574 Senior Joint Secretary, Ministry of Housing and Works vide No. No.PHA/IsI/ASC/G-11/3C-SF/12-402 dated 03<sup>rd</sup> May, 2012 at a total price of Rs 2.90 million, 15% down payment and balance 85% in 12 quarterly installments commencing from 01<sup>st</sup> September, 2012 to be completed up to 10<sup>th</sup> June, 2015.

Audit observed the following:

1. The apartments were launched for general public and allotted accordingly but on its cancellation it was allotted to the Senior Joint Secretary of M/o Housing & Works.
2. Both down payment and cost of apartment were reduced from 20% to 15% and Rs 4.950 million to Rs 2.90 million, respectively. The huge difference of cost of apartment i.e. Rs 2.050 million is big question mark on the calculation of cost of apartments for public and for the PHA/Ministry employees
3. It is pertinent to note that application form for membership was used that was specified for general public with same

terms and conditions for general public by application No 400-22574.

4. Mr. M.B Awan made payment of Rs 1.317 million up to 5<sup>th</sup> installment and sold the apartment to Mr. Ifkar Ghani membership No.40990 for Rs 4.50 million as per sale deed with the approval of Director (Land). The apartment was allotted vide No.PHA/ISL/ASC/92-G-11/3C/13-4463 dated 06<sup>th</sup> December, 2013 with the same terms and condition and price as that of Mr. M.B Awan as a government employee.
5. With this deal Mr. M.B Awan fetched the profit of Rs 3.182 million within the period of one year with investment of Rs 1.317 million and the Authority sustained a loss of Rs 2.050 million and delay in payment schedule for 3 years.

Audit holds that the allotment of apartments to the employees of Ministry of Housing and Works with the approval of Board of Directors was not transparent being in violation of housing policy.

Audit pointed out the loss to the management in March-May 2016. The Authority replied that apartment was allotted to Mr. MB Awan under the same policy which was approved in the 20th Authority meeting. Mr. MB Awan transferred his apartment to Mr. Ifqar Ghani after completing all the requirements of transfer. Authority sustains no loss because apartment was allotted to Mr. MB Awan at the construction price. Selling of property is the fundamental right of every citizen under the article 22, 23 of constitution.

The reply was not tenable as sale price of the apartments was fixed Rs 5.00 million for general public, therefore, its allotment to PHA own officers was violation of the policy approved by the Government/Prime Minister. Selling of the property is the right of the every citizen but not at the cost of the public exchequer as the allottees had not paid full cost of the apartment, therefore they had no rights of the ownership.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends investigation for fixing responsibility against those responsible. Appropriate measures be adopted to ensure that allotment is made strictly in accordance with the approved policy and no manipulative practice is followed to benefit PHA's employees.

(Para 26)

**1.3.11.3** Audit noted that a C-type apartment No.GF-04 Block-11 was allotted to Mr. Makhdoom Hussain in February 2009, through balloting with a price of Rs 5.00 million and total amount was required to be paid in 12 equal quarterly installments. The said apartment was cancelled in April 2010 under clause 7.3 of terms and conditions of allotment on account of non-payment of due installments. A total deposited amount of Rs 1.00 million was refunded to Mr. Makhdoon Hussain without deduction of cancellation charges @ 10% of total cost of apartment.

After cancellation the PHA-Foundation allotted the said apartment to its own officer Mr. Subah Sadiq Malik, Director General (L&ASC) PHA-Foundation in April 2010 at construction cost of Rs 2.90 million with re-scheduled payment plan of 12 quarterly installments from 01<sup>st</sup> September, 2010 to 01<sup>st</sup> June, 2013 without any entitlement in violation of approved policy. In order to fetch the benefit of market price the apartment was required to be put to auction rather than allotment to own officer at concessional cost.

Audit observed that Mr. Subha Sadiq Malik paid only one installment of Rs 205,416 and transferred the apartment to original allottee Mr. Makhdoom Hussain through sale deed in August 2010 at a cost of Rs 2.835 million with same payment schedule. The possession of apartment was handed over to Mr. Makhdoom Hussain in March 2015 by PHA-Foundation on final payment. After taken over the possession he transferred the said apartment in the name of his wife in December 2015.



Audit holds that cancellation of the apartment from original allottee was only managed to benefit the Authority's own officer and the same original allottee at the cost of public exchequer as the original cost of apartment was Rs 5.00 million whereas after 5 years of its cancellation the same apartment was shown sold for an amount of Rs 2.835 million along with condonation of the cancellation charges of Rs 500,000 in 2010.

Non-adherence to rules, allotment policy and terms and conditions caused irregular unauthorized transfer of apartment resulting loss of revenue of Rs 2.60 million to Authority.

Audit pointed out irregular transfer of apartment to the management in March-May 2016. The Authority replied that allotment of vacant / cancelled apartment was approved in the 20<sup>th</sup> Authority's meeting and as per the recommendations of the allotment committee and eligibility criteria the apartment was allotted to PHA officer after the approval of Chairman PHA. As far as sale of apartment is concerned it is the right of every allottee that he can sell the apartment to anyone and in the instant case it is only a co-incidence that the said apartment was purchased by ex allottee.

The reply was not tenable as sale price of the apartments was fixed Rs 5.00 million for general public, therefore, its allotment to PHA own officers was violation of the policy approved by the Government/Prime Minister. Selling of the property is the right of the every citizen but not at the cost of the public exchequer as the allottees had not paid full cost of the apartment, therefore they had no rights of the ownership.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that the matter may be investigated with a view to fix responsibility.

(Para 17)

### **1.3.12 Non-providing shelter to low income groups, the poor and needy people as mandated by the Government through resolutions since creation of PHA-Foundation**

Resolution of Cabinet Division in May 1999, pinpoints the commitment of the Government to alleviate the miseries of the common man and to improve the economic condition. As per Resolution, there is an acute housing crisis in the country which requires immediate action for providing shelter to low income groups, the poor and the needy. The Government of Pakistan is determined to provide shelter to the shelterless and established the Prime Minister's Housing Authority; the Authority shall prepare and promote plans for developing housing projects for the needy in Pakistan. Further, Pakistan Housing Authority was established under Resolution of Ministry of Housing & Works in March 2000.

Article-III of Memorandum of Association of PHA Foundation provides that the object for which the Company is established is as follows:

- a) To eliminate shelterlessness through development and construction of apartments for low income groups, employees of the PHA Foundation and other specified groups of people as decided by the foundation from time to time on ownership basis and at affordable cost.
- b) To initiate, launch, sponsor and implement Housing Schemes for the low income groups, employees of the Foundation and other specified groups of people as decided by the Foundation from time to time on ownership basis in Islamabad and other major cities of Pakistan.

Audit noted that PHAF launched twenty (20) schemes at Islamabad and Lahore wherein 8,085 apartments were planned and constructed out of which 2,214 apartments/flats were handed over to the allottees. A review of the case files leading to launching/allotment

indicated that applications were invited from the general public and federal government employees without ascertainment of the status of the applicants having low income groups/shelterlessness.

Audit observed that these apartments were booked by the some investors as evident from the fact that transfer of these flats frequently occurred which negates the objective of provision of shelter to the low income groups.

This state of affairs is well evident that basic objective of the Authority to prepare and promote plans for developing housing projects for the needy in Pakistan and to eliminate shelterlessness through development and construction of apartments for low income groups and other specified groups of people on ownership basis at affordable price could not be achieved.

Audit pointed out the non-achievement of objectives to the management in March-May 2016. The Authority replied that PHA Foundation works as a non-profit organization as such no profits on commercial basis are charged from the allottees. Only construction cost in design fee and subsidized land cost is charged.

The reply was not tenable as PHAF was established in 1999 for specific purpose to provides shelter to low income groups and needy people but since its creation only 8,085 apartment planned for construction out of which only 2,214 apartments could be handed over to the allottees and no criteria of shelterlessness and poor and needy people was determined while offering the apartments to the general public. As such the investors fetched the benefit of acquisition of the apartments at lower prices with relaxed schedule of payment and their disposal/sale on market rates.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that matter may be investigated with a view to fixing responsibility for non-providing of shelter to needy and poor people.

(Para 05)

### **1.3.13 Launching of scheme beyond the mandate and genuine necessity of the FG officers**

Resolution of Cabinet Division in May 1999, pinpoints the commitment of the Government to alleviate the miseries of the common man and to improve the economic condition. As per Resolution, there is an acute housing crisis in the country which requires immediate action for providing shelter to low income groups, the poor and the needy. The Government of Pakistan is determined to provide shelter to the shelterless and established the Prime Minister's Housing Authority; the Authority shall prepare and promote plans for developing housing projects for the needy in Pakistan. Further, Pakistan Housing Authority was established under Resolution of Ministry of Housing & Works in March 2000.

Article-III of Memorandum of Association of PHA Foundation provides that the object for which the Company is established is to eliminate shelterlessness through development and construction of apartments for low income groups, employees of the PHA Foundation and other specified groups of people as decided by the foundation from time to time on ownership basis and at affordable cost.

Eligibility criteria of Prime Minister Housing Programme for Federal Government Employees provides that those employees/officers who own a plot, house or apartment in their name or in the name of their spouse/dependent children allotted by Federal Government Employee Housing Foundation (FGEHF) anywhere in Pakistan, whether retained or disposed off, shall not be eligible. Each applicant shall have to submit an affidavit to this affect duly attested legally.

Audit noted that PHA-Foundation launched a housing scheme for federal government employees on Kuri Road Zone-IV, Islamabad in 2007

and options were invited from the interested officers of the federally constituted occupational groups (B-17 and above) which was subsequently specified for BPS-20 to 22 only in 2012. As per provision of the scheme, 588 housing units were to be constructed having three categories as below:

<b>S. No.</b>	<b>Category</b>	<b>BPS</b>	<b>No. of Units</b>
1	I	22	117
2	II	21	178
3	III	20	293

Audit observed that CDA allotted a piece of land measuring 90.82 acres at Kuri Road in the year 2011 to PHA-Foundation at cost of Rs 494.515 million at subsidized rate of Rs 680,625 per kanal for construction of officers housing units. The grey structure houses were to be constructed by the PHA-Foundation for handing over to the allottee officers.

A review of the case file indicated that offer letter for allotment of these houses were issued to all occupational officers on the basis of seniority list provided by Establishment Division with request to deposit 25% down payment. Out of 588 only 352 officers responded and deposited down payment and house number and lane number was allotted through balloting. Subsequently, ex-cadre officers were also declared eligible for the allotment of constructed grey structure houses. 2<sup>nd</sup> balloting was held in October 2012 and number of allottees increased from 352 to 414 which means that only 62 new members could have been added. In order to overcome the deficiency, afterward these housing units were offered to the officers in BPS-20 to 22 on first come first serve basis and all retired officers who retired in or after 2006.

Audit holds that launching of aforesaid scheme was beyond the mandate of PHA-Foundation and officer of B-20 to 22 were benefitted at the cost of public exchequer as elaborated hereunder:

1. PHA-Foundation was established to eliminate shelterlessness through development and construction of apartments for low income groups, whereas in the instant case grey structure houses were constructed for highly income groups rather than low income.
2. As per eligibility criteria Federal government employees or their spouse or family are not entitled for allotment of a house/flat or plot in Islamabad if they allotted earlier a house/flat or plot by the Housing Foundation, CDA or any Government agency at any time and whether it was retained or disposed of, whereas in this schemes this provision was relaxed and the officer having even 2 plots at Islamabad were allotted the houses as such officers were benefitted twice/trice which clearly indicated that scheme was not launched for needy officers not having owned accommodation at Islamabad.
3. CDA allotted a piece of land measuring 90.82 acres at Kuri Road in the year 2011 to PHA-Foundation at cost of Rs 494.515 million at subsidized rate of Rs 680,625 per kanal ( $\text{Rs } 494.515/90.82=5,445,000/8$ ) for construction of officers housing units. Whereas prevalent rate of land in same vicinity in other commercial housing schemes CDA Park Enclave and Bahria Enclave is approximately Rs 15 million per kanal. By virtue of this higher price of the land about 186 plots in 3 categories were sold (about one third of the scheme) by allottees to private parties which is another manifestation of genuine necessity of the allottee officers.

Non-adherence to resolution, standard rules, procedure, eligibility criteria caused launching of scheme beyond the mandate and genuine necessity of the FG officers.

Audit pointed out the irregularity to the management in March-May 2016. The Authority replied that housing scheme was approved by the then Prime Minister for Federal Government Secretaries for residential

plot on payment (in addition to the plot being given on turn through the FGEHF scheme. The housing scheme for Federal Government officers at Kuri Road was approved by Prime Minister. Therefore, grey structures were allotted to Federal Government Officers (BPS 20-22). The Board approved the transfer of housing unit in PHAF Officers' Residencia in 5<sup>th</sup> Board meeting held on 19<sup>th</sup> October, 2012. PHA Foundation is not a commercial organization therefore it cannot charge market price. Only actual cost plus three (3) percent admin charges were received.

The reply was not tenable as PHAF was established to provide shelter to low income groups and poor and the needy as such the scheme for the higher grade officers was beyond their mandate.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends investigation into the matter for fixing responsibility and action against persons responsible.

(Para 25)

#### **1.3.14 Unauthorized launching of scheme in violation of Prime Minister's approved housing policy**

Prime Minister of Pakistan, on 21<sup>st</sup> July, 2006, approved a scheme to provide a house on the lines of the Pakistan Army Welfare Directorate scheme for the federal government officers in BPS 17 and above.

In 25<sup>th</sup> Authority's meeting held on 15<sup>th</sup> October, 2010 it was decided that eligibility criteria shall be observed as approved by the Prime Minister i.e. allotment on age-wise seniority basis without pre-judice to the interest of others. Those officers shall be considered who have submitted option form and given Islamabad as first preference city and they were in service on 01<sup>st</sup> January, 2008.

The interest of officers of non-occupational groups/ex-cadre will also be taken care of as per approved policy by the Prime Minister of Pakistan.

As per approved scheme, Category-I, II & III grey structure houses were to be constructed for officers in BPS 22, 21 and 20 having plot size 50x90 (Cat-I), 40x80 (Cat-II) and 30x60(Cat-III) respectively and apartments were to be constructed for officers of BPS-19 with covered area of 1,926 Sft and BPS-18 & 17 with covered area of 1,365 Sft.

Audit noted that PHA-Foundation launched a housing scheme for federal government employees on Kuri Road (Zone-IV), Islamabad in 2007 and options were invited from the interested officers of the federally constituted occupational groups (B-17 and above) which was subsequently specified for BPS-20 to 22 only in 2012. As per provision of scheme, 588 housing units were to be constructed having three categories as below:

<b>S. No.</b>	<b>Category</b>	<b>BPS</b>	<b>No. of Units</b>
1	I	22	117
2	II	21	178
3	III	20	293

Audit observed that CDA allotted a piece of land measuring 90.82 acres at Kuri Road in the year 2011 to PHA-Foundation at cost of Rs 494.51 million at subsidized rate of Rs 680,625 per kanal for construction of officers housing units. The grey structure houses were to be constructed by the PHA-Foundation for handing over to the allottee officers.

Audit requisitioned the record relating to balloting for allotment of apartments conducted during the year 2014-15 and 2015-16 but no such record/information was provided to Audit. However, as per website of PHAF, a balloting was held on 02<sup>nd</sup> June, 2016 for the projects construction of apartments at Kuri Road (high rise apartments), G-10/2



(multi-storey executive apartments) and G-11/4 (multi-storey executive apartments), Islamabad for officers of BPS-20, 21 and 22.

As per approved policy, apartments were to be provided to the officers of BPS-17 to 19 only and grey structure houses for BPS-20 to 22 in Islamabad. Therefore, launching of scheme of apartments for officers of BPS-20 to 22 by the PHAF at its own was unjustified. Initially printed application forms were issued for FG officers (BPS-17 to 22) mentioning house and apartment size for BPS 17-18, 19, 20, 21 and 22. Afterward another application form was issued only for federally constituted occupational groups (BPS 20 to 22) mentioning category- I, II & III.

Audit holds that construction of the apartments for the officers of same rank to whom the grey structure houses were offered would create discrimination among the officers as well as sense of deprivation among the officers of BPS-17 to 19.

Non-adherence to Prime Minister's approved housing policy caused unauthorized launching of scheme.

Audit pointed out the unauthorized launching of housing scheme to the management in March-May 2016. The Authority replied that due to scarcity of land and in order to accommodate maximum number of officers (BPS 20-22) PHAF launched scheme of flats instead of housing units at Kuri Road Islamabad. The Board in its 21<sup>st</sup> meeting held on 19<sup>th</sup> April, 2016 approved the scheme of high-rise apartments and Residential-cum-commercial apartments for Federal Government Officers in BPS 20-22 at Kuri Road Islamabad on 14 kanals vacant land, whereas, housing scheme at I-16/3 had been launched for Federal Government Employees in BPS 1-19.

The reply was not tenable because as per approved policy by Prime Minister, the apartments were to be constructed for BPS 17 to 19, therefore, Board decision taken in 21<sup>st</sup> meeting in April 2016 was contrary to approved policy.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that the matter may be probed that how the Board of Directors approved a scheme in violation of approved policy of Prime Minister.

(Para 28)

## **Internal Control Weaknesses**

### **1.3.15 Non-according the technical sanction to the engineer's estimate by the competent technical authority of the schemes/projects valuing Rs 5,493.45 million**

Para 53 of Central Public Works Department (CPWD) Code provides that there are four main stages in the project for execution of works namely, admn approval, expenditure sanction, technical sanction and the appropriation & re-appropriation of funds. Para 56 of CPWD Code provides that for each individual work proposed to be carried out, a properly detailed estimate must be prepared for the sanction of competent authority; this sanction is known as the technical sanction to the estimate. As its name indicates, it amounts to no more than a guarantee that the proposals are structurally sound, and that estimates are accurately calculated and based on adequate data.

Para 7.11 of CPWD Code provides that the Chief Engineer have full powers to accept the tenders. Works Division may frame subsidiary rules relating to the calling for or acceptance of tenders and the general procedure connected with contracts.

Para 7.12 of CPWD Code provides that where work or the supply of material is to be given out on contract, the estimate has been technically sanctioned and the contract documents have been approved by an authority not lower than that empowered to accept the tender.

Para 7.14 of CPWD Code provides that the powers of officer to accept a tender are the same as the powers of according technical sanction.

Para 6.18 of CPWD Code provides that the following officers are empowered to accord technical sanction to detailed estimates for works subject to the limits stated below which are exclusive of charges for establishment and T&P:

Director General	Full powers
Chief Engineer	Full powers
Superintending Engineer	Rs 3,000,000
Executive Engineer	Rs 500,000

**1.3.15.1** Audit noted that PHAF initiated/launched 20 schemes for construction of 8,085 apartments/flats in Islamabad and Lahore out of which only 2,214 apartments could be handed over to allottees.

As per provision of the rules after obtaining the Admn approval detailed estimates were required to be sanctioned by the competent authority namely technical sanctions. A review of the record indicated that no such detailed estimates and technical sanctions were approved by the competent authority. In absence of which accuracy of the estimates and structural soundness of the proposal cannot be adjudged. It is worth to mention that there is no authority in PHAF having powers to accord technical sanctions of the projects/schemes.

This inaction at the part of the Authority necessitated several changes, modifications, variations, re-designing which caused delay in completion due to which these projects could not be handed over to allottees in time. The delay also inflated the cost of the apartments and the financial effect recovered from the allottee which defeated the very purpose of the Authority to provide shelter to needy and shelterless people at affordable price.

For instance, seven (7) stalled projects were initiated in 2008 with completion in 2010-11 could not be completed up till May 2016 despite

expiry of six years over the stipulated completion period resultant cost increased to the extent of Rs 889.495 million 45% over the original contract cost (from Rs 1,949.99 million to Rs 2,839.485 million). In overall 12 projects cost increased to the extent of Rs 2,223.549 million 41% over the original contract cost (from Rs 5,378.091 million to Rs 7,601.64 million) **(Annexure-B)**.

Non-adherence to codal provision caused execution of work without following due process of technical sanction.

Audit pointed out the irregularity to the management in March-May 2016. The Authority replied that in order to cater with this aspect, the matter was placed before the 20<sup>th</sup> BoD meeting of PHAF for re-designation of the post of Deputy Managing Director to Chief Engineer (BS-20) having full power to accord technical sanctions to estimates of no limit and was approved in the said BoD meeting. Accordingly, estimates of the entire projects are under preparation for obtaining Technical Sanction of the competent authority i.e. ‘‘Chief Engineer’’.

In reply it was conceded that aforesaid 12 schemes were not got technically sanctioned which necessitated several changes, modifications, variations, re-designing which caused delay in completion due to which these projects could not be handed over to allottees in time and the Authority earned bad name and seven projects were lagging behind about 5 to 7 years over the stipulated completion period. Audit stance was also endorsed by the 20<sup>th</sup> Board meeting by posting of the Chief Engineer to accord technical sanction estimates.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that all engineer’s estimate shall be got technically sanctioned by the competent forum.

(Para 04)

**1.3.15.2** As per provision of the rules after obtaining the Admn approval detailed estimates were required to be sanctioned by the competent authority namely technical sanctions. A review of the record indicated that no such detailed estimates and technical sanctions were approved by the competent authority. In absence of which accuracy of the estimates and structural soundness of the proposal cannot be adjudged.

Audit noted during review of the record of PHA Foundation that there was no technical authority to accord the technical sanction for the works/project. PHA Foundation launched various housing schemes in 2008 without obtaining technical sanctions which necessitated huge cost and time overrun and these schemes remained incomplete despite expiry of six (06) years over the original completion period. PHA Board constituted various inquiry committees to probe the matter on account of this abnormal delay in completion. Findings/recommendations of the inquiry committees concluded that PHAF is executing authority of public works therefore there should be a technical authority to accord the TS and technically monitor and watch the project.

In 20<sup>th</sup> Board of Director's meeting of PHAF, it was decided that Director (Engineering) Head of Engineering Wing, PHAF will accord Technical Sanction of all projects. Chairman Board also directed that all new projects may be launched within 2 to 3 months' time period. In 21<sup>st</sup> Board of Director's meeting, Director (Engineering) was designated as Chief Engineer with full powers as per CPWD Code.

It is pointed out that PHAF issued office memorandum that Technical Sanction for two works were accorded by the Managing Director/CEO of PHAF and subsequently tenders were called and accepted by the MD/CEO. As per afore-quoted provision of the CPWD Code the Technical Sanction and accord of Technical Sanction and calling and acceptance of the tenders was the responsibility of the Chief Engineer (PHAF), therefore, this action of the MD/CEO was not in order.

Non-adherence to rules caused non-accord of Technical Sanction and irregular calling and acceptance of the tenders amounting to Rs 115.361 million, as detailed below:

S. No.	Project	Amount (Rs in million)
1.	PHAF-POR-15/02: Construction of RCC retaining wall, two underground water tank and lowering of existing Kuri road at PHAF officers Residencia, Kuri Road, Islamabad	88.536
2.	PHAF-POR-15/01: Construction of boundary wall around four land packages earmarked for construction of apartment buildings at Sector I-16/3, Islamabad	26.825

Audit pointed out irregularity to the management in March-May 2016. The Authority did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that all engineer's estimate be got technically sanctioned by the competent forum.

(Para 50)

**1.3.16 Irregular/unauthorized transfer of apartments/grey structure houses allotted to FG employees at subsidized rates caused undue benefit to investors/dealers at the cost of public exchequer - Rs 1,124.46 million.**

PHA launched a scheme "Construction of 400 E-type apartments in G-11/3, Islamabad" which was exclusively specified for federal government employees, who were in service on 01<sup>st</sup> July, 2007. The scheme was extended to the regular civilian federal government

employees (BPS 1 to BPS-10) at subsidized rates under the direction of the then Prime Minister of Pakistan.

Clause 14.10 of the brochure provides that PHA shall notify the transfer of apartment separately.

Para 5-a (possession & cancellation) of terms and conditions of allotment provides that the ownership of the housing unit shall rest with PHA until the allottee had made full payment of the sale price and other miscellaneous charges.

Those employees who own a plot, house or apartment in their name or in the name of their spouse/dependent children allotted by Federal Government Employees Housing Foundation (FGEHF) anywhere in Pakistan, whether retained or disposed off were not eligible. Allottees were entitled to only one housing unit under this housing scheme located anywhere in the country.

Prime Minister of Pakistan approved to provide the-housing unit on the lines of the Pakistan Army Welfare Directorate Scheme for the officers of Federally Constituted Occupational Groups (BPS 20-22) with the following eligibility criteria:

- i. All civilian officers who were/are in service on 01<sup>st</sup> January, 2008 to 31<sup>st</sup> December, 2013 and have submitted option forms with Islamabad as first preference city shall be eligible for the allotment of a housing unit on age-wise seniority basis in relevant category. However, it was decided by the Board that the date may be opened to accommodate all Federal Government officers in the scheme after assessment of the initial response from the eligible members and subject to availability of land at Kuri Road.
- ii. Regular appointment in BPS shall be considered as on 01<sup>st</sup> January, 2011 for the allotment. The Pay-Scale of

selection grade/move over, acting charge, adhoc appointment shall not be considered in the relevant category.

- iii. If an officer is promoted to a higher position subsequent to the cut-off date of the scheme, It would entitle him to higher category subject to its availability otherwise he/she shall accept previous category.
- iv. The eligible officers of BPS 20-22 will be offered houses. The offer will stand valid in case of in-service death of the eligible officer or his/her death after retirement.

The allottee at any stage can opt for cancellation of his/her allotment subject to deduction of cancellation charges. Further, allotment will be cancelled in case of non-payment of two installments. In such cases penalty/cancellation charges @ 10% of price of the housing unit shall be imposed and balance payment, if any, will be refunded. PHA shall offer the cancelled housing unit to the officer who is next in order of seniority.

**1.3.16.1** Audit noted that a scheme was launched in 2008 to be completed within 24 months. These apartments were allotted to members through balloting in October 2008. Provisional allotment letters were issued with the payment schedule of 12 quarterly installments starting from 01<sup>st</sup> March, 2009 and to be completed up to 10<sup>th</sup> December, 2011 after down payment.

Audit further noted that in most of the cases allottees deposited down payment and two or three installments to PHAF. Subsequently these allottees sold these apartments to private persons under the transfer procedure issued by PHAF in June 2009 vide No.PHA/ISL/ASC/220/G-11/3-09/10217 with left over dues/payments of the apartment on same payment schedule as offered to the original allottees by charging transfer fee ranging from Rs 35,000 to Rs 45,000 in each case.

Audit observed the following irregularities in these transfer cases:



- 1) Apartments were sold by the allottees in violation of Para 5-a of the terms and conditions of allotment without making full payment and taking possession of the apartment from PHA.
- 2) Apartments were offered/allotted to the FG employees at the subsidized rates for the benefit of FG employees exclusively, therefore, its sale/transfer to the private person was violation of the approved objective of the scheme.
- 3) The transfer procedure issued by the PHA is not in line with the objectives and vision of the Prime Minister as in the procedure there is no restriction for transfer of the apartments to a person other than FG employees which was the prime objective of the scheme approved by the Prime Minister.
- 4) Transfer procedure/rate of transfer fee being charged and frequent transfer of apartments indicates that it has been made source of income for PHAF in addition to the regular income provided in the engineer's estimate of the scheme as is evident from the receipt of transfer fee for the years 2012, 2013, 2014 and 2015 besides recurrent involvement of the real estate agents.
- 5) The scheme was exclusively launched for low paid FG employees, therefore, transfer to private parties on same subsidized cost and with same payment schedule negated the very purpose of the scheme to provide shelter to shelter less needy people as envision by the Prime Minister.

In order to accomplish the objective of the scheme, these apartments were required to be offered to the FG employees lying on the waiting list. As this scheme was launched at the direction of the Prime Minister to provide shelter to low paid employees in capital city, therefore, its transfer to general public was required to be made after approval of the

said competent authority, whereas PHA allowed at their own which was against the spirit of scheme.

Audit observed that these apartments were purchased by some investors as evident from the fact that transfer of these flats frequently occurred which negates the objective of provision of shelter to the low income groups and benefited the investors/dealers.

Irregular/unauthorized transfer of apartments from FG employees at subsidized rates caused undue benefit to investors/dealers at the cost of public exchequer worth Rs 722.5 million.

Audit pointed out the irregular transfer of apartments to the management in March-May 2016. The Authority replied that:

- i. PHAF allots the apartment on ownership basis as per policy. Selling apartments after depositing of down payment reveals that these allottees could not bear the burden of construction cost. Therefore, preferred to earn profit by using ownership rights.
- ii. Private parties purchase the apartment on market value not on construction cost. Revising the payment schedule (increasing the price of apartment for private owners) would have decreased the demand of apartments in market and ultimately low paid employees would have faced huge loss.
- iii. PHAF can do nothing if the remaining 289 allottees cannot pay the construction cost of apartment as PHAF is self - finance organization and no government fund is available for the Projects of apartments. Therefore, at least collection of construction cost is necessary for the completion of projects.
- iv. Most of the 1-10 FG Employees cannot afford the construction cost therefore they sell the apartment immediately and there is no government funding to further subsidize cost.

- v. Paying entire apartment price before transfer case means paying entire apartment by purchaser before issuance of transfer procedure. This will create complications if the deal is cancelled between seller and purchaser before transfer case executions.
- vi. One apartment is allotted to one employee/person. Therefore question of selling apartments to investor does not arise. Making Audit Para on mere conjectures and surmises and guesses is unjustified.

The reply was not tenable as Prime Minister's approved policy for providing shelter to FG employees BPS 01 to 10 at concessional rate at affordable cost without charging the cost of land, amenities etc. PHAF was mandated to provide suitable accommodation to low income FG employees and to facilitate them for said purpose. But PHAF violated the aforesaid policy and played a role as an estate agent in order to sell the apartments to the private person instead of offering the other employees lying on the waiting list. The investors fetched the benefit of differential cost of sale price of apartment and market price. Audit observation is based on facts not on conjectures, surmises and guesses.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

(Para 22)

**1.3.16.2** Audit noted that PHAF launched a scheme for construction of grey structure houses at Kuri Road, Islamabad for officers of BPS-20, 21 and 22. Payment schedule was given to all allottees with offer letter for payment of installments.

Audit further noted that 186 allottees deposited down payment and two or three installments to PHAF. Subsequently, these allottees sold these apartments to private persons under the transfer procedure issued by PHAF in June 2009 with left over dues/payments of the apartment on

same payment schedule as offered to the original allottees by charging transfer fee ranging from Rs 125,000 to Rs 145,000 in each case.

Audit observed the following irregularities in these transfer cases:

- 1) Housing units were sold by the allottees in violation of the terms and conditions of allotment without making full payment and taking possession of the apartment from PHA.
- 2) PHAF violated approved terms and conditions of the scheme by transferring the housing unit to private person rather offering unit to the officer who is next in order of seniority.
- 3) Housing units were offered/allotted to the FG officers at the subsidized rates for the benefit of FG officers exclusively, therefore, its sale/transfer to the private person was violation of the approved objective of the scheme.
- 4) The transfer procedure issued by the PHAF is not in line with the objectives and envision of the Prime Minister as in the procedure there is no restriction for transfer of the apartments to a person other than FG employees which was the prime objective of the scheme approved by the Prime Minister.
- 5) Transfer procedure/rate of transfer fee being charged and frequent transfer of apartments indicates that it has been made a source of income for PHAF in addition to the regular income provided in the engineer's estimate besides recurrent involvement of the real estate agents.
- 6) Due to high prices of the land in the vicinity about 186 plots in 3 categories were sold (about one third of the scheme) by allottees to private parties which is another manifestation of genuine necessity of the allottee officers.
- 7) It was noticed that some units were sold twice, thrice and some of the investors purchased 3 to 4 units individually.

In order to accomplish the objectives of the scheme these apartments were required to be offered to the FG officers lying on the waiting list as per condition of the brochure. As this scheme was launched at the direction of the Prime Minister to provide shelter to FG officers in capital city, therefore, its transfer to general public was required to be made after approval of the said competent authority, whereas PHA allowed at their own which was against the spirit of scheme.

Irregular/unauthorized transfer of grey structure houses from FG employees at subsidized rates caused undue benefit of Rs 345.96 million to investors/dealers at the cost of public exchequer.

Audit pointed out the irregular transfer of houses to the management in March-May 2016. The Authority replied that PHAF has not violated any terms and conditions by transferring the housing unit to a private person. This is the fundamental right of the allottee to sell his/her property to any one hence how can PHAF force the allottee to sell the unit to the officer who is next in the order of seniority.

Audit holds that as per approved policy of the Prime Minister the grey structure plots at Kuri Road was to be specifically meant for FG officers of BPS-20 to 22 at very nominal subsidized rates as compare to proximity of the area. The allottees sold these plots after payment of only 2 to 3 installments while they were not even having ownership rights. These plots were required to be offered to the next officers on the waiting list rather than disposal of officers' residencia to the private persons.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that responsibility may be fixed for transfer of houses without receipt of full cost and rights of the ownership.

(Para 40)

**1.3.16.3** Audit noted that a scheme was launched in 2008 to be completed within 24 months completion period up to 2010. These apartments were allotted to members through balloting in October 2008 allotted to FG employees BPS-1 to 10. Allotment letters were issued with the payment schedule of 12 quarterly installments starting from March 2009 to December 2011. Letter of additional cost of Rs 799,685 was issued in March 2014 to all allottees with a schedule of three equal installments required to be deposited up to 10<sup>th</sup> May, 2014.

Audit observed that in most of the cases allottee deposited only down payment and one or two installments to PHAF and afterward these units were transferred/sold to private persons with left over dues/payments through PHA on same payment schedule.

Audit further observed that Director (Land/Estate) published a notice for demand in newspapers on 05<sup>th</sup> August, 2015 indicating the names of 158 defaulting allottees of G-11/3 E-type apartments for cancellation of apartments in case of non-payment of outstanding dues. A review of the case files indicated that 28 apartments were subsequently sold to third party by these defaulters after issuance of this notice; 65 allottees did not deposit their outstanding dues and apartments not handed over to them and 65 apartments were handed over on clearance of dues after issuance of this notice.

As per payment schedule issued to the allottees, final payment of dues was to be completed up to December 2011 for original cost and up to 10<sup>th</sup> May, 2014 for additional cost of Rs 799,685. The scheme was exclusively launched for low paid FG employees, therefore, transfer to private parties on same subsidized cost and with same payment schedule negated the very purpose of the scheme to provide shelter to shelter less needy people as envision by the Prime Minister. In order to accomplish the objective of the scheme these apartments were required to be offered to the FG employees lying on the waiting list after cancellation these plots were managed to be sold by the defaulter allottees through real estate agents giving under benefit to the defaulter allottee and agents in violation of the policy.

Audit holds that from the record it appeared that issuance of the cancellation notice and subsequent sale of these apartments to non-entitled members/private party was managed by the Land/Estate Wing in violation of the policy which tantamounts to mis-use of the powers by the Director (Land). The scheme was exclusively launched for low paid FG employees, therefore, transfer to private parties on same subsidized cost and with same payment schedule negated the very purpose of the scheme to provide shelter to shelter less needy people as envision by the Prime Minister.

Audit is of the view that these apartments were purchased by some investors as evident that transfer of these flats was frequently occurred which negates the objective of provision of shelter to the low income groups and benefited the investors/dealers. Irregular/unauthorized transfer of apartments allotted to FG employees at subsidized rates caused undue benefit to investors/dealers at the cost of public exchequer worth Rs 56 million (28 apartments x Rs 2.0 million).

Audit pointed out the loss to the management in March-May 2016. The Authority replied that:

- i. The scheme was launched for low paid employee's i-e BPS (1-10). The reason behind transfer to private parties is that most of the low paid employees could not afford to pay the construction cost.
- ii. PHAF can do nothing in case the allottee cannot pay construction cost. Holding him back will be exploiting him as Delayed Payment Charges will continue to accrue.
- iii. PHAF allows the allottees to transfer the apartment in order to save low paid allottees from cancellation of apartment.
- iv. PHAF always allots the apartments on ownership basis. Selling the property is the right of allottee. Allottee can sell his property whenever he/she wants. Land Wing facilitates transfer cases which also increase PHAF's revenue in the shape of transfer cases. No any violation is made by Land

Wing. There is no such policy that allottee cannot transfer the apartment to third party.

- v. The scheme was launched for the welfare of low paid employees. The transfer to private parties was not on subsidized cost. Purchasers must have paid healthy profit to low paid employees to get the ownership apartment.
- vi. PHAF can do nothing in case the allottee is unable to pay and sell the apartment to investor. Whenever any apartment is sold to third party by the original allottee; the FG employee receives the amount it has paid to PHA (construction cost) plus market value.
- vii. The purpose of PHAF is achieved i.e. welfare of low paid employees when they receive the market value of apartment against the sale which PHAF has originally waived off at the time of allotment..
- viii. Not allowing the allottees to transfer the apartment and cancelling the apartment same time due to non-payment would have been clear injustice to already low paid employees.
- ix. Selling of property is the fundamental right of every citizen under the articles 22 and 23 of the constitution. Prohibiting the allottees from selling their apartments will be clear violation of articles 22 and 23 of the constitution.
- x. There is no guarantee that if the apartment is allotted to low paid employees in waiting list he/she will not default the payment like the previous one.

Selling the apartment to third party is in no way benefit to investor. It does not affect the financial health of the Authority. Only beneficiary from the transfers is low paid employees.

The reply was not tenable as sale price of the apartments was fixed Rs 5.00 million for general public, therefore, its allotment to PHA own officers was violation of the policy approved by the Government/Prime



Minister. Selling of the property is the right of the every citizen but not at the cost of the public exchequer as the allottees had not paid full cost of the apartments, therefore, they had no rights of the ownership.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that the matter may be investigated at higher level with a view to fix responsibility besides making good the loss from person at fault

(Para 33)

**1.3.17 Non-evaluation of the receivable on account of cost of sales along with the additional cost in the financial statements caused qualification and short receipt - Rs 722.50 million**

As per provisional allotment letter, the allotment is subject to observance of strict adherence to the terms and conditions as laid down in the brochure for the scheme and regular clearance of all dues as per schedule of payment given to allottees. Allotment will be cancelled in case of non-payment of two installments.

Clause 10.1 of terms and conditions of allotment provides that the costs are tentative and are subject to variations on account of escalation in prices and unforeseen circumstances. The cost of apartment, if increases due to the factors beyond control of PHA, shall be finally determined and charged from the allottees on the basis of actual expenditures incurred on completion of the apartments which will be communicated to the allottees in due course.

Rule 26 of GFR (Vol-I) provides that it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed and realized and duly credited in the public account.

**1.3.17.1** Audit noted that PHA launched a scheme for construction of grey structure houses at Kuri Road, Islamabad for officers of BPS-20, 21 and 22. Payment schedule was given to all allottees with offer letter for payment of installments.

Audit observed that an amount of Rs 435.079 million was receivable from the allottees as per approved schedule up till April 2016, which was lying outstanding.

A review of the notes to the financial statements for the year 2013-14 indicated that external auditors qualified the statements on the basis of non-reconciliation/non-evaluation of receivables by the Land and Estate Wing of PHAF. This inaction at the part of the Land and Estate Wing of PHAF caused qualification in the financial statements, which rendered them responsible for qualification of accounts.

Non-evaluation of the receivable on account of cost of sales along with the additional cost in the financial statements caused qualification and short receipt of Rs 435.079 million.

Audit pointed out the short receipt to the management in March-May 2016. The Authority replied that same observation has already been raised in fiscal year 2012-13 and printed in audit report 2013-14 (Para 8.4.3). In pursuance of BoD decision, all the allottees were communicated to deposit the additional cost in three equal installments and also management offer 10% rebate who deposit additional cost in lump sum within month of issuance date of additional cost letter.

The reply was evasive one as financial statements were qualified on the basis of non-calculation of payables and receivables and this fact was substantiated in the ensuing audit observation wherein Audit calculated millions of rupees outstanding on account of original cost of apartments in installments and delay payment charges from the defaulters/allottees.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that the matter may be investigated with a view to fix responsibility for non-evaluation of receivables/short receipt and loss may also made good from person(s) responsible.

(Para 37)

**1.3.17.2** Audit noted that a scheme for construction of D-type apartments at G-10/2, Islamabad was launched in 2008. The estimated construction cost of each apartment was Rs 1.90 million (Federal Government Employees) and Rs 3.50 million (General Public). All apartments were allotted with the same payment schedule. As the construction contractor could not complete the work within stipulated completion period due to various reasons resultantly cost escalated. As per terms and conditions of the allotment the additional cost was required to be borne by the allottees and accordingly notices with payment schedule of additional cost were issued to allottees.

Audit observed that total cost of sales along with additional cost of Rs 1,189.814 million was receivable from the allottees out of which an amount of Rs 1,029.787 million was shown received in statement prepared by Land Wing, leaving a balance outstanding receivable of Rs 160.026 million. As per provision of rule these receivables were required to be depicted in the financial statements.

A review of the note of financial statements for the year 2013-14 indicated that external auditors qualified the statements on the basis of non-reconciliation/non-evaluation of receivables by the Land and Estate Wing of PHAF. This inaction at the part of the Land and Estate Wing of PHAF caused qualification in the financial statements.

Non-evaluation of the receivable on account of cost of sales along with the additional cost in the financial statements caused qualification and short receipt of Rs 160.026 million.

Audit pointed out short receipt to the management in March-May 2016. The Authority replied that in pursuance to condition of allotments, payments schedule was/is being served to each allottee at time of allotment and directed each allottees to deposit installments according. In response allottees deposited the principal amount to PHAF and same forwarded to Finance Wing for incorporation of receipts in accounts reports. Later on Board of Directors decided to impose additional cost on allottees. As a result thereof, most of allottees approached to court for getting remedies. Due to court involvement, receipts targets were not triggered timely.

The reply was evasive one as financial statements were qualified on the basis of non-calculation of payables and receivables and this fact was substantiated in the ensuing audit observation wherein Audit calculated millions of rupees outstanding on account of original cost of apartments in installments and delay payment charges from the defaulters/allottees.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that the matter may be investigated with a view to fix responsibility for non-evaluation of receivables/short receipt and loss may also made good from person(s) responsible.

(Para 34)

**1.3.17.3** Audit noted that PHA launched a scheme for construction of E-type, D-type and B-type executive apartments at Wafaqi Colony, Lahore for federal government employees ad general public and accordingly Payment schedules were given to all allottees with offer letter for payment of installments.

Audit observed that an amount of Rs 729.332 million was receivable from the allottees as per approved schedule out of which an

amount of Rs 679.114 million was received leaving balance out-standing amount of Rs 50.218 million (**Annexure-C**).

Audit further observed during review of the note of financial statements for the year 2013-14 that external auditors qualified the statements on the basis of non-reconciliation/non-evaluation of receivables by the Land & Estate Wing of PHAF. This inaction at the part of the Land & Estate Wing of PHAF caused qualification in the financial statements which rendered them responsible for qualification of accounts.

Non-evaluation of the receivable on account of cost of sales along with the additional cost in the financial statements caused qualification and short receipt of Rs 50.803 million.

Audit pointed out short receipt to the management in March-May 2016. The Authority replied that in pursuance to condition of allotments, payments schedule was/is being served to each allottee at time of allotment and directed each allottee to deposit installments according. In response allottees deposited the principle amount to PHAF and same forwarded to Finance Wing for incorporation of receipts in accounts reports. Later on additional cost was imposed on allottees as BoD decision. In results, most of allottees approached to court for getting remedies. Due to court involvement, receipts targets were not triggered timely.

The reply was evasive one as financial statement were qualified on the basis of non-calculation of payables and receivables and this fact was substantiated in the ensuing audit observation wherein Audit calculated millions of rupees outstanding on account of original cost of apartments in installments and delay payment charges from the defaulters/allottees.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that the matter may be investigated with a view to fix responsibility for non-evaluation of receivables/short receipt and loss may also made good from person(s) responsible.

(Para 46)

### **1.3.18 Loss due to non-recovery of cost of land caused unjustified burden on the Authority's revenue - Rs 267.87 million**

Note 3.5 of financial statements provides that the carrying amount of the Foundation's assets is reviewed at each statement of functional position date to determine whether there is any indication of impairment. If such indications exist the assets recoverable amount is estimated in order to determine the extent of the impairment loss if any impairment loss is recognized as expense in the income and expenditure account.

Note 3.6 of financial statements provides that the cost of projects comprise the cost of acquisition and development of land, consultation fee, cost of civil works and infrastructure. All these costs are stated at lower cost incurred to date on projects or net realizable value. WIP is charged to cost of sales on the basis of unit cost method of the units transferred to allottees in a period.

Audit noted during review of the accounts record that 5 schemes were launched in 2003 at G-7, G-8 and G-11/4, Islamabad. The total land 31.61 acres was acquired for these schemes from CDA at a cost of Rs 267.87 million.

Audit observed during review of financial statements that these schemes have since been completed and cost of the apartments also received from the allottees and apartments were handed over to them but land cost of these schemes was still outstanding as liability against the PHA-Foundation.

This state of affairs indicated that either the cost of land received from the allottees was utilized on other object instead of clearance of the liability or said cost was not charged/recovered from the allottees in

violation of the standard accounting procedure which would have borne by the PHAF at its own.

Non-adherence to standard accounting procedure and non-recovery of cost of land caused unjustified burden on the Authority's revenue which is ultimately loss to Authority for Rs 267.87 million.

Audit pointed out the loss to the management in March-May 2016. The Authority replied that the projects of G-7 and G-8/4 were launched in 2003 and they do not fall under special audit period.

The reply was not tenable as this liability was still appearing in the book of accounts, therefore, it was fall in the purview of special audit and authority has nothing to say in its defence. Audit point stands established.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that responsibility may be fixed against person(s) at fault. Moreover, measures be adopted to ensure prompt recovery of dues.

(Para 23)

### **1.3.19 Non-maintenance of separate account for security deposit - Rs 134.38 million**

Para 394 of CPWA Code provides that percentage deductions for security deposit made from contractor's and consultant's bills should be credited to a separate account. Rule 276 of GFR provides that whenever a private firm enters into a contract with government to execute a work, be required to give security for the due fulfillment of the contract and suitable provisions regarding the security should be incorporated in the agreement.

Audit noted during review of the account record that an amount of Rs 134.38 million was deducted by PHAF from the contractors on account

of retention money/security deposits from their claims/bills as evident from the statement provided by the Finance Wing. It was observed that said deduction was treated as minus (-) expenditure instead transfer of the said deducted amount into the separate account and it remained in the PHA-Foundation's main account wherein entire receipt/expenditure/releases were being maintained.

As per provision of rules the contractors and consultants securities shall be required to be credited to separate head of account and on maturity these securities would be released to the concerned claimant.

Non-adherence to rules caused non-maintenance of separate account of security deposit for Rs 134.38 million. **(Annexure-D)**

Audit pointed out the irregularity to the management in March-May 2016. The Authority replied that as pointed out by Audit total retention money of all contractors of PHAF for all projects was recalculated and found that total amount was Rs 167.667 million instead of Rs 134.38 million. All retention money deducted from contracts in future would be deposited in same account in order to avoid audit observation.

The reply was not tenable as per rule separate account of retention money is required to be maintained, hence there is no matter of reconciliation of figures of security money deducted and released.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends early opening of separate account for retention money/security deposit.

(Para 16)



### **1.3.20 Non-receipt of delayed payment charges - Rs 114.412 million**

Payment schedule in brochure of housing scheme for officers at Kuri Road provides that in case of any deviation from the payment schedule, the allottee will be liable to penalty @ 2% per month of the installment amount.

As per clause 10.8 of the terms and conditions delayed payment charges would be levied @ 2% per month for late payment of installment.

Rule 26 of GFR (Vol-I) provides that it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed and realized and duly credited in the public account.

Audit noted that PHA launched a scheme for construction of grey structure houses at Kuri Road, Islamabad for officers of BPS-20, 21 and 22. Another scheme “construction of executive B-type apartments for general public at Wafaqi Colony, Lahore” was also launched in 2008-09. Payment schedule was given to all allottees with offer letter for payment of installments.

Audit observed that as per provision of allotment, 2% delayed payment charges were required to be levied on account of delayed payment to be calculated on monthly basis in order to ascertain total receivables, but no such calculation was available in the allotment files. When asked from the Land Wing they responded that these charges are calculated when allottee contacted PHAF for taking possession or request for transfer of apartment. In most of cases more than 3 installments in a row were outstanding which were liable to be cancelled as per provision of allotment but no such action was initiated.

PHA-Foundation was established to eliminate shelterlessness through development and construction of apartments for low income groups, whereas in the instant cases grey structure houses and executive

apartments were constructed for high income groups (BPS-20 to 22) and general public rather than low income beyond the mandate.

A review of the note of financial statements indicated that external auditors qualify the statements on the basis of non-reconciliation/non-evaluation of receivables by the Land and Estate Wing of PHAF.

Non-adherence to terms and conditions of the allotment caused non-receipt of delayed payment charges amounting to Rs 114.412 million, as detailed below:

<b>S. No.</b>	<b>Para No.</b>	<b>Scheme</b>	<b>Amount (Rs in million)</b>
1.	30	Construction of grey structure houses at Kuri Road, Islamabad for officers of BPS-20, 21 and 22.	97.208
2.	31	Construction of executive B-type apartments for general public at Wafaqi Colony, Lahore	17.204
	<b>Total</b>		<b>114.412</b>

Audit pointed out the non-recovery of delayed payment charges to the management in March-May 2016. The Authority replied that as per terms and conditions of the allotment, in case of any deviation from the payment schedule, the allottee would be liable to penalty @ 2% per month of installment price. The delayed payment charges were not calculated on monthly basis. The exact amount of delayed payment charges are calculated at the time of transfer of housing unit or on the demand of allottee. Delayed payment charges are possible to calculate exactly on paid installment not on unpaid installments as on unpaid installment it increases day by day.

In reply it was conceded that delayed payment charges were not being calculated as per provision of allotment on quarterly basis which was clear lapse at the part of Land Wing of PHAF.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that a proper system/mechanism may be adopted for reconciliation/evaluation of receivables.

**1.3.21 Non-encashment of bank guarantee of worth Rs 78.829 million and non-blacklisting of contractor by the PEC due to non-mobilization at site by contractor**

Clause 63.5 of particular condition of contract Part-II provides that failure of the contractor to mobilize at site in accordance with programme of works shall lead to discharge of both the parties from further performance except as to employer's right under this clause to en-cash the full amount of the bank guarantee for advance payment and the performance security together with utilization of insurance policies if furnished by the contractor in respect of contract as compensation against damages incurred upon employer due to such failure of contractor to mobilize at site. The employer shall have further right of debarring the contractor from participation in future works in PHAF up to three years or to recommend PEC for blacklisting as per PEC Bylaws.

**1.3.21.1** Audit noted that tender/bid for work contract No.PHAF-POR-15/Package-1/03 construction of 65 Category-I Houses at Kuri Road were invited on 14<sup>th</sup> October, 2015 in one envelop on two stage basis. Technical bids were opened on 05<sup>th</sup> November, 2015 wherein 11 firms were technically qualified. Financial bids of the technically qualified bidders were opened on 25<sup>th</sup> November, 2015 wherein M/s AIRRS stood 1<sup>st</sup> lowest evaluated with his bid cost of Rs 441.405 million against engineer's estimate of Rs 463.005 million. Subsequently, bid of M/s AIRRS for an amount of Rs 441.405 million was accepted and letter of acceptance was issued to contractor on 22<sup>nd</sup> December, 2015. The contractor submitted performance guarantee of Rs 21.785 million (Guarantee No. PS(G)/07/11686 of Al-Baraka Bank with validity period of three years up to 28<sup>th</sup> June, 2018.

The contract agreement was signed by the both parties on 01<sup>st</sup> January, 2016 and contractor submitted bank guarantee No.MG-78602/15/0243 for mobilization advance amounting to Rs 43.571 million from Al-Baraka Bank. A review of the cheque register indicated that a cheque bearing No.22000471 for an amount of Rs 20.15 million on 15<sup>th</sup> January, 2016 was issued to M/s AIRRS on account of mobilization advance.

Audit further observed that the cheque was marked as ‘cancelled’ which indicated that the contractor did not mobilize at site for execution of the work which means that contractor defaulted and denied to execute the work. In view of above situation PHAF was required to invoke the afore-quoted clause 63.5 and following action needs to be taken:

- Encashment of the full amount of the bank guarantee for advance payment and the performance security together for damages incurred upon employer due to such failure of contractor to mobilize at site.
- The employer shall have further right of debarring the contractor from participation in future works in PHAF up to three years and recommend PEC for blacklisting as per PEC Bylaws, but despite expiry of three month over the default no action was found to be taken by the PHAF management.

Non-adherence to contract agreement caused non-encashment of bank guarantee of worth Rs 43.571 million and non-blacklisting of contractor by the PEC.

Audit pointed out non-encashment of bank guarantee to the management in March-May 2016. The Authority replied that after signing of the contract agreement M/s AIRRS submitted Guarantee by Al-Baraka Bank amounting to Rs 43.571 million as Mobilization Advance Guarantee duly verified by the said bank.

During the process of clearing of the said cheque it was decided to recheck the said guarantee personally by PHAF from the respective banks to cross-check the same, wherein it was found that the said guarantees were never issued by the Al-Baraka Bank and the said guarantees were not genuine. The same was also testified by Al-Baraka vide their letter No. Nil dated 22<sup>nd</sup> January, 2016. As a remedy PHAF immediately stopped the payment of the said cheque and was later cancelled to safeguard PHAF from any financial loss. Employees of the lower ranks who were involved in AL-Baraka Bank, because of this fraud they were dismissed.

Based on the fraudulent practice of the contractor M/s AIRRS the said agreement along with the letter of acceptance was cancelled *ab initio* and following further actions had been initiated against them. M/s AIRRS has been debarred from any further participation in PHAF projects. Case for blacklisting of M/s AIRRS had been sent to PEC vide letter No. PHA/Finance/B-G/PEC/2016/768 dated 03<sup>rd</sup> February, 2016.

In reply it was conceded that after issuance of the letter of acceptance and cheques for mobilization advance the contract could not be got signed as bank guarantees of mobilization advance and performance security were found fake. This action of the contractor rendered him to be penalized and debarring and blacklisting from the PEC. The PHAF referred the case to PEC in February 2016, but response from the PEC is awaited. Final action in pursuance of the contract provisions is awaited in audit.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that action towards debarring the contractor from PEC and acceptance of fake bank guarantees needs to be taken.

(Para 07)

**1.3.21.2** Audit noted that tender/bid for work contract No.PHAF-POR-15/Package-2/04 construction of 52 Category-I Houses at Kuri Road were

invited on 14<sup>th</sup> October, 2015 in one envelop in two stage basis. Technical bids were opened on 06<sup>th</sup> November, 2015 wherein 8 firms were technically qualified. Financial bids of the technically qualified bidders were opened on 25<sup>th</sup> November, 2015 wherein M/s AIRRS stood 1<sup>st</sup> lowest with bid cost of Rs 352.587 million against engineer's estimate of Rs 370.320 million. Subsequently bid of M/s AIRRS was accepted and letter of acceptance was issued to contractor on 22<sup>nd</sup> December, 2015. The contractor submitted performance guarantee of Rs 17.629 million (Guarantee No. PS(G)/07/11687 of Al-Baraka Bank with validity period of three years up to 28<sup>th</sup> June, 2018.

The contract agreement was signed by the parties on 01<sup>st</sup> January, 2016 and contractor submitted bank guarantee against mobilization advance amounting to Rs 35.258 million from Al-Baraka Bank. A cheque bearing No.22000475 for an amount of Rs 16.307 million dated 15<sup>th</sup> January, 2016 was issued to the contractor on account of mobilization advance.

Audit further observed that the cheque was marked as 'cancelled' in the Register which indicated that the contractor did not mobilize at site for execution of the work that means that contractor defaulted and did not commence the work at site and rendered himself liable to be proceeded under clause 63.5 with following actions to be taken; but PHAF did not invoke the aforesaid clause.

- Encashment of the full amount of the bank guarantee for advance payment and the performance security together for damages incurred upon employer due to such failure of contractor to mobilize at site.
- The employer shall have further right of debarring the contractor from participation in future works in PHAF up to three years and recommend PEC for blacklisting as per PEC Bylaws, but despite expiry of three month over the default no action was found to be taken by the PHAF management.

Non-adherence to contract agreement caused non-encashment of bank guarantee of worth Rs 35.258 million and non-blacklisting of contractor by the PEC.

Audit pointed out non-encashment of bank guarantee to the management in March-May 2016. The Authority replied that after signing of the contract agreement M/s AIRRS submitted Guarantee issued by Al-Baraka Bank amounting to Rs 35.258 million as Mobilization Advance Guarantee duly verified by the said bank.

During the process of clearing of the said cheque it was decided to recheck the said guarantee personally by PHAF from the respective bank to cross-check the same, wherein it was found that the said guarantees were never issued by the Al-Baraka Bank and the said guarantees were not genuine. The same was also testified by Al-Baraka vide their letter No. Nil dated 22 January, 2016. As a remedy PHAF immediately stopped the payment of the said cheque and was later cancelled to safeguard PHAF from any financial loss.

Based on the fraudulent practice of the contractor M/s AIRRS the said agreement along with the letter of acceptance was cancelled *ab initio* and following further actions had been initiated against them. M/s AIRRS has been debarred from any further participation in PHAF project. Case for blacklisting of M/s AIRRS has been sent to PEC vide letter No.PHA/Finance/B-G/PEC/2016/768 dated 3<sup>rd</sup> February, 2016.

In reply it was conceded that after issuance of the letter of acceptance and cheques for mobilization advance the contract could not be got signed as bank guarantees of mobilization advance and performance security were found fake. This action of the contractor rendered him to be penalized and debarred and blacklisting from the PEC. The PHAF referred the case to PEC in February 2016, but response from the PEC is awaited.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that action towards debarring the contractor from PEC and acceptance of fake bank guarantees needs to be taken.

(Para 06)

### **1.3.22 Loss due to retaining the apartments vacant and non-allotment to the needy, shelterless members - Rs 64.50 million**

Resolution of Cabinet Division in May 1999, pinpointed the commitment of Government to alleviate the miseries of the common man and to improve the economic condition. There is an acute housing crisis in the country which requires immediate action for providing shelter to low income groups, the poor and the needy. The Government of Pakistan is determined to provide shelter to the shelterless and established the Prime Minister's Housing Authority; the Authority shall prepare and promote plans for developing housing projects for the needy in Pakistan. As per Resolution of Ministry of Housing and Works in March 2000, the Authority shall be called the Pakistan Housing Authority.

Article-III of Memorandum of Association of PHA Foundation provides that the object for which the Company is established is as follows:

- a) To eliminate shelterlessness through development and construction of apartments for low income groups, employees of the PHA Foundation and other specified groups of people as decided by the foundation from time to time on ownership basis and at affordable cost.
- b) To initiate, launch, sponsor and implement Housing Schemes for the low income groups, employees of the Foundation and other specified groups of people as decided by the Foundation from time to time on ownership basis in Islamabad and other major cities of Pakistan.



**1.3.22.1** Audit noted that a scheme for construction additional 104 apartments at I-11 Sector was launched in 2008. Applications were invited from the registered members and 1,006 applications were received. Computer balloting was carried out on 17<sup>th</sup> May, 2008 and offer letters were issued to successful members with payment schedule from 01<sup>st</sup> September, 2008 to 10<sup>th</sup> December, 2009. A review of the allotment files indicated that after allotment to the successful member through balloting certain allotment were cancelled due to non-deposit of down payments/installments and subsequently these apartments were allotted to PHA/Ministry employees at concessional rate Rs 2.00 million against the sale price of Rs 2.70 million to Rs 3.00 million at revised schedule from 01<sup>st</sup> July, 2012 to 01<sup>st</sup> April, 2015 instead of offering allotment to the awaiting members.

Audit observed that after depositing the down payment and one or two installments by the employees the deposited amount was refunded and in certain cases the allottees defaulted due to non-payment at time and now these apartments are lying vacant.

In view of above situation it is construed that allotment of the apartments were not made to the needy persons and PHAF constructed these apartments from their own resources with receipt from the genuine allottees and incurred huge expenditure thereon.

Audit holds that had the allotments would have made to the genuine needy allottees as per approved policy PHAF could have received sale price of the apartments. Due to non-adoption of transparent allotment and keeping these apartments vacant for a long time by the Land and Estate Wing the PHAF sustained a loss of Rs 38.800 million.

Audit pointed out the loss to the management due to non-transparent balloting in March-May 2016. The Authority replied that PHAF allotted apartments to needy and shelterless members and did not cancel their apartments and wait for their payments against allotted apartments. During the process the apartments remained vacant and finally

cancelled these apartments and refunded due amount to those members who failed to deposit payment. Now PHAF is going to auction apartments.

In reply it was conceded that apartments are lying vacant since long which were required to be offered other needy and shelterless Government servant or general public which was not done. Moreover, 10% cancellation charges were calculated on the deposited amount rather than actual price of the apartment and undue favour was extended to defaulters.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that responsibility may be fixed against the person(s) at fault.

(Para 20)

**1.3.22.2** Audit noted that a scheme for construction of 104 additional apartments at I-11 Sector was launched in 2008. Applications were invited from the registered members and 1006 applications were received. Computer balloting was carried out on 17<sup>th</sup> May, 2008 and offer letters were issued to successful members with payment schedule from 01<sup>st</sup> September, 2008 to 10<sup>th</sup> December, 2009 in six installments. The sale price of the apartment was fixed from Rs 2.70 million to Rs 3.00 million floor wise.

A review of the allotment files indicated that after allotment to the successful member through balloting certain allotments were cancelled due to non-payment of installments as per schedule. As per approved policy at the time cancellation due to default the deposited amount was required to be refunded after deduction of cancellation charges @ 10% of the sale price of the apartment plus documentation charges whereas PHAF deducted 10% of deposited amount which tantamounts to undue favour to the defaulters and short of receipt of Rs 1.480 million.

Audit observed that after cancellation these apartments are lying vacant since 2009-10 and requires allotment to next successful awaiting members or auction in open market.

In view of above situation it is construed that allotment of the apartments were not made to the needy persons and PHAF constructed these apartments from their own resources with receipt from the genuine allottees and incurred huge expenditure thereon.

Audit holds that had the allotments been made to the genuine needy allottees as per approved policy PHAF could have received sale price of the apartments. Due to non-adoption of transparent allotment and keeping these apartments vacant the PHAF sustained a loss of Rs 25.7 million and short receipt of Rs 1.8 million.

Audit pointed out the loss and short receipt to the management in March-May 2016. The Authority replied that PHAF allotted apartments to needy and shelter less members and did not cancel their apartments and wait for their payments against allotted apartments. During the process the apartments remained vacant and finally cancelled these apartments and refunded due amount to those members who failed to deposit payment. Now PHAF is going to auction apartments.

In reply it was conceded that apartments were lying vacant since long which were required to be offered other needy and shelterless Government servant or general public which was not done. Moreover, 10% cancellation charges were calculated on the deposited amount rather than actual price of the apartment and undue favour was extended to defaulters.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that responsibility may be fixed against the person(s) at fault.

(Para 19)

### **1.3.23 Overpayment by allowing cost of excavation twice due to violation of contract specifications - Rs 48.451 million**

Item 106.3.1 of contract specification provides that the cost of excavation of material which is used anywhere in the Project shall be deemed to be included in the pay item relating to the part of the work where the material is used.

As per agreement / BOQ item A-1 Earth cutting (common soil) in specified area to required grade and leveling etc, the surplus material shall be stocked at the site as directed by the engineer @ Rs 7.00 per cft. Item-2 of the BOQ provides structural filling in specified areas using earth available including transportation up to any lead and lift with compaction @ 9.29 per cft. Another item A-3 with earth filling in parks and low lying areas and plots including transportation up to any lead and lift @ Rs 4.98 per cft as directed by the Engineer, under head “Grading and Leveling”.

Audit noted that management of Pakistan Housing Authority Foundation, Islamabad awarded infrastructure development work of Housing Scheme for Federal Government Officers at Kuri Road Zone-IV Islamabad to M/s Maaksons (Pvt) Ltd at agreement cost of Rs 579.769 million. The work was started on 22<sup>nd</sup> March, 2012 to be completed in 18 months up to 21<sup>st</sup> November, 2013.

Audit observed that the item A-1 earth cutting was got executed wherein a quantity of 9,460,863 cft was obtained out of which 2.571 million cft and Rs 4.350 million cft was utilized / filled in the designated / specified areas under item No.A-2 structural filling and item No.A-3 earth filling in parks, low lying areas and plots.

The consultant verified and paid full quantity under item No.A-1 to the extent of 9,460,863 @ 7.00 per cft for Rs 66.226 million up to IPC No.17 whereas as per provision of specification the balance quantity of (9460863 cft - 6921575 cft) 2,539,288 cft was payable as cutting hence the

quantity of 6,921,575 cft was paid excess over the provision of specification.

Non-adherence to contract specification by allowing cost of excavation twice caused overpayment of Rs 48.451 million.

Audit pointed out the overpayment to the management in March-May 2016. The Authority replied that no item for Area Development existed in the NHA Specifications, however for the purpose of material requirement/technical aspect NHA Specifications were adopted. Moreover, the matter was referred to “The Engineer” of the project by the contractor under clause 67 of the contract for decision as the same was withheld by PHAF from the 6<sup>th</sup> IPC of the contractor on the same pretext.

The reply was not tenable. The contract was based on NHA specifications which clearly provided that the cost of excavation of material used anywhere in the project would be deemed to be included in the pay items where material is used and BOQ of the both sub-heads, area development and roads was being executed in the same project area and cost of excavation is included in formation of embankment, therefore, it was not separately payable. Accordingly, the consultant also advised that separate payment for excavation was not admissible in pursuance of NHA specifications.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit stresses for recovery of overpaid amount.

(Para 13)

### **1.3.24 Overpayment to consultant due to application of higher percentage to the value of work done on account of construction supervision - Rs 37.843 million**

Consultancy cost of Contract No.PHA-08/03 “Construction of D-type apartments at G-10/2, Islamabad” was determined @ 3.66% of the total project cost.

Audit noted that PHAF awarded the consultancy services for construction, management and supervision of work, “Construction of D-Type apartments at Sector G-10/2, Islamabad” to M/s Associated Consulting Engineers for agreed amount of Rs 27.368 million for the period of 24 months.

It is worth to mention that designing, preparation of engineer’s estimate, drawings, etc were also assigned to the said firm. During execution of the work several disputes arose with the construction contractor on account of discrepancies in the BOQ/estimate/designs which necessitated abnormal increase in the cost of project. The work remained suspended for a period of 18 months (November 2011 to February 2012 and May 2012 to June 2013) due to these disputes as contractor refused to execute the work on the basis of design/estimate prepared by the consultant. The consultant was paid full remuneration in this suspension period and his contract was extended through four (04) amendments up to 30<sup>th</sup> April, 2016 with the consultancy supervision cost of Rs 64.892 million.

The consultant supervised construction of the building work and infrastructure work valuing Rs 739.054 million as such the construction supervision was required to be paid in commensuration with the construction work done which comes to Rs 27.049 million (Rs 739.054 x 3.66%) as per provision of contract. But consultant was paid monthly remuneration inclusive of salary cost of project staff at Lahore, salary cost site office Islamabad, direct cost Lahore office and direct cost of site office.

Non-adherence to contract caused overpayment to consultant due to adoption of month wise calculation instead of 3.66% for an amount of Rs 37.843 million and unjustified extension of time up to 30<sup>th</sup> April, 2016 with cost of Rs 64.892 million. **(Annexure-E)**

Audit pointed out the overpayment to the management in March-May 2016. The Authority replied that the agreement of the consultant was based on man-months and the agreed amount of Rs 27.368 million pertained to only original contract period of 24 months, whereas the project was delayed due to various reasons, mainly non-payment to contractor by PHAF for shortage of funds.

The work of infrastructure costing Rs 213.077 million and additional block No. 24 costing Rs 178.489 million was subsequently added to the scope of work of the consultants and which was being supervised by the same team/staff.

Audit holds that as per contract the consultant fee was payable 3.66% of the construction work supervised, therefore, this fee was required to be restricted to said ceiling which was not done and the consultant was overpaid.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit stresses for recovery of overpaid amount.

(Para. 14)

**1.3.25 Loss to the authority on account of deficient receipt of revenue due to allotment of cancelled apartment at concessional rate to PHAF employees in violation of policy - Rs 35.0 million**

A scheme for construction of C-type apartments at G-11/3 was launched by PHA-Foundation. This scheme was meant for providing shelter/apartment to general public. The scheme was launched in 2008

which was to be completed within 24 months completion period. Sale price of C-type apartment was fixed ranging from Rs 4.850 million to Rs 5.00 million. As per policy these apartments were to be allotted to successful applicants in result of balloting.

Clause-7.1 of the terms and conditions of allotment provides that in case the successful applicant does not raise the down payment up to 20% within given time the allotment shall stand cancelled. Clause 7.3 provides that allotment shall be cancelled in case of non-payment of three consecutive installments. PHA shall have the right to either retain or dispose off the said property as it may deem appropriate.

PHA launched a scheme construction of D-type apartments in G-10/2, Islamabad exclusively for federal government employees those who were in service as on 01<sup>st</sup> July, 2007. The scheme shall be extended to the regular civilian federal government (BPS 1 to 16 or equivalent) employees of Ministries/Divisions/attached departments, sub-ordinate offices, those civilian employees paid from Defense estimates, employees of autonomous bodies/corporations and other federal government organization. Those employees who own a plot, house or apartment in their name or in the name of their spouse/dependent children allotted by federal government employees housing foundation (FGEHF) anywhere in Pakistan, whether retained or disposed off shall not be eligible. Allottees will be entitled to only one housing unit under this housing scheme located anywhere in the country.

Clause-7 of the terms and conditions of allotment provides that fine of 2% per month or part thereof on the amount overdue will be levied on all payments delayed beyond the grace period of 10 clear days. Allotment will be cancelled in case of non-payment of two installments in a row.

**1.3.25.1** Audit noted during review of the case file of allotment of apartments maintained by the Land and Estate Section of PHA-Foundation that apartments were initially allotted to general public. As per price



schedule allottee was required to deposit down payment and quarterly installments. The allottee did not deposit payments as per approved schedule which rendered him to charge delayed payment charges/cancellation of the apartment as per terms and conditions of the allotment.

Director (Land & Estate) issued a cancellation notice, in response allottee did not deposit his dues and allotment was cancelled. It is worth to point out that said apartment was allotted to the employee of the PHA-Foundation at a nominal cost, which is subsequently transferred/sold to the private party at market rates.

This indicated that employee was benefitted with differential cost of the market and construction cost based on subsidized rates. Audit holds that the apartment was required to be auctioned on market rate in order to generate revenue for the Authority rather than disposal of the same for individual benefit in violation of the general financial rules.

Non-adherence to rules, provision of terms and conditions of the allotment caused loss to the Authority on account of deficient receipt of revenue due to allotment of cancelled apartment at concessional rate to PHAF employees in violation of policy involving Rs 26.25 million.

Authority pointed out the loss to the management in March-May 2016. The Authority replied that PHAF launched the scheme for general public in 2009, but some of the allotments were made cancelled as per terms and conditions of brochure. However, the allotment to PHA officers on construction cost is approved by Chairman in 20<sup>th</sup> Authority meeting. PHAF allots the apartment on ownership basis as per policy of PHAF. Selling apartments after depositing of down payment reveals that these allottees could not bear the burden of construction cost. Therefore, preferred to earn profit by using ownership rights.

The reply was not tenable as sale price of the apartments was fixed Rs 5.00 million for general public, therefore, its allotment to PHA own

officers was violation of the policy approved by the Government/Prime Minister. Selling of the property is the right of the every citizen but not at the cost of the public exchequer as the allottees had not paid full cost of the apartments, therefore they had no rights of the ownership.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

(Para 36)

**1.3.25.2** Audit noted during review of the case file of allotment of apartments maintained by the Land & Estate Section of PHA-Foundation that apartments were initially allotted to FG employees. As per price schedule allottee was required to deposit down payment and quarterly installments. The allottee did not deposit payments as per approved schedule which rendered him to charge delayed payment charges/cancellation of the apartment as per terms and condition of the allotment.

Director (Land and Estate) issued a cancellation notice, in response allottee did not deposit his dues and allotment is cancelled. It is worth to point out that said apartment is allotted to the employee of the PHA-Foundation at original cost of construction basis which is subsequently transferred/sold to the private party at market rates.

This indicated that employee was benefitted with differential cost of the market and construction cost based on subsidized rates. Audit holds that the apartment was required to be auctioned on market rate in order to generate revenue for the Authority rather than disposal of the same for individual benefit in violation of the general financial rules.

Non-adherence to rules, provision of terms and conditions of the allotment caused loss of Rs 8.75 million to the Authority on account of deficient receipt of revenue due to allotment of cancelled apartment at concessional rate to PHAF employees in violation of policy.

Audit pointed out the loss to the management in March-May 2016. The Authority replied that PHAF launched the scheme for general public

in 2009, but some of the allotments were made cancelled as per terms and conditions of brochure. However, the allotment to PHA officers on construction cost is approved by Chairman in 20<sup>th</sup> Authority meeting. PHAF allots the apartment on ownership basis as per policy. Selling apartments after depositing of down payment reveals that these allottees could not bear the burden of construction cost. Therefore, preferred to earn profit by using ownership rights. It would have cost time, efforts, and marketing expenses if the apartment would have allotted to general public at a price higher than construction cost.

The reply was not tenable as sale price of the apartments was fixed Rs 5.00 million for general public, therefore, its allotment to PHA own officers was violation of the policy approved by the Government/Prime Minister. Selling of the property is the right of the every citizen but not at the cost of the public exchequer as the allottees had not paid full cost of the apartment, therefore they had no rights of the ownership.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that matter be investigated for fixing responsibility and action against persons responsible for violation of policy resulting into loss.

(Para 32)

**1.3.26 Loss to PHAF due to allotment of General Public apartments to PHAF Officers - Rs 16.4 million and double benefit to the officers by the same agency in the shape of allotment of grey structure at Kuri Road and sale of apartments in G-11/3**

PHAF launched Housing Programme at G-11/3, Islamabad for general public.

As per clause-5 (eligibility criteria) all Pakistanis were eligible to apply having valid computerized National Identity Card issued by

NADRA. Further, under clause-6 allotment of apartments and floor was to be allotted through random computer balloting.

The cost of the apartment was tentative as given in schedule under clause 10.8 for first floor it was Rs 5.00 million (20%) on allotment and balance 80% in 12 installments.

Rule 10 (iv) of General Financial Rules provides that public moneys should not be utilized for the benefit of a particular person or section of the community unless:

- (1) the amount of expenditure involved is insignificant, or
- (2) a claim for the amount could be enforced in a court of law, or
- (3) the expenditure is in pursuance of a recognized policy or custom.

Audit noted that PHA-Foundation allotted 208 C-type apartments at G-11/3 to general public through balloting at a total price of the apartments ranging from Rs 4.80 million to Rs 5.00 million with the schedule of payment of 12 installments from 01<sup>st</sup> June, 2009 to 10<sup>th</sup> March, 2012.

Audit further noted that certain apartments were cancelled due to default in payment schedule. After cancellation, these apartments were offered/allotted to the officers (Managing Directors and Directors General) of the Authority at concessional cost of Rs 2.90 million as PHA and Ministry of Housing and Works employees.

Audit observed that allotment of cancelled apartments to the PHAF officer against general public was violation of approved criteria for these apartments as envisaged in the brochure for these apartments. Subsequently these apartments were sold by these officers to the private parties at market rate and fetched the benefit of differential cost and profit thereon about Rs 4 million to Rs 5 million. This indicated that they availed the opportunity of having posting in PHAF and enjoyed the benefit unduly at the cost of public exchequer.

Audit further observed with concern that these officers have also been allotted Category-I and Category-II grey structure houses at Kuri Road launched by the PHAF that means PHAF provided benefit twice to these officers keeping in view their position in the management of PHAF which was unjustified.

Non-adherence to rules, eligibility criteria caused loss of Rs 16.4 million (**Annexure-F**) to PHAF in the shape of differential cost and double benefit to the officers in the shape of grey structure houses.

Audit pointed out the loss to the management in March-May 2016. The Authority replied that all the allotments were made within the rules and approval was also sought by competent authority before allotment.

The reply was not tenable as PHA officers were benefitted twice at the cost of public exchequer and this issue was also discussed with Managing Director and Director (Land) wherein they conceded the fact.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that the cost of the benefit in the shape of sale of apartments may be recovered from the beneficiaries.

(Para 38)

### **1.3.27 Extra payment due to enhancement of Factor-C - Rs 12.672 million**

As per Appendix-A to tender of contract of “Construction of D-Type apartments at Sector G-10/2, Islamabad” with reference to clause 70.3 factor-C was determined as under:

Unskilled labour	= 0.15
Cement	= 0.07
Reinforcement steel bar	= 0.10
High speed diesel	= 0.03

Audit noted that above provision was deleted and addendum-2 was issued wherein fuel component of the contract price was taken as 15% and labour component was determined as 25% out of which 60% skilled and 40% unskilled and other component are on actual consumption basis. It is pointed out that fuel factor in normal building project is usually taken 3% to 5% and for labour 15%.

Audit observed that this addendum was issued without any valid and cogent justification or reference of any pre bid meeting was found available in the record. This change in the factor-C caused enhancement of contract cost resultant contractor delayed the project about 8 years over the stipulated completion period of the project.

Audit holds that due to enhancement of the factor-C contractor was paid extra payment on account of escalation to the extent of Rs 12.672 million (Rs 38.017 million/15x5 = Rs 12.672 million).

Audit pointed out the extra payment to the management in March-May 2016. The Authority replied that project was awarded to M/s Techno Int'l (Pvt) Ltd. As per clause IT 9, an addendum was issued regarding price adjustment which was an integral part of contract document. The fuel component was determined as 15% and labour component was calculated as 25% by the consultant.

The reply was not tenable as enhancement of the factor of diesel from 3% to 15% for building work without any technical cogent justification. The building work is labour intensive and executed at limited piece of land, therefore, fuel for machinery is required minimal as such the factor-C is provided in building work 3% to 5% .

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit stresses for early recovery from the contractor.

(Para 12)

### **1.3.28 Overpayment due to classification of the soil in contravention of the project specification - Rs 11.96 million**

Item 4.1 section-1100 earth work of specifications provides that excavation shall include the removal of all material of every name and nature. It is expected that rock and other hard material will be encountered during excavation. The rate of excavation shall include the removal of all sub-surface material of every name and nature and no classification of sub-surface material shall be made nor any additional payment shall be made. Accordingly item No. 2 excavation in all kind of sub-surface material including disposal of surplus/rejected excavated material was provided in the BOQ and contractor quoted rate against the item.

Audit noted that a work “Construction of D-type apartments at G-10/2 Islamabad” was awarded to M/s Techno International at contract cost of Rs 635.631 million with completion period of 24 months. Review of the IPC indicated that a payment of Rs 16.900 million was made as variation on account of Arbitrator decision against the contractor’s claim for item No.2 “excavation in all kind of material including disposal of surplus/rejected excavated material”. A review of the award indicated that Arbitrator allowed rates of the item by classification of the material in to two components “rock material” and “murum and other soil” at the rate of Rs 82.74 to Rs 87.16 and Rs 31.12 to Rs 34.67 per Cft respectively having lift 5 ft to 20 ft.

Audit holds that as per specifications the rate of excavation included the removal of sub-surface material of every name and nature and no classification of sub-surface material was to be made for claiming additional payment. It is further pointed out that in the engineer’s estimates, the item rate of excavation was provided @ Rs 5 per Cft and contractor quoted his rate Rs 14 per Cft and accordingly measurements were recorded by the consultant against the item No.2a. In view of above payment of excavation with separate classifications at higher rates by averaging Rs 84.95 and Rs 32.90 on account of hard rock and murum respectively against the engineer’s estimated rate Rs 5 and contractor

quoted rate Rs 14 per cft was far higher and unjustified against the provision of contract.

Non-adherence to provision of contract/engineer estimate/specification caused overpayment of Rs 11.959 million (**Annexure-G**).

Audit pointed out the overpayment to the management in March-May 2016. The Authority replied that the Engineer had given his decision under clause 67.1 of the condition of the contract stating that it shall become final and binding upon the employer and the contractor. The contractor being dissatisfied with the decision of “The Engineer” notified their intentions to refer the dispute matter to the arbitrator 67.3 of the Condition of contract. The sole arbitrator announced the award and decided that an amount of Rs 16.900 million was payable to contractor M/s Techno Int’l (Pvt) Ltd against the total claim of Rs 42.8 million and accordingly the payment was made.

The reply was not tenable as Arbitrator decision was not based on any contractual and technical provisions. Moreover, the matter of preparation of defective BOQ needs to be investigated and this extra cost requires recovery from the person(s) at fault.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit stresses for early recovery from the contractor.

(Para 11)

### **1.3.29 Misuse of authority’s vehicles in violation of staff car rules caused excessive charging of POL - Rs 5.4 million**

Rule 11 of Staff Car Rules provides that a staff car/vehicle belonging to Attached Department/Authorities of a Division shall not be used by the Administrative Ministry/Division and every Department or office shall be responsible for any mis-use or irregularity committed in



this behalf as provided in Rule-11 of Staff Car Rules. For any journey made in contravention of rules the officer using the staff car shall be charged at the rate of Rs 12 per kilometer.

Audit noted PHA-Foundation maintaining a pool of vehicles which consisted of vehicles of various make/made. Administration Wing of the Authority is basically responsible for maintenance, up keep of record relating to movement/usage of the vehicles like, maintenance of log books, movement register, fleet cards, regular inspections of vehicles, repair & maintenance of vehicles as per Staff Car Rules.

Audit observed during review of the record several discrepancies/deficiencies were noticed due to non-maintenance/observance of aforesaid record properly by the concerned wing of PHA-Foundation. POL of the vehicles is filled through PSO fleet cards and monthly advance payments are made to the PSO. The fleet card bills were required to be paid as per consumption, mileage recorded in the logbooks of the vehicles but no such efforts were made during the period 2013-14.

Audit further observed that due to non-fulfillment of these pre-requisites the official vehicles were used for private purpose by the officers/officials and POL was unauthorizedly withdrawn. Accordingly, an inquiry committee was constituted by the Managing Director wherein it was found that officers/officials of the Admn Wing were responsible for misuse of vehicle.

A review of the case file leading to payment of PSO fleet/corporate card maintained by the Admn Wing indicated that monthly fuel bill of PSO was ranging from Rs 350,000 to Rs 450,000 from June 2012 to July 2014. When the pre-audit was initiated in the month of August 2014 it was dropped to Rs 160,000 and Rs 190,000 (from August 2014 to November 2014).

Above state of affair is indicative one that POL for an amount of Rs 5.40 million was being excessively charged during the period from

June 2012 to July 2014 and which is an ample proof that vehicles were being mis-used in violation of the Staff Car Rules.

Audit pointed out mis-use of vehicle to the management in March-May 2016. The Authority did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends investigation for fixing responsibility.

(Para 51)

### **1.3.30 Irregular allotment of apartment at concessional rate by depriving the needy persons in violation of approved policy caused loss of revenue - Rs 1.950 million**

Pakistan Housing Authority (PHA) was established to promote, control and coordinate the development of low budgeted housing schemes for low income groups at selected places throughout the country on no-profit no-loss basis as a welfare measure. Allottees will be entitled only one housing unit under this housing scheme located anywhere in the country. After the receipt of application forms complete in all respects from all the eligible applicant the apartment, floor and site will be allotted through balloting to general public.

Scheme for construction of C-type apartments at G-11/3 was launched by PHA-Foundation. This scheme was meant for providing shelter/apartment to general public. The scheme was launched in 2008 which was to be completed within 24 months completion period. Sale price of C-type apartment was fixed at Rs 4.850 million to Rs 5.00 million. As per policy these apartments were to be allotted to successful applicants in result of balloting.

Audit noted that apartment No.TF-15 Block-13 G-11/3 was offered to Mr. Sami-ul-Haq Khilji (Secretary) Ministry of Railways vide letter dated 22<sup>nd</sup> July, 2010 at construction cost of Rs 2.90 million.

Audit holds that following irregularities were committed on account of allotment, transfer, sale of these apartments:-

- 1) As per approved policy apartment was required to be allotted through balloting whereas in the instant case allotment was made on pick and choose basis without balloting.
- 2) Apartment was allotted at construction cost of Rs 2.90 million instead of sale price of Rs 4.850 million in violation of the approved policy caused deficit receipt of Rs 1.950 million.
- 3) After allotment of apartment No. TF-15 he managed to purchase the adjacent apartment No.TF-16 in the name of his wife. Subsequently, after alteration in design and removal of wall between two apartments the both units were got declared unified as one unit.
- 4) PHA allowed addition, alteration and encroachment for construction of additional bath rooms and roof garden in violation of the terms and conditions of the allotment.
- 5) Possession of the both apartments was handed over to Mr. Sami-ul-Haq Khilji on “as is where is basis”.
- 6) A review of case file of apartment No.TF-15 indicated that apartments were transferred to Mr. Gulzar Husnain Shah in December 2011 and allotment was issued by the PHA in January 2012. In October 2014 Mr. Gulzar Husnain Shah requested PHA for transfer of apartment to Mr. Pervez Saleem Hote as one unit. He explained that he purchased the both apartments TF-15 & TF-16 as one unit from Mr. Sami-ul-Haq Khilji as PHA already declared these apartments as one unit with No.15. As per terms and conditions of the

allotment the original provisional allotment letter was required to be returned to PHAF for placement in the case file for record. But Mr. Gulzar Husnain Shah submitted an affidavit that his original allotment letter had lost in January 2015.

- 7) Audit noted during review of case file of apartment No.TF-16 that the said apartment was purchased by Mrs. Fatima Sami Khilji W/o of Mr. Sami-ul-Haq Khilji from Mrs. Tabinda Ijaz Durrani but sale price was not mentioned in sale deed dated August 2010. Afterward apartment No.TF-16 was sold to Mr. Pervez Saleem Hote by Mr. Sami-ul-Haq Khilji as an attorney in April 2015.
- 8) Both apartments as one unit, were managed to transfer and sale to one person Mr. Pervez Saleem Hote in April 2015.

This state of affairs is well evident that these apartments were managed to acquire in the interest of one influential individual who fetched the benefit of lucrative market price without any genuine requirement and deprived the needy, shelterless persons by committing grave irregularities in violation of policy, terms and conditions and rules/regulations.

Non-adherence to rules/regulations and allotment policy caused irregular allotment of apartment at concessional rate by depriving the needy persons and caused loss of revenue to Authority amounting to Rs 1.950 million.

Audit pointed out the loss to the management in March-May 2016. The Authority replied that apartment No.TF-15 and TF-16 were unified by the allottee himself, however, both the apartments were sold out separately. PHA only allows minor improvement / alteration without causing any change in the structure of the building. PHA handed over the possession on “as is where basis” on the request of the allottee, because he had no accommodation in Islamabad. Both the apartment was transferred

separately, however, one person can purchase more than one apartment which is not the violation of any rule.

The reply was not tenable as sale price of the apartments was fixed Rs 5.000 million for general public, therefore, its allotment to PHA own officers was violation of the policy approved by the Government/Prime Minister. Selling of the property is the right of the every citizen but not at the cost of the public exchequer as the allottees had not paid full cost of the apartments, therefore they had no rights of the ownership.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that the matter may be investigated with a view to fix responsibility.

(Para 18)

### **1.3.31 Loss of billion of rupees to Government due to encroachment of government property by the land grabbers**

PHA-Foundation acquired a piece of land measuring 3.14 acres from Pak PWD, situated near Railway Station Karachi known as Carlton Hotel for construction of commercial-cum-residential Multi-storey complex. As per Board of Revenue, the land was mutated in the name of Pak PWD whereas in Karachi Metropolitan Corporation record the title of land was in the name of Ministry of Religious Affairs. The said land was handed over to PHA in August 2011 along with its proprietary rights and physical possession is with PHA Foundation but transfer of title could not be changed/mutated in the name of PHAF.

Audit observed that PHAF hired the services of M/s Wahguns Security Services (Pvt.) Ltd. from 29<sup>th</sup> August, 2011 in order to save the land from land grabbers/encroachers @ Rs 100,000 per month. Audit further observed that PHAF made payment to the extent of Rs 4.944 million (Rs 4.344 million+Rs 0.600 million) to M/s Wahguns Security

Services (Pvt.) Ltd. up to September 2015 on account of security measures against the non-mutated land/plot.

A meeting was held in March 2015 under the Chairmanship of Secretary Housing and Works wherein it was decided that Pak PWD will establish/shift its offices to the site. Accordingly, PHAF management was required to handover the possession to Pak PWD by following the same procedure as earlier adopted in August 2011 while possession was taken by PHAF.

It is pointed out that possession of the plot was not handed over to the Pak PWD and the security company detached their guards from the location due to non-payment, by leaving the plot at the mercy of land grabbers. In January 2016, Executive Engineer intimated that an encroacher occupied the plot and claimed that he is the owner of the plot. The Executive Engineer informed that he also approached to the Senior Superintendent of Police and requested for taking action in order to stop illegal encroachment and vacating the said Federal Government land.

Having stated the above facts, it could be safely concluded that government property was not properly protected by the PHAF and in compliance of the decision of the Secretary, Housing and Works possession was not handed over to Pak PWD recklessly which caused land grabbing/encroachment by the encroachers and government sustained huge loss of billion of rupees. It is worth to point out that an inquiry was also conducted by the Senior Joint Secretary, Ministry of Housing and Works which was not shared with Audit despite request.

Audit pointed out the loss to the management in March-May 2016. The Authority replied that in a meeting held under the Chairmanship of Secretary Housing & Works on 13<sup>th</sup> March, 2015, it was decided to transfer the said plot/land to Pak.PWD. Afterwards, direction was solicited by the then Managing Director, PHAF and Senior Joint Secretary, Housing and Works on 14<sup>th</sup> April, 2015 and he clearly directed Pak. PWD to establish their office and take over responsibility of the subject plot. The Honourable Federal Minister, also endorsed the decision.

PHA Foundation also nominated its representative to Pak. PWD and Ministry of Housing and Works for handing/taking over of the possession of the said plot to Pak. PWD. Subsequently, on 5<sup>th</sup> January, 2016, Pak. PWD offices informed the Regional Office of PHAF that the said plot had been encroached by Mr. Mushtaq Ali.

In order to remove the said encroachment, the Deputy Director (Regional Office), PHAF, Karachi alongwith representatives of Pak. PWD also met with Additional Assistant Commissioner (Karachi) and he informed that in the presence of a stay order from Sindh High Court, the District Administration cannot intervene at this stage. The Senior Joint Secretary Housing and Works and Section Officer (Housing and Works) and Executive Engineer (Pak. PWD) were also present in the said meeting with Additional Assistant Commissioner (Karachi).

In response to the above, the committee observed that it was inefficiency and incompetence of the Pak. PWD, which resulted into reoccupation of the state land by unauthorized people and accordingly the said committee directed the Ministry of Housing and Works for effectively pursuing the case for vacation of land in the court of law. Pak PWD pursuing cases is basically in court being the owner of plot. The subject land was transferred to Pak. PWD by Ministry of Housing and Works and specifically asked to shift their offices on site, inaction on their part led to encroachment. PHAF is by no means responsible for the said occupation.

The reply was not tenable as the plot was handed over to PHAF as per by Ministry of Housing and Works by processing a formal procedure on 26<sup>th</sup> August, 2011 which was required to be returned adopting same procedure and formal handing over to Pakistan Public Works Department from whom the possession was taken which was not followed and security guards were removed from the site. This inaction at the part of PHAF provided an opportunity to land grabbers to encroach the costly land. An inquiry committee headed by the Senior Joint Secretary, Ministry of Housing and Works was constituted wherein it was concluded that Managing Director PHA and Director (Land) held responsible for criminal

negligence for non-protecting the Government asset. Audit advised that this inquiry report be submitted to competent authority for appropriate action and outcome of this action be shared with Audit for reference and record.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that action against person(s) responsible for negligence resultant encroachment of Government costly land in compliance of inquiry report be taken and measures be taken to get the encroached land recovered.

(Para 24)

### **1.3.32 Non-fixing of responsibility on account of preparation of qualified financial statements**

PHA Foundation was created through a resolution issued by Cabinet Division dated 18<sup>th</sup> May, 1999 titled “Prime Minister’s Housing Authority” which was re-designated as PHA Foundation through another resolution dated 8<sup>th</sup> March, 2000. Clause 14 of both the resolutions states that the Authority shall maintain proper accounts and other relevant record and annual statement in such form as may be prescribed by rules. Subsequently, the Authority got registered itself from the Securities and Exchange Commission of Pakistan on 19<sup>th</sup> January, 2012 under Companies Ordinance 1984. Section-230 of the Ordinance inter alia states that annual accounts/statements shall be prepared for all sums of money received and expended by the company. Section 230(7) also requires punitive measures in case of failure in non-preparation of accounts. Rule 15 of GFR (Vol-I) also states that every one whose duty is to prepare and render any accounts or returns in respect of public money or stores, is personally responsible for their completeness and strict accuracy and their dispatch within the prescribed time.



The issue of non-preparation of financial statements by PHAF since 2009 was pointed out by Audit during 2013-14. On pointation of Audit, PHAF has started preparing year wise financial statements and getting the same certified from Chartered Accountant firms. During current audit, it was observed that certified financial statements for the financial years 2013-14 and 2014-15 were not available with PHAF. However, the certified financial statements of PHA Foundation, Islamabad (certification conducted by various Chartered Accountant firms) for the years 2008-09 to 2012-13 indicated that the Auditors Opinions contain serious qualifications of recurring nature. Qualifications as included in Auditor's opinion for the year 2012-13, are as under:

- i. The Auditors were unable to physically verify property, plant and equipment, cash & cash equivalent and petty cash at hand as on 30<sup>th</sup> June, 2014 as well as perform cut off procedures as on that date as our appointment was made subsequent to the date of balance sheet. Further, in the absence of petty cash book, auditors were unable to verify the balance of petty cash at head office amounting to Rs 100,000 and at projects to Rs 1.070 million (2013: Rs 1.170 million).
- ii. The management did not provide the Auditors with the ageing analysis of withholding taxes payables, other liabilities and payables to contractors/consultants. The Auditors were, therefore, unable to quantify the impact of penalty and/or surcharge and/or escalation claims to be paid on delayed payments.
- iii. Work in progress has been valued at cost instead at lower of cost or net realizable value which is against the accounting policy described in Note-7.3 of financial statements. In the absence of working of net realizable value the financial impact cannot be quantified.
- iv. The project wise details of each individual allottee have not been provided to the Auditors, restricting to ascertain the receivable and /or from the individual allottees. Likewise

the project wise details of costs have not been provided. The management maintains data on contractor wise/head wise basis and thus the cost of each individual project is difficult to be ascertained with reliability.

Note-4 of the opinion of the Auditors (Chartered Accountant firm) provides that detail of each individual allottee is not provided to them, which restricted them to ascertain the receivable and payable balances from the individual allottee.

A review of the allotment files of the various schemes like G-10/2 D-type, G-11/3 E-type, Shabbir Town, Kuri Road, Wafaqi Colony Executive apartments indicted that millions of rupees of cost of sales and delayed payment charges were recoverable from the allottees but no such receivables were calculated in order to incorporate these balances in the financial statements. This inaction at the part of the allottee services cell of PHAF caused qualification in the financial statements which rendered them responsible.

Audit pointed out the irregularity to the management in March-May 2016. The Authority replied that PHA initially were being prepared on single entry system since establishment of PHA. After preparation of five (5) years accounts for the period 1999-2004 and a Chartered Accountant firm M/s Khalid Majeed Rehman (KMR) engaged for auditing these accounts. KMR has audited accounts and provided audit accounts on June 2013 with 21 qualifications along Management Letter.

It is pertinent to mention that in current scenario most of accounting standards in previous financial accounts could not be adhered due to backlog in auditing process of PHA Accounts likes, physical verification of property, plant, equipment, cash in hand on cutoff date of accounting period which already been passed as the appointment of auditors subsequent date of Balance sheet & financial statement. Now all pending accounts/back log has been cleared/ accomplished and Auditors has physically verified all asset, and cash in hand the same qualifications shall be removed in Audited Accounts in 2015-16.

The reply was evasive one as financial statements were qualified on the basis of non-calculation of payables and receivables and this fact was substantiated in the ensuing audit observation wherein Audit calculated millions of rupees outstanding on account of original cost of apartments in installments and delayed payment charges from the defaulters/allottees.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends action against persons responsible.

(Para 29)

### **1.3.33 Non-transparent balloting by not following due process and advertisement in the press for Executive Apartments in G-10, G-11 and high rise apartment at Kuri Road by PHA-Foundation**

The CDA Board has approved the new Standard Operating Procedures introducing various corrective and preventive measures to make transparent the process of balloting for plots, hajj and others. According to the new SOPs, the organizations like Transparency International, National Accountability Bureau and Federal Investigation Agency will be invited along with other stakeholders and media to ensure transparency in the process. A video recording of the whole balloting process will be arranged to make it part of the official record. Nomination and intimation of representative will be made to coordinate balloting activities with the IT Directorate of the authority at least two weeks prior to balloting date and that the balloting information will be published in newspapers and CDA website one week prior to balloting date.

Organizations similar to CDA are required to follow likewise SOPs for making process of balloting transparent.

PHA invited option forms on payment of Rs 200 as membership fee in August 2007.

In 2015 membership was renewed with the following eligibility criteria:

- a) All officers of the federal government working in Ministries/ Divisions/ Attached department and sub-ordinate offices including civil employees paid from defense estimates and employees of federal government autonomous bodies/corporations and other federal government organizations in BPS 17 to 22 who had submitted option forms to PHAF on payment of Rs 200 fee were eligible for membership renewal.
- b) Those FG employees who have been already allotted apartment, unit/house from PHAF were not eligible for renewal of membership.
- c) Only those FG employees of BPS 1 to 22 would be eligible for applying for allotment who renewed their membership by cut of date.

Further, as per instruction for filling membership form, signatures on application should match with computerized national identity card. Membership renewal form should be counter-signed by the authorized officer of the present office.

Non-refundable membership renewal fee of Rs 5,000 should be deposited along with the form. Membership renewal forms should be submitted by hand or by postal mail at PHAF head office along with copy of bank deposit slip. The last date of receipt of membership renewal forms was 28<sup>th</sup> February, 2015. The applicants who do not renewed their membership by the cut of date; their names would be deleted from the PHA Foundation's data base.

Agenda item No.7 of 21<sup>st</sup> Board of Directors meeting of PHA Foundation held on 19<sup>th</sup> April, 2016 Chief Executive PHAF sought approval from the Board for offering apartments in PHAF officers residencia, G-10/2 and G-11/4 to officers of BPS 20 to 22 through balloting as per quantity of the apartments, so that it could be decided that who would be allotted apartment in G-10/2, G-11/4 and in Kuri road high rise, besides approval for the policy for reservation of quota for PHAF employees.

As per minutes of meeting held on 26<sup>th</sup> May, 2016 under the chairmanship of Managing Director/Chief Executive Officer PHAF to finalize the balloting of apartment for registered members of BPS 20 to 22 the following decisions were taken:

- i. Finalize the date and procedure of balloting, advertisement to be released and prices of the proposed apartments.
- ii. Allotment of apartments to registered members BPS 21 to 22 at PHAF project site at G-10/2 and G-11/4.
- iii. Allotment of apartments to registered members to BPS 20 at Kuri road high rise and commercial project, Islamabad.
- iv. Allotment of apartments to BPS 20 to 22 who deposited the down payment in I-16/3 project at proposed projects sites on priority basis by taking the option of location for allotment from said officers telephonically and to straight away allot them apartment accordingly.
- v. Inclusion in the balloting of the names of those members who were successful in balloting of I-16/3 but did not deposit the down payment as per recommendations of Wafaqi Mohtasib.
- vi. It was decided that apartment to all the registered members of BPS 21 and 22 shall be allotted, however, location, block number, floor number and apartment number shall be assigned through balloting.

- vii. Allotment of apartment to the registered members of BPS 20 shall be done through balloting.
- viii. It was agreed that members of Atomic Energy equivalent to BPS 21 & 22 shall be included in the allotment.
- ix. The apartments reserved for the Directors of PHAF shall not be included in the balloting.
- x. To notify the committee constituted in the 21<sup>st</sup> Board meeting of PHAF for the allotment of apartments to the officers of PHA-Foundation

Managing Director, PHAF constituted three committees vide letter No.PHA/ISL/ASC/2015 dated 17.12.2015 for balloting of apartments in Sector I-12 for FG employees of BPS 1 to 16 and General Public.

Committee No.I for General Public

Mr. Javed Iqbal, Director (Admn), PHAF  
Syed Ali Shah, Deputy Director (IT), PHAF  
Mr. Abbas Ali Khan, Deputy Director (Land-III), PHAF  
Ms. Sumaira Izhar, Assistant Director (Finance-I), PHAF

Committee No.II for FG employees BPS 1 to 10

Syeda Shafaq Hashmi, Director (Finance), PHAF  
Kamran Yar, Deputy Director (Land & Estate) I, PHAF  
Ahmed Cheema, Assistant Director, Land I-12, PHAF  
Haider Ali Shah, Assistant Director, Land, PHAF

Committee No.III for FG employees BPS 11 to 16

Mr. Shahid Farzand, Director (Engineering), PHAF  
Ms. Najaf Haider, Deputy Director (Land & Estate) II, PHAF  
Mr. Abdul Qayum, Deputy Director (Finance-II), PHAF  
Ms. Lubna Bukhari, Assistant Director (Lahore Projects), PHAF  
External Member – Mr. Jamil Ahmed Khan, Deputy Secretary, Ministry of Housing & Works

Balloting will be conducted in the presence of the internal & external members of the balloting committee. Representatives of the registered members and media persons will also be present at the time of balloting. The entire proceedings of the balloting shall be video recorded.

**1.3.33.1** Audit noted that balloting was held on 02<sup>nd</sup> June, 2016 for launching of schemes, (i) Multi-storey apartments at G-10/2, (ii) Multi-storey apartments Cat-I&II at G-11/4, (iii) High rise apartments at Kuri Road, Islamabad for federal government officers in BPS 20, 21 & 22 by PHAF.

Audit further noted that out of total 509 executive apartments available for allotment to BPS 20, 21 & 22 officers, Managing Director PHAF reserved 262 apartments for BPS 21 & 22 and only 247 apartments were approved for balloting through manual balloting without advertisement in the press. 25 officers were allotted apartments in G-10 who applied for I-16. Balloting was carried out manually. Pieces of paper bearing the names of the officers were put into a box, and picked up at random.

Audit observed that eligibility criteria as prescribed in the option/renewal form have not been observed while allotting the apartments i.e. (only those FG employees of BPS 1 to 22 would be eligible for applying for allotment who renewed their membership by cut-off date). Board's decision regarding allotment of apartment to officers of BPS 20 to 22 through balloting as per quantity of the apartments was not followed as:

- i. Apartments were allotted to all officers of BPS 21 & 22 without balloting at PHAF project site at G-10/2 and G-11/4 however location, block number, floor number and apartment number were assigned through balloting.
- ii. Allotment of apartments to registered members to BPS 20 at Kuri road high rise and commercial project, Islamabad.
- iii. Allotment of apartments to BPS 20 to 22 who deposited the down payment in I-16/3 project at proposed projects sites

on priority basis by taking the option of location for allotment from said officers telephonically and to straight way allot them apartment accordingly.

- iv. Members of Atomic Energy equivalent to BPS 21 and 22 were included in the allotment.
- v. Apartments were reserved for allotment to Directors of PHAF without process of balloting.
- vi. Advertisement in the press regarding balloting was not made by the PHAF.

The above stated shortcomings in the balloting process rendered the balloting non-transparent.

Audit pointed out the non-transparent balloting to the management in March-May 2016. The Authority replied that while allotting the apartments to Federal Government Employees of BPS 20 to 22 eligibility criteria were observed and no violation is being made in this regard. The competent authority has approved the renewal of membership till date and it is continuous process. Apartments were allotted to all officers of BPS 21 and 22 at G10/2 and G11/4 with the approval of competent authority in a meeting held on 26<sup>th</sup> May, 2016.

The reply was not tenable as the non-transparency of balloting was found during the inquiry constituted by the Prime Minister and the balloting cancelled. Copy of the inquiry report was required to be shared with Audit, however, four (04) officers involved in the balloting i.e. Managing Director, PHA and Director (Land) PHA were suspended and Director (Admn) PHA and Deputy Secretary (Admn) Ministry of Housing and Works were posted out from the Ministry. The Prime Minister also directed FIA to investigate into the matter for taking appropriate action against the responsible(s).



The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that action taken against the responsible(s) may be shared with Audit.

(Para 41)

**1.3.33.2** Audit noted during review of the record relating to membership drive of PHAF initiated in 2007 that numbers of officers of BPS-20 to 22 were registered on payment of Rs 200 non-refundable at that time. These officers were provided an opportunity to get the renewal of their membership in the year 2015 by depositing of Rs 5,000 in order to validate eligibility for participation in the upcoming balloting for allotment of executive apartments.

As per approved criteria only these officers were eligible and entitled for participation in the balloting process for allotment of executive apartments at G-10/2, G-11/4 and Kuri Road.

Audit observed that 43 (BPS-21 & 22) and 44 (BPS-20) were shown included in the balloting who were registered as members beyond the cut-off date having Sr. No. 15000 and above as Sr. No.1 to 5000 was allocated for government officers of BPS 20 to 22.

Aforesaid scam was also appeared in the Daily Dawn on 16<sup>th</sup> June, 2016 indicating that 350 executive apartments in G-10/2, G-11/4 and Kuri Road have been allotted to certain government officers in a result of suspect balloting. The names of even those officers have been included in the beneficiary list who never even applied for these apartments.

The Prime Minister took serious notice and appointed Mr. Mohammad Younus Dhaga, Secretary Water and Power to carry out a fact finding probe into the details of the processes that led to the allotment of apartments in question as per following TORs:

- 1) Advertisement inviting applications for the PHAF apartments in question.
- 2) Names of government officers who applied for PHAF apartments and their entitlement to apply and be considered for allotment.
- 3) Screening process of applications with reference to entitlement of applications.
- 4) Processes adopted for balloting in the case of the apartments in question with particular regard to maintenance of absolute transparency and fair play.
- 5) Whether or not the apartments were allotted after a fair and transparent balloting process.
- 6) Mala fide allotment of apartments to government officers who had not even applied.
- 7) Whether or not applicable rules were followed at every stage and whether any irregularities were committed.

Outcome of the inquiry is still awaited which may be shared with Audit on receipt from the concerned quarter.

Above state of affairs indicated that undue favour was extended to those officers who were not eligible/entitled for allotment of executive apartments as they were registered after 28<sup>th</sup> February, 2015.

Non-adherence to terms and conditions of the membership renewal published in the newspapers on 31<sup>st</sup> January, 2015 caused allotment of executive apartments to the ineligible members having invalid membership.

Audit pointed out irregular balloting/allotment to the management in March-May 2016. Authority replied that on the recommendations of the Committee constituted by Wafaqi Mohtasib dated 31<sup>st</sup> December, 2015 PHA Foundation Board approved that the apartments in the said projects

shall be allotted to the officers of BPS 20 – 22 through balloting. On 26<sup>th</sup> May, 2016 a meeting was held in the office of PHA Foundation, chaired by MD / CEO PHAF to finalize the process of balloting, in the said meeting it was unanimously agreed that apartments to all registered members of BPS 20-22 shall be allotted. However, location, block number, floor number and apartment number shall be assigned through balloting, whereas the allotment of apartments of the registered members of BPS 20 shall be done through balloting. It is also to mention here that the date for renewal for membership was extended by the approval of the competent authority and no ineligible officer was included in the balloting and only those officers were included in the balloting who have renewed in the balloting. An inquiry in the matter is under process and the inquiry report is still awaited.

It was established in the inquiry conducted by the Mr. Younas Dhaga (Secretary) Ministry of Water & Power that the names of the officers were included in the balloting for allotment of executive apartments who were not registered member or even applied for registration in due date which was mandatory requirement for validation of the allotment.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that matter may be investigated with a view for fixing responsibility.

(Para 49)

**1.3.33.3** Audit noted that balloting was held on 21<sup>st</sup> December, 2015. A review of the balloting lists of successful members indicated that:

1. Balloting list of General Public consists upon 31 pages duly typed and computer page numbered containing full particulars of the successful members and signed by 2 internal committee members out of six (5 internal members

and 1 external member) signed without mentioning names. External member (Deputy Secretary, M/o Housing & Works) did not sign the balloting list.

2. Balloting list of FG employees BPS 11 to 16 consists upon 24 pages duly typed and hand written page numbered containing full particulars of the successful members and signed by four internal committee members with full names, signature and date but not signed by external member (Deputy Secretary, Ministry of Housing & Works).
3. Balloting list of FG employees BPS 1 to 10 consists upon 24 pages duly typed and hand written page numbered containing full particulars of the successful members and initialed by four internal committee members without names and date and also not signed by external member (Deputy Secretary, Ministry of Housing and Works).
4. The composition of Committee No.II for balloting of FG employees BPS 1 to 10 consists upon four internal members all from Land & Estate Wing of PHAF without any representation from other wings of PHAF.

Audit further noted that evidence for attending the balloting by representatives of registered members and media persons was not provided to Audit for scrutiny.

Audit observed from the above narrated shortcomings that process of balloting was non-transparent.

Audit pointed out non-transparent balloting to the management in March-May 2016. Authority replied that Balloting list of General Public consists upon 31 pages, typed and computer page numbered duly signed by all committee members as pointed out by the Audit. Balloting list of FG employees BPS 11 to 16 consists upon 24 pages, typed and page numbered duly signed by all committee members as pointed out by the Audit. Balloting list of FG employees BPS 1 to 10 consists upon 24 pages,

typed and computer page numbered duly signed by all committee members as pointed out by the Audit.

Audit observation was not properly attended, however, facts remained that external member did not sign the balloting list and full names, signature and date was also not mentioned by the members of committee.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends that matter may be investigated with a view for fixing responsibility.

(Para 35)

#### **1.3.34 Non-maintenance of accounts of fixed assets**

Chapter 13 of Accounting Policies and Procedures Manual provides mechanism for proper maintenance of record of assets. Stock taking, physical verification and preparation of fixed assets register was required to be made.

During Special Audit of PHAF the record relating to the assets (property, land, equipment, machinery, split AC Units, Window AC Units, Vehicles, Furniture & fitting, fixtures, Office equipment and Computer equipment) were requisitioned. The concerned sections did not provide any kind of record pertaining to assets of PHAF.

Audit pointed out that stock/assets accounts record was not maintained in pursuance of the APPM, in absence of which chances of misappropriation/non-accounting cannot be ruled out.

This inaction at the part of the PHAF caused qualification in the financial statements for the year 2012-13 as the Auditors were unable to physically verify property, plant and equipment, as on 30<sup>th</sup> June, 2014.

Non-adherence to provision of rules caused non-maintenance of assets record. Audit advises that assets/stock register as per format of APPM may be maintained and got verified.

Audit pointed out non-maintenance of fixed assets record to the management in March-May 2016. Audit Authority replied that the recommendations of special audit team have been noted and process of stock taking as per APPM Performa has been initiated. As soon as the stock taking register will completed the same will be provided for physical verification.

Progress towards compliance was not reported to Audit.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends proper maintenance of record.

(Para 42)

### **1.3.35 Improper maintenance of book of accounts**

Note 7.3 of financial statements provides that the management did not provide the Auditors with the ageing analysis of withholding taxes payables, other liabilities and payables to contractors/consultants. The Auditors were, therefore, unable to quantify the impact of penalty and/or surcharge and/or escalation claims to be paid on delayed payments.

Work in progress has been valued at cost instead at lower of cost or net realizable value which is against the accounting policy. In the absence of working of net realizable value the financial impact cannot be quantified.

Para 16 of CPWA code that it is not sufficient that an officer's accounts should be correct to his satisfaction. A disbursing officer has to satisfy not only himself, but also the Audit Department/Auditors.

Source documents or vouchers are prepared to evidence transactions and their authorization. All the supporting documents to evidence a transaction are attached with the relevant voucher. The following types of vouchers will be prepared by the book keeping and accounting sections of the Authority to record the transactions manually as well as through accounting software:

Payment Voucher  
Receipt Voucher  
Journal Voucher

Secretary Ministry of Housing and Works vide letter No.DO No.F.2(10)/2014/Admn-I dated 25.11.2015 requested special audit of PHAF to probe into the matter as to why the accounts (double entry) of PHAF were not prepared, audited and submitted to Audit on the closing of each financial year (delays and reasons) since establishment of PHA.

During special audit of PHA Foundation aforesaid record was requisitioned and matter discussed with the concerned officers. In response to that they provided accounts statement of contractors of project showing the value of work done, advances, deduction of retention money, recovery of mobilization advance, deduction of taxes and detail of payments made to contractors.

Aforesaid record was examined and found that preparation of the projects accounts is incompatible with the above referred accounting procedure, as such the external auditors qualify the financial statements of the PHAF.

It would be advisable that proper book keeping of accounts, cash books, payment vouchers, receipt vouchers, journal vouchers, contractor's ledger, general ledger, trial balance, income & expenditure statement and

balance sheet may be prepared/maintained for each project in conformance with the requirement/satisfaction of the auditors to quantify/evaluate the total payables, consultant's claim, contractor's claim, escalation, receivables, liabilities, losses, profit, receipts, assets etc.

Audit pointed out the improper maintenance of accounts to the management in March-May 2016. Authority did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends proper maintenance of record.

(Para 48-a)

### **1.3.36 Non-maintenance of project wise cash book**

Para 76 to 80 of CPWA code, All cash transactions should be maintained in the cash book, by all government officers authorized as a regular arrangement, to receive money on behalf of government. Government officers entrusted with imprests or temporary advances should maintain and render accounts of their disbursement in imprest cash account. The cash book is one of the most important accounts records of the department.

The cash book must be balanced on the date prescribed for closing the cash accounts of the month, but when the transactions are numerous a weekly or daily balance is recommended and it is advisable that the cash be counted whenever a balance is struck or at convenient intervals as this afford and independent check on the accuracy of the postings.

An entry once made in the cash book should in no circumstances be erased. If the accounts of the month have been closed no corrections of errors in amount, classification, or name of works should be made in that book but a transfer entry be prepared.



The disbursing officer should check all the entries in his cash book as soon as possible and he should initial the book dating his initials after the last entry checked. The cash book should be signed by disbursing officer at the end of the month.

Audit noted during review of the accounts that only a miscellaneous cheque disbursement register with page marking and certificate by the disbursing officer is being maintained by the accounts section and no project wise cash book was maintained by PHA Foundation.

Audit holds that proper project wise cash book should be maintained in accordance with the above mentioned provisions of rules. In absence of cash book actual receipts and payments cannot be determined.

Non-adherence to rules caused non-maintenance of project wise cash book.

Audit pointed out non-maintenance of project wise cash book to the management in March-May 2016. Authority did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 12<sup>th</sup> August, 2016, 10<sup>th</sup> October, 2016 and 4<sup>th</sup> November, 2016.

Audit recommends proper maintenance of record.

(Para 49-a)

## ANNEXURES

Annexure-A  
Ref to Para 1.3.3

Irregular award of Consultancy contract without competition and extension the consultancy contract through amendment

<b>S. No.</b>	<b>Period</b>		<b>Cost in Rs</b>
1	August 2008	August 2010	27,906,064
2	August 2010	June 2014	11,553,133
3	July 2014	June 2015	13,872,564
4	July 2015	Dec 2015	6,936,282
5	Jan 2016	April 2016	4,624,168
	<b>Total</b>		<b>64,892,211</b>

Annexure-B

Ref to Para 1.3.15.1

Non-accord the technical sanction to the engineer estimate by the competent technical authority of the schemes/projects

(Rs in million)

S. No.	Scheme	Original cost	Revised cost
1	PHA-08/01 G-11/3 C type	387.516	580.880
2	PHA-08/02 G-11/3 E type	548.031	898.475
3	PHA-08/202 G-11/3 Infra	184.996	264.477
4	PHA-08/03 G-10/2 D type	635.631	982.522
5	PHA-08/03 G-10/2 Infra	197.00	235.029
6	PHA-08/04 D type wafaqi colony	99.830	166.289
7	PHA-08/05 E type Wafaqi colony	83.723	140.993
8	PHA-10/01 Addtt D&E type wafaqi colony	163.703	200.861
9	PHA-10/02 B type Wafaqi colony	260.990	343.431
10	PHA-305 UET Shops Lahore	10.401	21.777
11	PHA-11/201 Kuri Road infra	579.770	832.648
12	PHA-11/201 Kuri Road construction	2,226.500	2,934.258
	<b>Total</b>	<b>5,378.091</b>	<b>7,601.64</b>

Annexure-C

Ref to Para 1.3.17.3

Non-evaluation of the receivable on account of cost of sales along with the additional cost in the financial statements caused qualification and short receipt

**(Amount in Rs)**

<b>S. No.</b>	<b>Apartment type</b>	<b>Amount due</b>	<b>Amount received</b>	<b>Receivable</b>
1	D-type (GP and FG employees)	42,115,716	51,007,666	9,476,950
2	E-type(GP and FG employees)	22,243,333	18,731,675	3,511,658
3	B-type Executive (GP)	378,209,264	364,942,403	13,266,861
4	D-type old (GP)	82,820,750	74,886,656	7,934,094
5	D-type old (FG employees)	74,055,008	67,643,552	6,411,456
6	E-type old (GP)	65,428,026	61,083,079	4,344,947
7	E-type old (FG employees)	55,568,268	49,710,931	5,857,337
	<b>Total</b>	<b>720,440,365</b>	<b>688,005,962</b>	<b>50,803,303</b>

Non-maintenance of separate account for security deposit

<b>Sr. No.</b>	<b>Name of work</b>	<b>Contractor</b>	<b>Amount of retention money (Rs)</b>
1	PHA-8/01 C-type apartment G-11/3	M/s Abdul Majeed & Co.	19,375,824
2	PHA-8/5 E-type Wafaqi Colony, Lahore	M/s Iftikhar & Co.	3,186,164
3	PHA-2/202 Infra C&E type G-11/3	M/s Abdul Majeed	9,249,816
4	PHA-10/1 D&E type Wafaqi Colony, Lahore	M/s Iftikhar & Co.	8,185,158
5	PHA-10/2 B type Wafaqi Colony, Lahore	M/s Mark Development	12,554,111
6	PHA-8/4 D type CGE Colony Lahore	M/s Iftikhar & Co.	4,991,502
7	PHA-11/201 Infra Kuri Road , Islamabad	M/s MAAKSONS	18,658,668
8	PHA-8/3 D type G-10/2 Islamabad	M/s Techno	34,258,023
9	PHA-305 commercial residence UET, Lahore	M/s Toor Trading	520,060
10	PHA-8/2 E type G-11/3	M/s Abdul Majeed	23,401,565
	<b>Total</b>		<b>134,380,891</b>

Overpayment to consultant due to application of higher percentage to the value of work done on account of construction supervision

Consultancy cost through amendments

<b>Sr. No.</b>	<b>Period</b>		<b>Cost in Rs</b>
1	August 2008	August 2010	27,906,064
2	August 2010	June 2014	11,553,133
3	July 2014	June 2015	13,872,564
4	July 2015	Dec 2015	6,936,282
5	Jan 2016	April 2016	4,624,168
	<b>Total</b>		<b>64,892,211</b>

Payment for Infra work up to IPC-5=  
value of work done = Rs 73.572 million  
Payment for construction work up to IPC-49 =  
value of work done = Rs 665.482 million  
Total amount of work done = Rs 739.054 million

Payment of consultancy supervision as per provision =  
Rs 739.054 million x 3.66%= Rs 27.049 million

Overpayment = Rs 64.892 million – Rs 27.049 million = Rs 37.843 million

Annexure-F  
Ref to Para 1.3.26

Loss to PHAF due to allotment of General Public apartments to PHAF Officers and double benefit to the officers by the same agency in the shape of allotment of grey structure at Kuri Road and sale of apartments in G-11/3

**(Rs in million)**

<b>Sr No.</b>	<b>Apartment No.</b>	<b>Cost of apartment</b>	<b>Name of Officers</b>	<b>Date of allotment</b>	<b>Cost of apartment</b>	<b>Difference of cost</b>
1	SF-6 block-4 G-11/3	4,900,000	Athar Nawaz Malik (D.G)	30.04.2010	2,900,000	2,000,000
2	GF-04 Block-5 G-11/3	5,000,000	Lt ® Raja M. Abbas (Secretary HOUSING & WORKS)	30.04.2010	2,900,000	2,100,000
3	GF-02 Block-10 G-11/3	5,000,000	M. Ali Afridi (M.D)	30.04.2010	2,900,000	2,100,000
4	GF-02 Block-13	5,000,000	Hamid Ali Khan (D.G)	06.10.2010	2,900,000	2,100,000
5	TF-15 Block-13	4,850,000	Sami ul Haq Khilji (M.D)	22.07.2010	2,900,000	1,950,000
6	GF-04 Block-11	5,000,000	Col ® Subha Sadiq (M.D)	04.2010	2,900,000	2,100,000
7	SF-11 Block-2	4,900,000	R.B. Phulpoto (M. D)		2,900,000	2,000,000
8	SF-12	4,950,000	M. B. Awan Senior Joint Secretary	03.05.2012	2,900,000	2,050,000
	<b>Total</b>					<b>16,400,000</b>

Overpayment due to classification of the soil in contravention of the project specification

<b>Sr No.</b>	<b>Description</b>	<b>Quantity</b>	<b>Rate per cft</b>	<b>Amount (Rs)</b>
1	Lift upto 5 ft	488795 cft	Rs 7	3,421,565
2	Lift from 5 ft to 8 ft	125871 cft	Rs 8	1,006,968
3	Lift from 8 ft to 11ft	43138 cft	Rs 9	388,242
4	Lift from 11 ft to 14 ft	10097 cft	Rs 10	100,970
5	Lift from 14 ft to 17 ft	3559 cft	Rs 11	39,149
	<b>Total</b>			<b>4,956,894</b>

Amount paid through variation statement as per decision of Arbitrator = Rs 16,916,472

Amount to be paid as per specification = Rs 4,956,894

Overpayment = Rs 16.916 – Rs 4.957 = Rs 11.959 million