



PERFORMANCE AUDIT REPORT

ON

COMMERCIALIZATION FEES AND ROLE OF ITS DIRECTORATE IN LAHORE DEVELOPMENT AUTHORITY

HUD & PHE DEPARTMENT

GOVERNMENT OF THE PUNJAB

AUDIT YEAR 2018-19

AUDITOR-GENERAL OF PAKISTAN

PREFACE

Auditor-General of Pakistan conducts audit under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers, and Terms and Conditions of Service) Ordinance, 2001. Performance Audit of "Commercialization fees and role of its directorate in Lahore Development Authority" was carried out accordingly.

Directorate General Audit Works (Provincial), Lahore conducted Performance Audit of "Commercialization fees and role of its directorate in LDA" during August 2019 up to the year 2018 with a view to reporting significant findings to the stakeholders. Audit examined the efficiency and effectiveness aspects of the Authority. In addition, Audit also assessed on test check basis, whether the management complied with applicable laws, rules and regulations in managing the affairs of the Authority. The Audit report indicates specific actions that, if taken, will help the management to realize the objectives of the Authority. Most of the findings included in this report have been finalized in the light of discussion in SDAC meeting held in February 2020.

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

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS & ACRONYMS

CTP	Chief Town Planner
DAC	Departmental Accounts Committee
DC	District Committee
DG	Director General
DPDC	District Planning and Design Committee
INTOSAI	International Organization of Supreme Audit Institution
EIA	Environmental Impact Analysis
GoPb	Government of the Punjab
HUD&PHE	Housing Urban Development and Public Health Engineering
LDA	Lahore Development Authority
LG&CD	Local Government & Community Development
PSR	Preliminary Survey Report
SDAC	Special Departmental Accounts Committee
TMA	Town Metropolitan Authority
WAPDA	Water and Power Development Authority

EXECUTIVE SUMMARY

Directorate General Audit Works (Provincial) Lahore conducted the Performance Audit of “Commercialization fees and role of its directorate in LDA Lahore” in August 2019 to assess whether the process of approval of commercialization and allied recovery was according to the laid down criteria. Main objective of the audit was to evaluate the aspects of economy, efficiency & effectiveness in the working of the Authority and to analyze how far the Authority remained successful in achievement of its objectives. The audit was conducted in accordance with the INTOSAI Auditing Standards.

HUD & PHE Department notified the Land Use Rules 2009 and 2014. According to these rules, cases of permanent and annual commercialization were processed by LDA through Scrutiny Committee headed by Secretary HUD & PHE Department with Chief Town Planner of the Authority as Secretary. The honorable Supreme Court also directed to formulate the commercialization policy vide Case No.29 of 2018 dated 17.10.2018 but no compliance was made, resultantly about 147 court cases were pending in different courts.

The report is based on land use, traffic and parking surveys of various housing schemes in Lahore. The report highlighted the weak development controls, outdated master plan and non-existent commercialization policy of the government which led to unsustainable pattern of commercial development even in planned residential areas. The Director Commercialization and Director Recovery neither maintained the record of properties commercialized on temporary/permanents basis nor detected the properties involved in illegal commercial activities.

As a test case, the commercialization of “Hameed Latif Hospital” was taken where a number of omissions were found in the process of commercialization, resultantly incorrect commercialization was allowed.

Key audit findings

Audit findings categorized into major issues i.e. financial management, contract management, monitoring & evaluation and environment are as under:

- i. Non-formulation of commercialization policy.¹
- ii. Non-maintenance of record of commercialized and sealed/de-sealed properties.²
- iii. Non-detection of properties involved in illegal commercialization activity³
- iv. Allowing temporary/permanent commercialization without observing the applicable rules and regulations.⁴
- v. Non-recovery of annual commercialization fee, late surcharge fee and less-recovery due to incorrect calculation of commercialization fees⁵
- vi. Non-achievement of targets for collection of planned commercialization fees⁶
- vii. Non-collection of record of commercialized cases finalized by TMA⁷

Recommendations

Principal Accounting Officer needs to strengthen the internal control regime in the Authority in the light of following recommendations:

- i. Commercialization policy be formulated besides strengthening the follow-up system regarding unauthorized commercialization properties to avoid court cases.

¹ 4.1.3

² 4.4.2

³ 4.4.7

⁴ 4.2.7, 4.2.8, 4.2.9

⁵ 4.2.1, 4.2.2, 4.2.3

⁶ 4.2.5

⁷ 4.4.3

- ii. The record of commercialized properties be maintained in a systematic manner by adopting the SAP system so that collection of commercialization fee could be enhanced and crystallized.
- iii. The internal and administrative controls system be strengthened to avoid illegal commercialization besides taking disciplinary action against the responsible(s).
- iv. Commercialization be granted in compliance with applicable rules and regulations.
- v. An effective accountability mechanism be devised regarding prompt recovery of commercialization and late surcharge fees.
- vi. A system based monitoring reports should be generated for the top management.
- vii. The record of the properties commercialized by TMA be collected alongwith fixing responsibility for not-obtaining such record as no commercialization fee could be recovered by the Authority against those cases.

1. INTRODUCTION

Lahore Development Authority (LDA) is an autonomous body and was established by the Provincial Assembly of Punjab under LDA Act, 1975. LDA is responsible for establishing a continuous mechanism of planning and development of the area notified under LDA Act in an effective, efficient and sustainable manner.

Chief Town Planning (CTP) Wing at LDA, Lahore consists of three directorates i.e Town Planning, Commercialization and Recovery. Director Commercialization was responsible for permanent commercialization and Director Recovery was responsible for temporary commercialization and recovery of permanent and temporary commercialization fees. According to Land Use Rules 2014, the Authority declared about forty-six (46) major roads of Lahore (Annex-I) for permanent commercialization. However, unauthorized commercial activities were being carried out but no proper record regarding unauthorized commercial use, sealing / de-sealing of properties, imposition of fines was prepared by the Authority. Further, insufficient manual record of commercialized properties was maintained instead of adoption of proper and comprehensive computerized system for record maintenance leading to accurate recoveries.

2. AUDIT OBJECTIVES

The main objectives of audit were as under:

- To analyze that the process of commercialization was completed within prescribed period.
- To examine the impact of commercialization on landscape of housing societies and city.
- To analyze that the process of commercialization and sanction of commercialization letter of land was efficient, effective and transparent.
- To examine the system of internal controls for prevention of unauthorized commercial use of property.
- To analyze as what extent targets focused in budget were achieved.
- To check the compliance of applicable rules, regulations and procedures.

3. AUDIT SCOPE AND METHODOLOGY:

3.1 The audit examined the process of commercialization which was being adopted through three directorates; Town planning, commercialization and recovery with special emphasis on application of rules & regulations and compliance of procedure in efficient manner.

3.2 Audit methodology included preparation of PSR, collection of data by examining the files, review of system workflows associated with the commercialization being processed at different directorates. Besides, discussions were also conducted with the residents of areas adjacent to commercialized properties, auditee and other stakeholders.

4. AUDIT FINDINGS AND RECOMMENDATIONS

The performance audit was carried out on commercialization fees and role of its Directorates (Commercialization, Recovery & Town Planning) of LDA. The audit findings are listed below:

4.1 Organization and Management

4.1.1 The LDA is under the administrative control of HUD&PHE Department, Government of the Punjab. Land Use Rules for commercialization were notified from time to time by HUD&PHE Department. The commercialization rules and by-laws were to be enforced by the Chief Town Planner, Director Commercialization, Director Recovery and Director Town Planning LDA Lahore. The Director Commercialization is responsible for permanent / temporary commercialization, Director Recovery is responsible for recovery of commercialization fee and Director Town Planning is responsible for implementation of building regulations particularly for commercialization.

4.1.2 Job description of the staff was defined in the LDA Delegation of Financial Power Rules.

4.1.3 Non-formulation of commercialization policy

As per Section 45 of LDA Act 1975, the Authority is authorized to make SOPs / regulations. Further, as per Suo Motu Case No.29 of 2018 dated 17.10.2018, the honorable Supreme Court directed to prepare and implement the commercialization policy.

Director commercialization LDA, Lahore allowed permanent / temporary commercialization without any prescribed commercialization policy. Audit observed that the honorable Supreme Court vide Suo Motu case No.29 of 2018 dated 17.10.2018, directed to prepare and implement the commercialization policy but after the lapse of considerable period i.e approx. 3 years, no commercialization policy was formulated by the Authority which was tantamount to contempt against the orders of the Supreme Court.

Violation of LDA Act and direction of honorable Supreme Court resulted in non-formulation of commercialization policy.

Audit pointed out the lapses in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that new Commercialization Rules, 2019 had been prepared and forwarded to the Secretary HUD& PHE Department on 10.12.2019 for approval. Audit informed the Committee that the Authority did not make commercialization policy / regulations for effective/transparent commercialization of the properties. The Committee directed the Authority to comply with the instructions and get the same verified from Audit. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early formulation and implementation of commercialization policy.

(Para No. 44)

4.1.4 Wasteful expenditure due to non-adoption of integrated IT systems to upkeep the record of commercialization– Rs 69.792 million

As per summary of budget book, an expenditure of Rs 40.947 million incurred on the salaries of the staff of information technology during the financial year 2018-19 and an expenditure of Rs 28.845 million

was incurred for development and implementation of integrated computerized system for LDA.

During the examination of budget book for the financial year 2018-19 it was observed that an amount of Rs 69.792 million was incurred on account of salaries of the IT staff and for development & implementation of integrated computerized system for LDA. Audit observed that the Authority did not adopt the integrated IT System for maintenance of all record besides huge expenditure was incurred by the LDA for Rs 69.792 million. Moreover, due to non-maintenance of record of commercialization, the commercialization fees of all properties was not being collected accurately, effectively and efficiently.

Weak supervisory and administrative controls resulted in wasteful expenditure due to non-adoption of integrated IT systems to upkeep the record of commercialization for Rs 69.792 million

Audit pointed out the lapses in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the system shall be adopted after approval by the competent authority. The Committee directed the Authority to maintain all record by applying IT based system. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early adoption of integrated IT system besides taking disciplinary action against the person(s) at fault for non-adopting of IT system.

(Para No.46)

4.1.5 Non-observance of prescribed period for approval of commercialization

As per Land Use Rules 2014, 26 days were allowed for completing a process of commercialization from receipt of application to issuance of demand notice in allied directorates and in case of any objection, extra 6 days were allowed.

During the scrutiny of various case files, it was observed that the Directorate of commercialization did not complete the process of commercialization within the stipulated period of 32 days (inclusive of 06 days)(Annex-II) with extra time of six days. Due to this lapse, the revenue in the shape of commercialization fee could not be recovered timely.

Violation of rules resulted in non-observance of prescribed period for approval of commercialization.

Audit pointed out the lapses in August 2019. The para was discussed in SDAC meeting held on 28.02.2020. Audit informed the Committee that neither the Authority submitted working papers nor produced record for verification. The Committee directed the Authority to produce record for verification and get it verified within 15 days. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early production of record and its verification.
(Para No. 11)

4.2 Financial Management

4.2.1 Non/less-recovery of annual commercialization fee – Rs4,008.59 million

According to Rule 31(5)(4) of LDA Land Use Rules 2014, the fee for temporary or annual commercialization shall be charged on annual basis at the rate of 1.25% of the commercial value of the total land owned as provided in the valuation table. Further, as per Rule 28-II, the fee for conversion of land into commercial use of LDA Land Use Rules 2014, from residential to commercial was @ 20% of the commercial value of the total area of ownership as provided in relevant valuation table.

4.2.1.1 Director Recovery LDA did not effect the recovery of annual commercialization fees for the period 2018-19 from the owners of the annual commercialized properties, whose properties were in commercial use without the payment of prescribed fee.

Weak supervisory and financial controls resulted in non-recovery of annual commercialization fee amounting to Rs 4,000 million approx.

Audit pointed out the non-recovery of annual commercialization fees in August 2019. The para was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the matter of commercialization was taken by the honorable Supreme Court dated 16.09.2018 in Suo Motu case No.29.2018, therefore, Demand Notices for the year 2018-19 could not be issued. However, annual commercialization fee for the fiscal year 2018-19 would be recovered. The Committee directed the Authority to

effect recovery and get it verified from Audit. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery.

(Para No. 37)

4.2.1.2 Directorate of Commercialization, LDA, Lahore granted permanent commercialization against plot No.53, Block-17, Sector B-I, QAT Lahore and issued voucher dated 25.03.2016 with total fee of Rs 3,600,000 but the owner of the commercialized property deposited one installment only for Rs 400,000 on 28.04.2016 without obtaining the approval of payment in installments. Audit observed that after the lapse of 2 years and 2 months (28.04.2016 to 30.06.2018) neither the recovery of balance amount of Rs 3,200,000 was made nor the permission for permanent commercialization was withdrawn.

Weak financial controls resulted in non-recovery of balance amount of permanent commercialization fee for Rs 3,200,000.

Audit pointed out the non-recovery in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the owner requested for two installments which was rejected by the competent authority. Further, the case had been forwarded to Director (Recovery), LDA for recovery of pending dues. Audit contended that after the lapse of 2 years, neither the balance amount was recovered nor the recovered amount was forfeited under rule 28(3) *ibid*. Moreover, the permission for permanent commercialization was not withdrawn. The Committee upheld the view point of Audit and directed the Authority to recover the balance amount with penalty/ surcharge for delay. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives towards effecting recovery and its verification.

(Para No. 14)

4.2.1.3 Director Town Planning LDA, Lahore issued demand notices to the owners of four properties residing in Quaid-e-Azam Town, (QAT) Lahore for depositing the annual commercial fees, but after the lapse of considerable period, neither the Authority collected the annual

commercialization fees nor any fine was imposed under section 38 of LDA Act 1975 @ 10,000 per day from the dates of its conversion till the default continuous or with imprisonment for a term which may extend to one year or with both.

Weak financial controls resulted in non-recovery of annual commercialization fees for Rs 1,770,840(detail below):

Sr No.	Plot No.	Amount Rs
1	Property No.53, Block-17, Sector B-I, QAT Lahore	505,440
2	Property No.9, Block2 sector C/2 QAT Lahore	317,170
3	Property No.229, Block-1 sector D/1 QAT Lahore	111,040
4	Property No.43, Block-17 sector B/1QAT Lahore	844,190
		1,770,840

Audit pointed out the lapses in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. Audit informed the Committee that neither the Authority submitted working papers nor produced record for verification of fine @ Rs 10,000 per day for the default period. The Committee directed the Authority to produce record for verification within 15 days. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery.

(Para No. 17)

4.2.1.4 Director Commercialization, LDA, Lahore issued letter vide No.BA/14653 dated 25.03.2016 to the owner of plot No.24, Block-01, C/2, QAT Lahore for deposit of commercialization fee for Rs 3,639,600. The owner deposited an amount of Rs 1,900,000 (900,000+1,000,000) in September 2015. Audit observed that after the lapse of 2½ years (25.01.2016 to 30.06.2018), neither the balance amount of Rs 1,739,600 with surcharge was recovered nor the recovered amount was forfeited under rule 28(3) ibid. Further, the permission for permanent commercialization was not withdrawn.

Weak financial controls resulted into non-recovery of balance amount of permanent commercialization fee for Rs 1,739,600(3,639,600 - 1,900,000)

Audit pointed out the non-recovery in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the relevant case was transferred to Director Recovery,

LDA for recovery of the pending dues of commercialization fee. Audit contended that the recovery of balance amount with penalty against the delayed period was not recovered. Further, neither the recovered amount was forfeited nor the permission for commercialization was withdrawn. The Committee upheld the view point of Audit and directed the Authority to recover the balance amount with penalty/ surcharge for delay. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery and its verification.

(Para No. 16)

4.2.1.5 Directorate of commercialization, LDA, Lahore allowed permanent commercialization against plot No.53, Block-17, Sector B-I, QAT Lahore from 13.12.2013 and issued letter to deposit the permanent commercialization fee for Rs 3,601,000 without adding the recovery of annual commercialization fee of Rs 568,210 for the period (18.11.2006 to 31.12.2011). In this way the Authority did not recover the annual commercialization fee for the period from 18.11.2006 to 13.12.2013 for Rs 791,775 (Rs 9315 per month x 85 months).

Weak financial controls resulted in non-recovery of annual commercialization fee for Rs 791,775.

Audit pointed out the matter in August 2019. The Authority replied that efforts were being made for recovery of the pending annual commercial fee arrears. The Authority admitted recovery and promised to effect the same from the owners. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority reiterated its previous stance. The Committee directed the Authority to effect recovery and get it verified within 15 days. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery of outstanding amount alongwith penalty besides initiating disciplinary action against the persons responsible for non-recovery.

(Para No. 06)

4.2.1.6 Directorate of Commercialization LDA, allowed permanent commercialization against property No. 07 Block-Pak Allama Iqbal Town Lahore on 04.04.2018. Audit observed that the annual commercialization fee of Rs 26,212 per annum was outstanding w.e.f. 09.07.2002 to

04.04.2018 which was required to be recovered with surcharge before granting the permanent commercialization against the said property. This resulted in non-recovery of outstanding dues for Rs 419,392(16* 26212) w.e.f July 2002 to April 2018.

Weak financial controls resulted in non-recovery of annual commercialization fee for Rs 419,392.

The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the annual commercialization fee was waived of based on this office letter No.921 dated 01.05.1999 under clause 51 of LDA Building Regulations. Audit informed the Committee that no record regarding waiver of the fee was produced by the Authority. The Committee directed the Authority to get the matter probed by the Administrative Department. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery of outstanding amount alongwith penalty besides initiating disciplinary action against the persons responsible for non-recovery.

(Para No. 04)

4.2.1.7 Directorate of Commercialization LDA, calculated commercialization fee amounting to Rs 1,890,500 against total area of 9.5 marla instead of 9.87 marla as evident from site plan of property No. 09 Block A Gulshan Ravi Lahore. In this way, the Authority calculated less commercialization fee for 0.37 marla amounting to Rs73,630.

Weak supervisory and financial controls resulted in less-recovery Rs 73,630.

Audit pointed out the less-recovery in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the commercialization charges were calculated on the basis of area mentioned in ownership requisition, whereas the sub-engineers manually measure area at site which may include some variations because of the terrain and irregular shapes of the plots on ground. Audit informed the Committee that as per site plan made by the inspector, the correct area came to 9marla& 195 sft and commercialization fee was required to be calculated and recovered accordingly. The Committee upheld the viewpoint of Audit and directed to effect actual recovery as per site plan. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery and its verification.

(Para No. 18)

4.2.1.8 Directorate of Commercialization LDA calculated commercialization fees for Rs 500,000 & 437,500 for two adjacent plots i.e plot No. 17 & 18 respectively of Sikandar Block, Allama Iqbal Town Lahore, comprising of 10 marla each by taking DC rates of Rs 200,000 & 175,000 per marla instead of applying same DC rate for each plot as both the plots were situated at same area. In this way the Authority calculated / recovered less commercialization fee for Rs 62,500.

Weak supervisory and financial controls resulted in less-recovery of commercialization fee for Rs 62,500.

Audit pointed out less-recovery in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the commercialization fee was calculated as per prevailing DC rate. Audit informed the Committee that no record was produced by the Authority for verification. The Committee directed the Authority to effect actual recovery and get it verified from Audit. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery and its verification.

(Para No.43)

4.2.2 Non-withdrawal of offer of permanent commercialization due to submission of cheque having less balance - Rs 4.5 million

As per condition No.2 of demand notice, if the owner of the property fails to deposit the fee within given period i.e six weeks from date of issuance of demand notice, the offer will be withdrawn.

Director Commercialization, LDA, Lahore issued demand notice regarding permanent commercialization fee of property No.41-1-C/1, QAT Lahore for Rs 4,499,000 on 8.2.2013. The owner submitted two cheques on 24.5.2013 for Rs 500,000 & 400,000 dated 10.06.13 & 15.06.2013 respectively which were dishonored due to insufficient balance. Audit observed that no action was initiated against the defaulter regarding issuance of dishonored cheques besides withdrawal of offer of commercial activity which reflects irresponsible behavior and non-seriousness of the authority towards collection of government revenues.

Weak supervisory and financial controls resulted in non-withdrawal of offer of permanent commercialization due to submission of Cheque having less balance for Rs 4,499,000.

Audit pointed out the irregularity in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the Directorate of Recovery, LDA had sealed the properties and new approval would be granted on new enhanced rates, in case of fresh approval. Audit informed the Committee that neither the Authority sealed the property as no record was produced nor lodged FIR for issuance of bogus cheque against the persons at fault. The Committee directed the Authority to get the matter probed by the Administrative Department and the case also be referred to law department for legal opinion. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directive.

(Para No. 12)

4.2.3 Undue financial benefit to the owner due to non-deposit of late surcharge – Rs 546,760

As per instructions of challan form of commercialization fee, in case payment is not made by the due date, mark-up @ 17.50% per annum will be charged on all such belated payments till the date of final payment.

Directorate of Commercialization LDA, calculated surcharge for Rs 546,760 against property No.411 Block-Pak Allama Iqbal Town, Lahore and issued challan with due date of 19.05.2019 but the owner failed to deposit the said amount within due date. Later on, the due date of same challan No. was changed with due date of 06.06.2019 without imposition of late surcharge in compliance of condition of challan as quoted above.

Weak supervisory and financial controls resulted in undue benefit to the owner due to non-deposit of surcharge fee for Rs 546,760.

Audit pointed out the undue benefit in July 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that applicant provided pay order dated 13.05.2019 for Rs 546,760 and the same was forwarded to accounts branch for encashment on 18.05.2019. The delay was at the end of bank in encashment of pay order. Audit stated

that if the PO was received in time and the delay was at the end of Bank then why the revised challan was issued with same date. The Committee directed the Authority to produce complete record for re-verification with justification for issuance of revised challan. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

(Para No. 02)

4.2.4 Undue benefit due to non-recovery of surcharge - Rs 279,910

As per Honorable Supreme Court orders dated 03.01.2019, the Honorable Court never imposed a ban on commercialization of properties which were in pipeline or could be validly commercialized as per existing policy, rather it was meant for future commercialization only.

Directorate of Commercialization LDA, calculated the surcharge for 148 & 40 days amounting to Rs 268,419 (227,069+ 41,350) against property No.17 Block-C and (Khasra) No. 2534/624 & 2536/625 Mauza Amer Sadhu Central Park Lahore respectively after deduction of Supreme Court ban period of 109 days (16.09.2018 to 03.01.2019) whereas, according to orders of Honorable Court, the ban was for new cases and not for the old cases in pipeline. So, surcharge was also recoverable for ban period amounting to Rs. 279,910.

Weak financial controls resulted in undue financial benefit to the owner due to non-recovery of surcharge for Rs 279,910.

Audit pointed out the undue favour during August 2019. The para was discussed in SDAC meeting held on 28.2.2020. The Authority explained that during the ban tenure, this office did not receive any application or commercialization fee despite public was willing to pay during ban tenure. Thereafter, the interpretation of Supreme Court Order dated 3.1.2019 was done through minutes of the meeting dated 6.4.2019, so it was decided in the public interest to waive off surcharge during ban period of 109 days. Audit informed the Committee that no record was produced by the Authority. The Committee directed the Authority to produce complete record for verification. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery.

(Para No. 20 & 05)

4.2.5 Non-recovery of commercialization fee for covered area

According to Rule 56 of LDA Land Use, Classification Reclassification and Redevelopment Rules 2009, the authority shall assess the fee keeping in view the total covered area of the proposed commercial building.

Directorate of Commercialization LDA, calculated the permanent commercialization fee for Rs 5,200,000 against the property No.17 Block-C, Gulshan Ravi, Lahore. Audit observed that the Authority calculated the permanent commercialization fee without adding the charges of covered area. Moreover, as the Authority did not calculate the covered area so the amount of recovery of commercialization fee of covered area could not be calculated.

Weak supervisory and financial controls resulted in non-recovery of commercialization fee for covered area.

Audit pointed out the non-recovery in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that as per report, the site was vacant, therefore, covered area charges were not applicable. Audit informed the Committee that a house was constructed on above mentioned property as proved through pictures, so the commercialization fee was required to be calculated including covered area. The Committee deferred the para for re-verification of actual site situation. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery.

(Para No. 19)

4.2.6 Irrational planning of estimated receipts of commercialization fee

As per Rule 14 of Punjab Budget Manual, the budget was required to be prepared on the basis of last 8 months actual and next 4 months estimated receipts.

Directorate of commercialization calculated the budgeted receipts for collection of commercialization fee for each year on lump-sum basis without any backup calculation. Audit observed that the actual receipts were from 50% to 70% of total budgeted receipts (Annex-III) as the

Authority had no specific system or any backup data through which the budgeted receipts could be estimated. The budgeted receipts were calculated on thumb rule basis by plus or minus in previously calculated amount of budgeted receipts which reflects the inefficiency and lack of effectiveness of controlling agencies towards planning of budgeted receipts. Less-recovery of revenues was due to non-existence of proper system of recovery and backup record which depicted the poor performance of the Authority.

Weak supervisory, administrative and financial controls resulted in irrational planning of estimated receipts of commercialization fee.

Audit pointed out the irrational planning of estimated receipts of commercialization fee in August 2019. The Authority replied that the budget targets were fixed with the concurrence of the Chief Town Planner, Finance Directorate and with approval of the Competent Authority of LDA. Moreover, as per general practice, 10% increase is made in the achieved amount. The para was discussed in SDAC meeting held on 28.02.2020. The Authority reiterated its previous stance. The Committee directed the Authority to produce record for verification within 15 days. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends to establish an IT based database to observe the estimated budget of receipts and recovery of fees.

(Para No. 08)

4.2.7 Irregular/inadmissible permanent commercialization of residential area

As per list 'A', (list of declared commercialized Roads), only Main Boulevard of Allama Iqbal Town Lahore was allowed for Permanent Commercialization.

4.2.7.1 Directorate of Commercialization LDA, allowed permanent commercialization of plots # 17-18 located in residential area of Allama Iqbal Town, Sikander Block, Lahore in front of the commercialized area i.e Karim Block Market. Audit observed that the Authority granted irregular permanent commercialization as the said plots were not located on the roads allowed for permanent commercialization by the LDA Authority. Further, the request of commercialization of plots No.17 &18

were rejected by the commercialization committee of LDA and also intimated to the Chief Minister who agreed with the recommendations.

Weak supervisory and administrative controls resulted in irregular permanent commercialization of residential properties.

Audit pointed out the irregular permanent commercialization in August 2019. The matter was also discussed in SDAC meeting held on 28.02.2020. The Authority explained that the Commercialization Committee allowed special commercialization of above said plots based on the recommendations of Director Town Planning's site report. Audit informed the Committee that the permanent commercialization was to be allowed only on declared commercialized roads. The Committee directed the Authority that the matter may be got probed from Administrative Department. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

(Para No. 41)

4.2.7.2 Directorate of Commercialization LDA, allowed permanent commercialization of plot No.14/A, 14/C & 14 located in residential area of Abu Bakar Block, New Garden Town, Lahore. Audit observed that the Authority granted permanent commercialization of above said plots for hospital whereas, as per rules, only dispensary with no bed and laboratory facilities was to be allowed instead of hospital.

Violation of rules resulted in irregular commercialization of plots.

Audit pointed out the irregularity in August 2019. The matter was also discussed in SDAC meeting held on 28.02.2020. The Authority explained that the plot No. 14/A, 14/C & 14 Abu bakar Block New Garden Town abut on main Ferozpur road, which was a declared commercial road. Audit informed the Committee that the Authority allowed inadmissible commercialization of plots because out of four plots, only two plots were located at commercial road. The Committee directed the Authority to produce all relevant record fulfilling the requirement of Rule # 6-b (iv) "Approval of Permissible Uses" of LDA Land Use Rules, 2009, and get it verified from Audit. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

(Para No. 24)

4.2.7.3 Directorate of Commercialization LDA, allowed permanent commercialization of plot No.14 after amalgamation of plots # 14 & 14/B. Audit observed that the area of two amalgamated plots was 02k-15m-28sft whereas, the minimum area for hospital was 6 kanals as required by Land Use Rules. Further, the amalgamation of one commercial and one non-commercial plot was not admissible.

Weak supervisory and administrative controls resulted in irregular commercialization.

Audit pointed out the irregularity in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that plot No.14 abuts on Main Ferozepur Road which was declared commercial on 29.06.2011. Further, the owner applied for permanent commercialization on 28.05.2012 of amalgamated plots No.14 & 14B but the final commercialization letter was not yet issued. Audit informed the Committee that the area of amalgamated plots was less than the admissible area of 6 kanals as required under Land Use Rules. The Committee directed the Authority that the Director General LDA may probe the matter and get it verified from Audit. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

(Para No. 25)

4.2.8 Issuance of permanent commercialization letter without obtaining approval of scrutiny committee

According to Rule # 03 (2) "a" Permitted Uses of Land Use Rules 2014" the uses which are allowed in each land use class subject to condition, "b" Permissible Uses "the uses which, though not permitted, may be allowed by the scrutiny committee subject to the payment of the prescribed fee and other conditions.

Directorate of Commercialization LDA, allowed permanent commercialization of plot No.14/A,14/C & 14,Abubakar Block, New Garden Town Lahore (Hameed Latif Hospital) with permitted uses instead of permissible uses because the fee was paid but approval of scrutiny committee was not obtained. So, the Authority granted inadmissible permanent commercialization.

Violation of rules resulted in issuance of permanent commercialization letter without obtaining approval from scrutiny committee.

Audit pointed out the irregularity in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the DG LDA granted approval being competent authority for granting of land use conversion therefore, the case was dealt as permitted use instead of permissible use. Audit informed the Committee that only two plots out of four plots abut on the Ferozpur Road and other two plots were located in New Garden Town for which the recommendation of scrutiny committee was required which was not obtained. The Committee directed the Authority to get the matter probed from the Administrative Department. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

(Para No. 33)

4.2.9 Illegal commercialization due to non-observance of prescribed conditions of commercialization

As per condition No.1 & 2 of commercialization letter, 'the minimum house line of 20ft towards Wahdat Road and 10 ft towards other main road shall be provided. The remaining open spaces around the building shall be provided as per LDA's Building Regulations prescribed for the residential plots of corresponding size' and 'a coverage not exceeding 50% of the plot area shall be allowed'.

Directorate of Commercialization, LDA allowed permanent commercialization against plots No.17 & 18 of Sikander Block, Allama Iqbal Town, Lahore. Audit observed that as per physical site situation, neither the required spaces around the building were left nor the coverage area was observed while granting commercialization in violation of rules *ibid*.

Violation of condition of commercialization letter resulted in non-observance of prescribed conditions of permanent commercialization letter.

Audit pointed out the matter in August 2019. The matter was also discussed in SDAC meeting held on 28.02.2020. The Authority explained that the commercialization Committee allowed special commercialization of above said plots. As per condition No.1 & 2 of commercialization

letter, “the minimum house line of 20ft towards Wahdat Road and 10ft towards other main road shall be provided. The remaining open spaces around the building shall be provided as per LDA’s Building Regulations prescribed for the residential plots of corresponding sides”. Audit informed the Committee that no record was produced by the Authority. The Committee directed the Authority to produce complete record and get it verified from Audit. The compliance of the Committee’s directives was not reported till finalization of the report.

Audit recommends cancellation of commercialization of the said plot and get it verified from Audit.

(Para No. 42)

4.2.10 Illegal permission due to allowing annual commercialization on less area of plots

As per Sr. No.4(b)III of Land Use Rules 2014 “Permissible Uses”, the required area for dispensary was not less than one (01) kanal and for hospital not less than six (06) kanal and as per Sr No.4(b)VII “Permissible Uses”, the required area for college was not less than 4 kanal.

Director General / Chief Town Planning allowed temporary/annual commercialization to various owners of six (6) residential properties (Annex-III)in different areas having less area as required by law for hospital not less than six (06) kanal and college not less than four (04) kanal in violation of the rules *ibid*.

Violation of rules resulted in illegal permission of annual commercialization due to less area of the plot.

Audit pointed out the illegal permission in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The department explained that the para had been referred to concerned directorate i.e Director Recovery. Audit informed the Committee that neither the authority sent working neither paper nor produced record for verification. The Committee directed the Authority to produce record for verification within 15 days. The compliance of the Committee’s directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

(Para No. 38)

4.2.11 Irregular commercialization due to non-obtaining of recommendation from DPDC and approval of DG

According to Rule 18 “Approval of Permissible Use” of LDA Land Use Rules, 2009, the Authority shall not grant permission to a person for a permissible land use unless the District Planning and Design Committee (DPDC) has examined and recommended such permission and after detailed scrutiny, the case is submitted to the Director General, LDA for final decision/approval.

4.2.11.1 Directorate of Commercialization LDA, granted commercialization of two plots located at Abu-bakar Block New Garden Town, Lahore without obtaining the recommendation from the DPDC for a permissible land use and approval of DG in violation of rule quoted above.

Violation of rules resulted in irregular commercialization of plots. (Detail below):

Sr. No.	Plot No.	Location	Name of owner	Letter No.
1	14/A & 14/C (2K-12M-155sft)	Abu-bakar Block new Garden Town Lhr.	Asghari Begum (Pvt) Ltd.	14649 dt 25.11.2011
2	14 (1K-8M-31Sft)	-do-	-do-	15103 dt 3.12.2013

Audit pointed out the irregular commercialization during July 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the commercialization was granted on the basis of abutting main Ferozpur Road, therefore, the permission was granted by DG LDA instead of DPDC. Audit informed the Committee that out of four plots, only two plots fall under permitted category and two plots fall under permissible category subject to pre-requisites and prior approval of DPDC, whereas, the pre-requisites were not fulfilled. The Committee deferred the para for re-verification according to admissible rule position. The compliance of the Committee’s directives was not reported till finalization of the report.

Audit recommends cancellation of commercialization of the said plots and its verification.

(Para No. 26)

4.2.11.2 Directorate of Commercialization LDA, issued demand notice for commercialization of two plots located at Abu-bakar Block New Garden

Town, Lahore by calculating the conversion fee @ 20% for Rs 22,005,090 and got approved from the DGLDA. Later on, the conversion fee was recalculated @ 10% for Rs 11,417,270 and issued the commercialization letter in one case with the approval of DG LDA whereas, the second case was finalized without approval of the DG LDA.

Violation of rules resulted in irregular commercialization of plots.

Sr. No.	Plot No.	Address	Owner M/s	1st calculation @ 20% Rs	2 nd calculation @ 10% Vide Letter No.
1	14/A & 14/C (2K-12M-155Sft)	Abu-bakar Block new Garden Town Lhr.	Asghari Begum (Pvt) Ltd.	13,652,890 dated 05.10.2011	14649 dated 25.11.2011
2	14 (1K-8M-131Sft)	-do-	-do-	83,52,200 dt 28 09.2013	15103 dated 03- 12-2013

Audit pointed out the irregular commercialization in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority replied that the DG LDA only granted land use conversion whereas, the calculation of fee and applicability was not the responsibility of DG LDA. In case of plot No.14 Abu-bakar Block, New Garden Town, Lahore, the then chief Town Planner directed in the file the applicability of 10% as per clause 55(e) of Punjab Land Use Rules 2009. Audit informed the Committee that the approval of commercialization was not issued prior to the rules 2009, hence, reduction of rate of commercialization from 20% to 10% was not applicable which was tantamount to malpractice of the staff. The Committee directed the Authority to get the matter probed from Administrative Department. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

(Para No. 27)

4.3 Contract Management

4.3.1 Irregular issuance of commercialization letter

As per condition No.11 of commercialization letter, in case of defect in ownership at any stage, the commercialization letter shall stand automatically cancelled and strict legal action against the owner will be initiated under the relevant law.

Directorate of Commercialization LDA, issued final letter of permanent commercialization against khasra No.871 to 873 mauza Kot Lakhpat, Ferozpur Road, Lahore. Audit observed that all the proceedings i.e. approval of commercialization fee, issuance of challan and payments was done against Khasra No.7361 Kot Lakhpat, Ferozpur Road, Lahore but the Authority issued commercialization letter against khasra No.871 to 873 mauza Kot Lakhpat, Ferozpur Road, Lahore. So, the Authority issued incorrect/irregular commercialization letter.

Weak supervisory and administrative controls resulted in irregular issuance of commercialization letter.

Audit pointed out the irregularity in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the applicant applied for commercialization on 04.02.2015 regarding Khasra No.7361 Mouza kot Lakhpat, Main Ferozpur Road, later on, the applicant submitted application on 31.10.2017 with new Khasra numbers 871, 872 and 873. There was no adjustment required as khasra No.7361 doesn't exist in the Record. Audit informed the Committee that the Authority allowed commercialization without verifying all aspects of the property and actual ownership, because, the khasra No.7361 was not available in record which came to the knowledge of the Authority after 2 ½ years (4.2.2015 to 31.10.2017) when the owner submitted application with new Shajra/khasra. The Committee directed the Authority to get the record verified after transfer of amount against correct Khasra Nos. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directive.

(Para No. 35)

4.3.2 Illegal amalgamation of two plots for permanent commercialization

As per Land Use Rules 2009, the application for commercialization of plot should be accompanied by the ownership document.

Directorate of Commercialization of LDA, amalgamated plot No.14 and 14-B after cancellation of permanent commercialization of plot No.14. The amalgamation fee amounting to Rs 50,000 was deposited by

M/s Asghari Begum whereas, as per ownership vide specimen # 1368 dated 19.12.2018, the owner of plot No.14-B was M/s Jamila Akhtar instead of M/s Asghari Begum. Further, two different types of plots (commercial and non-commercial) were amalgamated without provision of rules.

Weak supervisory and administrative controls resulted in illegal amalgamation of plot for permanent commercialization.

Audit pointed out the lapses in August 2019. The matter was also discussed in SDAC meeting held on 28.02.2020. The Authority explained that the parahad been forwarded to the concerned Directorate. Audit informed the Committee that two different types of plots i.e. one commercial and second non-commercial were amalgamated for getting the commercialization of both plots. The Committee directed the Authority to get the record verified regarding rules of amalgamation, ownership and types of plots. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

(Para No. 29)

4.3.3 Irregular amalgamation of plots

The rules for amalgamation of plots were promulgated in Land Use Rules 2020. Prior to Land Use Rules 2020, no provision for amalgamation of commercial plots (one commercial and one non-commercial) existed in Land Use Rules 2009 & 2014.

Directorate of Commercialization LDA, allowed amalgamation of two plot# 14-A & 14-C having total area of 02k-12m-155sft into one plot. The original plot No.14 of 6 kanal area, was already sub divided into four plots(two residential and two commercial plots) with different ownership. Audit observed that the Authority amalgamated two plots of different owners (one commercial and one residential) into one commercial plot which was not admissible under applicable rules. So, the Authority granted undue benefit to the owners of plots.

Misuse of Authority resulted in irregular amalgamation of plots.

Audit pointed out the irregularity in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the para pertains to Town Planning Wing, LDA and the same was

forwarded to the concerned Directorate. Audit contended that undue benefit was extended to the owners due to illegal amalgamation of two plots of different owners into one commercial plot. The Committee directed to get the matter probed from the Administrative Department. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directive.

(Para No. 32)

4.3.4 Illegal cancellation of permanent commercialization of a plot facing Ferozpur Road

As per Rule - 62(1) of Land Use Rules 2009, the Authority shall deem a building, plot or land facing the road mentioned in notified roads of list-A for conversion into commercial use.

Directorate of Commercialization LDA, allowed permanent commercialization of plot No.14 (1k-8m-131sft) after receiving a conversion fee @ 10% amounting to Rs 4,590,710 including the annual commercialization fee for Rs 415,110. Meanwhile, the owner of the plots No.14 applied for cancellation of permanent commercialization of plot No.14. After cancellation of permanent commercialization, the owner of the property of plot No.14 and the other owner of property No.14-b applied for permanent commercialization of both plots. Audit observed that the Authority cancelled the permanent commercialization of plot No.14 illegally to provide undue benefit for obtaining the commercialization of two plots,(14 & 14-b). The plot No.14-b of other owner was not located at the road declared for commercial use.

Weak supervisory and financial controls resulted in illegal cancellation of permanent commercialization of a plot facing Ferozpur Road.

Audit pointed out the illegal cancellation in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that permanent commercialization was withdrawn on the request of the owner alongwith forfeiture of fee for Rs 4.591 million. Audit informed the Committee that the provision for withdrawal / cancellation of permanent commercialization of one plot and forfeiture of commercialization fee and re-commercialization of the two properties, by adding a property at non-commercial road, was not provided in any rule. The Committee directed the Authority to get the matter probed from the

Administrative Department. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

(Para No. 28)

4.3.5 Irregular permanent commercialization of passage

As per Land Use Rules 2009, the application for commercialization of plot should be accompanied by the ownership document.

Directorate of Commercialization of LDA, processed the application of M/s Tallat Khan regarding permanent commercialization of passage measuring 12M-82sft located in the area of Hameed Lateef Hospital without providing the ownership / transfer documents of said passage.

Weak supervisory and administrative controls resulted in irregular permanent commercialization of passage.

Audit pointed out the irregularity in August 2019. The matter was also discussed in SDAC meeting held on 28.02.2020. The Authority explained that the approval of permanent commercialization for passage is under process. Audit informed the Committee that the passage is used for public utility and it does not contain any ownership hence, its commercial use without ownership title is not permissible under any rule. The Committee deferred the para for verification of record i.e ownership of the property applied for commercialization. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

(Para No. 30)

4.4 Monitoring and Evaluation

4.4.1 Non-recovery of commercialization fee – Rs 3.193 million

As per demand notice dated 27.09.2016 of property No.4 Block-G Gulshan Ravi Lahore, an amount of Rs 4,257,112 was required to be recovered within 6 months i.e upto March 2017, from the applicant. Further, as per Rule 28 (b), sub-rule (6), "in case of default, the fee already

paid shall be forfeited and the offer of commercialization shall stand withdrawn.

Directorate of Commercialization LDA, issued demand notice on 27.09.2016 for Rs 4,257,112 against property No.4 Block-G Gulshan Ravi Lahore which was not paid within 6 weeks. Later on, in response of letter/reminder dated 23.10.2017, an amount of Rs1,064,028 was deposited by the owner on 25.10.2017 leaving the balance amount of Rs 3,193,084. Audit observed that neither the Authority made recovery of balance amount of Rs 3,193,084 along with late surcharge nor forfeited the already deposited amount of Rs 1,064,028 besides withdrawal of offer of commercialization.

Weak supervisory and financial controls resulted in non-recovery of commercialization fee for Rs 3,193,084.

Audit pointed out the non-recovery during August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the applicant provided Cheque for Rs 800,000 dated 28.2.2019 and Pay Order for Rs 2,392,084 dated 8.3.2019 after lapse of two years, which were not encashed due to non-availability of policy regarding time barred case. The fate of these cases would be decided after finalization of the policy. Audit informed the Committee that after the lapse of considerable period, neither the Authority recovered the balance amount of commercialization fee nor forfeited the deposited amount besides withdrawal of offer of commercialization. The Committee directed the Authority to recover the commercialization fee alongwith surcharge and get it verified from Audit. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early recovery.

(Para No. 03)

4.4.2 Non-maintenance/production of record of commercialized, sealed/de-sealed properties

As per Rule No.31(4)a Chapter No.VIII of Land Use Rules 2014 "Temporary Commercialization" enlistment of temporary commercialization, the Authority shall prepare a list of buildings which have been allowed for temporary commercial use. Further, as per Rule No.57(2) Chapter No.IX of Land Use Rules 2009, the Authority shall

conduct survey of the listed roads and identify the properties legally or illegally converted to commercial use.

4.4.2.1 Director General/Chief Town Planner, allowed temporary/ annual commercialization in different areas of Lahore but did not maintain/produce the record of the properties commercialized on temporary/annual basis in violation of rules *ibid*.

Violation of rules resulted in non-maintenance/production of record of commercialized properties.

Audit pointed out the irregularity in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the para had been forwarded to the concerned Directorate i.e Director Recovery. Audit informed the Committee that neither the Authority submitted working papers nor produced record for verification. The Committee directed the Authority to produce record for verification within 15 days. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early production of complete record and its verification.

(Para No. 36)

4.4.2.2 Director Commercialization/Director Recovery issued notices to various owners/occupants for illegal use of their properties for commercial activity without obtaining prior approval from the competent authority but no action against the owners doing illegal commercial activity, was initiated as no record of sealed / de-sealed properties was produced by the Authority, Hence, Audit could not calculate fine @ Rs 10,000 per day from the date of its conversion. This act of the Authority reflects the intentional silence towards streamlining of whole record of commercialization to avert from imposition of fines and penalties.

Violation of rules resulted in non-production of record of sealed/de-sealed properties.

Audit pointed out the irregularity in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the para was forwarded to the concerned Directorate i.e Director Recovery. Audit informed the Committee that neither the Authority submitted working papers nor produced record for verification. The

Committee directed the Authority to produce record for verification within 15 days. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early production of complete record and its verification.

(Para No.48)

4.4.3 Non-collection of record of commercialized cases finalized by TMA

As per letter issued by LGCD department vide No.SOR (LG)38-2/2004 dated 23.01.2014, the record of all private housing schemes / land sub divisions in Lahore Division was to be transferred to LDA.

Directorate of Commercialization LDA did not collect the record of the properties commercialized by TMA before promulgation of LDA amendment Act 1975 because record of Surgimed Hospital and Mid City Hospital was not produced with the plea that the record of such cases was not available in LDA as the commercialization was done by TMA. This state of affairs reflects the inefficiency and lack of effectiveness of controlling agencies towards collection of record from TMA. Further, the recovery of commercialization fees could not be assessed as no record of the properties commercialized by TMA was available with the Authority.

Weak supervisory and administrative controls resulted in non-collection of record of commercialized properties.

Audit pointed out the lapses in August 2019. The matter was also discussed in SDAC meeting held on 28.02.2020. The Authority explained that relevant record was demanded from TMA vide No.LDA/TP/C/223594 dated 18.07.2019 and the same would be provided to Audit upon its receipt. Audit informed the Committee that no prompt efforts were found on record towards collection of such record as the letter was written for production of record after pointation by Audit. The Committee directed the Authority to comply with instructions contained in LG&CD department's letter regarding collection of record from TMA and get it verified from Audit. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early collection of record besides taking disciplinary action against the person(s) responsible for non-collection of record.

(Para No.47)

4.4.4 Inadmissible permission of temporary commercialization in violation of layout plan of WAPDA Town

As per master plan of WAPDA Co-operative Housing Society, the areas are bifurcated as commercial, residential, for school/college and hospital etc as approved by LDA Lahore.

Director General / Chief Town Planning allowed temporary/ annual commercialization in WAPDA Co-operative housing society, Lahore against the residential properties which were not located on declared commercial area. Further, the Honorable Lahore High Court imposed a restriction on temporary / annual commercialization of residential properties of WAPDA Town in Writ Petition No.32810/2016 but the Authority commercialized the residential areas, whereas, the commercial area was already approved by the LDA in the layout plan of WAPDA town.

Violation of layout plan resulted in inadmissible permission for temporary commercialization.

Audit pointed out the inadmissible commercialization in August 2019. The para was also discussed in SDAC meeting held on 28.02.2020. The Authority explained that para had been forwarded to the concerned Directorate i.e Director Recovery. Audit informed the Committee that neither the Authority submitted working papers nor produced record for verification. The Committee directed the Authority to produce record for verification within 15 days. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early cancellation of inadmissible commercialization located at residential areas besides fixing responsibility against the person(s) at fault.

(Para No. 22)

4.4.5 Non-sealing out of the properties in compliance of decision of the Honorable Lahore High Court

As per section-38 of LDA Act 1975, If a person converts a property to a different use or purpose than the one provided under a

scheme, master plan or classification map without the previous approval in writing of the Authority, he shall be liable to punishment of fine which may extend to ten thousand rupees per day from the date of its conversion till the default continues or with imprisonment for a term which may extend to one year or with both."

Director Recovery, LDA issued notices to various owners of the properties located in WAPDA co-operative housing society involved in illegal commercial activity or doing commercial activity without obtaining permission from competent authority. Whereas, these properties were required to be sealed out and penalty @ Rs 10,000 per day for the default period was to be recovered because commercial activities were banned by the honorable court vide order dated 08.03.2017 against the writ petition No.32810/2016 titled WAPDA Co-operative Society v/s LDA.

Violation of decision of honorable court resulted in non-sealing out of the properties involved in illegal commercial activities.

Audit pointed out the matter in August 2019. The para was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the annual commercialization was allowed in the society in accordance with prevailing LDA Land Use Rule 2014 and after fulfillment of all codal formalities. Further, currently annual commercialization in the society under discussion had not been renewed. The reply was not tenable as the annual commercialization was allowed/granted in residential area which was not admissible because the commercial area was separately approved by the LDA Authority as provided in the master plan of the society.

The para was also discussed in SDAC meeting held on 28.02.2020. The Authority reiterated its previous stance. Audit informed the Committee that neither the Authority submitted working papers nor produced record for verification. The Committee directed the Authority to produce record for verification within 15 days. The compliance of the Committee's directives was not reported till finalization of the report.

Audit recommends early cancellation of commercialization of residential properties along with recovery of penalty besides fixing responsibility against the person(s) at fault.

(Para No. 23)

4.4.6 Non-pursuance of court cases

As per para 12.1(iii)q of chapter-12 “delegation of functions and powers” of Employees Services Rules 2019, to commence, conduct, continue, terminate or settle litigation, arbitration or alternate dispute resolution mechanism at whatever levels may be necessary or appropriate and hire and pay for the services of lawyers and other experts.

Directorate of commercialization LDA, did not pursue 582 pending court cases pertaining to permanent / temporary commercialization since 2005 to 2019 besides availability of proper legal directorate, which clearly disclosed that the officers/staff of Directorates of commercialization and Legal were not pursuing the cases for effective prosecution in the court of magistrate and appellate courts.

Weak supervisory and administrative controls resulted into Lack of prosecution in pursuance of court cases for permanent and temporary commercialization.

Audit pointed out the lapses in August 2019. The paras were discussed in SDAC meeting held on 28.02.2020. The Authority explained that proper follow up had been conducted on each hearing and para wise comments of all the pending cases had been duly submitted. As the Honorable Court had granted stay order in the clubbed cases therefore, any action to recover the commercialization fee would be tantamount to contempt of Court. Audit stated that the record was not produced in support of reply by the Authority. Hence, the pendency of 582 court cases depicts lack of prosecution / pursuance of cases in the court. The Committee deferred the para being sub-judice and directed to pursue the cases besides production of relevant record. The compliance of the Committee’s directives was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

(Para No. 40& 34)

4.4.7 Non-detection of properties involved in illegal commercialization activity

According to Rule 17(2)(iii) of LDA Land Use Rules 2014, the Authority shall prepare land use classification map for an established built up area, marking the plot which has been converted from residential land

use without approval of the competent authority and declaring it as non-conforming use.

Directorate of Commercialization LDA, did not detect the properties doing illegal commercial activities although Enforced Inspectors (EIs) were available to uncover the properties involved in illegal/unapproved commercial activities. The land use classification map for illegal commercial use of residential properties was not prepared. Further, the site visit / roznamcha was not prepared by the field staff.

Weak supervisory and administrative controls resulted in non-detection of properties involved in illegal commercialization activity.

Audit pointed out the lapses in August 2019. The Authority replied that due to acute shortage of staff, it was not possible to record each and every commercial activity and subsequently bifurcation of legal and illegal commercial activities with present human resources. The reply was not tenable because the Authority was responsible to prepare the land use map for illegal commercial use of residential properties under land use rules 2014. The matter was discussed in SDAC meeting held on 28.02.2020. Audit informed the Committee that neither the Authority submitted working papers nor produced record for verification. The Committee directed the Authority to produce record for verification within 15 days. The compliance of the Committee's directives was not reported till finalization of the report.

Audit stresses upon maintenance of record of the properties involved in illegal activity and its verification.

(Para No. 07& 45)

4.5 Environment

4.5.1 Impact of Commercialization

As per LDA Land Use Rules 2014, Environmental Impact Analysis (EIA) was not required for approval of permanent commercialization cases. So, the Authority did not carry out EIA. However, the environmental impact of land use for commercial activities is inevitable for harmonious community and to avoid from human health hazards:

4.5.1.1 Human Health

Commercialization has no direct relationship with human health but the residents adjacent to commercialized properties face air and noise pollution that in turn contribute to different kinds of respiratory diseases like asthma, lung disorder and weakening of hearing power.

4.5.1.1.1 Irregular permission for temporary commercialization

As per Sr. No.31(4)b of Chapter No.VIII of Land Use Rules 2014 “Temporary Commercialization” submission of application: an application from the owner alongwith the ownership documents shall be submitted before the Director Commercialization or any other persons authorized by the Director General, *mentioning specifically the intended use of the building.*

Director General/Chief Town Planning, allowed temporary/annual commercialization in Quaid-e-Azam Town, Johar Town and WAPDA Town without observing the intended use of the commercialized property. Whereas, the residential properties were used for service stations, hotels, lubricants stores/workshops, agencies of Gas cylinders etc. So, the instructions as illustrated in the Land Use Rules, 2014 were not implemented in true spirit.

Weak supervisory and administrative controls resulted in irregular permission for temporary commercialization.

Audit pointed out the irregular temporary commercialization in August 2019. The para was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the para had been transferred to concerned directorate i.e Director Recovery. Audit informed the Committee that neither the Authority submitted working papers nor produced record for verification. The Committee directed the Authority to produce record for verification within 15 days. The compliance of the Committee’s directives was not reported till finalization of the report.

Audit recommends strict compliance of applicable rules besides de-commercialization of the properties and fixing responsibility against the person(s) at fault.

(Para No. 39 & 10)

4.5.1.2 Traffic Congestion

Due to unplanned conversion of residential properties into commercial without adequate provision of requisite infrastructure and parking facilities, the visitors used the entire service road, road shoulder, and even carriage way to park their vehicles, which create trouble for traffic and pedestrians.

4.5.1.2.1 Non-implementation of condition of commercialization letter

As per condition No.1 of commercialization letter of property No.155 Block-A, Gulshion Ravi Lahore, the minimum set back of 20ft shall be provided at the front of building which can be utilized for road widening if needed. The remaining open spaces around the building shall be provided as per LDA's building regulations prescribed for the corresponding size.

Directorate of Commercialization LDA, allowed commercialization of property No.155 Block-A, Gulshion Ravi Lahore. Audit observed that the owner of the property left 9ft setback instead of 20ft in front of covered area of plot in violation of the condition of commercialization letter resulting in parking issues alongwith traffic congestion.

Violation of condition of commercialization letter resulted in issuance of incorrect commercialization letter.

Audit pointed out the lapses in August 2019. The matter was discussed in SDAC meeting held on 28.02.2020. The Authority explained that the recovery was calculated and recovered according to the covered area. Audit informed the Committee that as per land use rules, 20ft setback was required to be provided. The Committee directed the Authority either to produce rules under which the recovery of excess covered area than admissible was made or demolish the excess covered area/cancel the commercialization of the plot. The compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends strict compliance of applicable rules besides fixing responsibility against the person(s) at fault.

(Para No. 01)

4.5.1.3 Impact on Peacefulness of Residential Area

Majority of the residents living adjacent to commercialized properties were not willing for commercialization in residential areas, and said a straight forward `No' with the reasons that it caused a lot of traffic problems and environmental pollution.

4.5.1.4 Encroachment

The owners of commercialized property occupied the spaces allocated for parking in front of the commercialized property by displaying products, placing of small carts which cause hindrance for traffic and pedestrians.

4.6 Sustainability

The viability and sustainability of the commercialization depends upon the coherent policy, as per SOPs of Housing Urban Development Department, Government of the Punjab and it was concluded that regular site visits and surveys and automated systematic reports of illegal commercial use would make it sustainable.

4.7 Overall Assessment

- i. **Relevance:** LDA, aims to improve the living standards of the residents of Lahore.
- ii. **Efficiency:** Efficiency of the Authority in respect of permanent/temporary commercialization and its recovery was not upto the mark which was adversely effecting its performance.
- iii. **Effectiveness:** The Authority did not maintain the complete record of commercialization besides detection of properties doing illegal commercial activity.
- iv. **Compliance with Rules:** Non-adherence to organization and management rules/practices was the critical area which needs to be considered seriously by the Principal Accounting Officers and issues of poor financial management depicting irregularities and recoveries, were noticed.
- v. **Performance Rating:** Unsatisfactory
- vi. **Risk Rating:** High

5. CONCLUSION

Development control was weak and the LDA had been unable to control effectively the initiatives of developers involving change of land use from residential to commercial and unauthorized commercial development. People started commercial activities like shops and offices within their constructed houses without obtaining approval. Such conversions had been so rapid that no enforcement action was got implemented by the Authority to `regularize` commercialization activities throughout the city, which impaired the commercialization phenomenon. Further, the haphazard commercialization was resulting in acute parking problems, encroachment, traffic congestion and adverse environmental impacts in the residential areas of Lahore. Failure to consider the root causes of haphazard commercialization and inadequate implementation of plans prepared for Lahore in different years had led to mush-rooming of commercial activities in nearly all parts of the city. There was a dire need for formulation of a coherent strategy capable of meeting the demand for commercial uses without affecting the environmental quality of residential areas.

5.1 Key Issues for the future: Disintegrated manual file-based record and lack of interest by the staff working in Commercialization Directorate as well as in relevant directorates.

5.2 Lessons learnt:

- ❖ There was a dire need for formulation of a coherent strategy capable of meeting the demand for commercial uses without affecting the environmental quality of residential areas.
- ❖ Commercialization policy be framed, to control the commercialization activities effectively.
- ❖ Effective monitoring and evaluation system should be in place to monitor the performance of directorate of commercialization.
- ❖ SAP System should be devised to maintain the record of commercialized (temporary/permanent basis) properties, sealed/de-sealed properties to evaluate the exact recovery of commercialization.

- ❖ Internal controls pertaining to financial management and monitoring & evaluation be strengthened for provisions of effective services.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and staff of Directorate of commercialization for the assistance and cooperation extended to the auditors during this assignment.

(LIST-A)

LDA ROADS/SEGMENTS OF ROADS

1. Main Boulevard, Gulshan-e-Ravi
2. Main Boulevard PIA Scheme
3. Main Boulevard Johar Town (from UBD Canal Plot No. 76-G3 and 1-G4 to Plot No. 867, R-I and 38 R-I)
4. Main Boulevard Johar Town (from Doctor Hospital Plot no. 23-G-I and 149-G-I) to opposite Expo Centre
5. Approach Road Shadbagh
6. Multan Road
7. College Road Township (Ghazi Road to Plot No. 01 and 16-5-C-II, Township)
8. Ferozpur Road (segment 5)
9. Main Boulevard Garden Town
10. Main Boulevard AllamaIqbal Town
11. Main Boulevard Shadman
12. MaulanaShaukat Ali Road (Segment 1)
13. College Road Township (from akbarChowk to Ghazi Chowk)
14. Hamdard Jail Road, Township
15. ShabbirUsmani Road, Garden Town
16. Ferozpur road (segment I, ii, iii & iv)
17. Sher Shah Road GujjarPura
18. Al-Madina Road, Township
19. Bagrian Road, Township
20. Main Boulevard, Samnabad
21. Approach Road Tajpura
22. Main Boulevard, Shadbagh
23. Part of Road Civic Centre, Garden Town
24. Model Town Link Road
25. Abu Al HasanIsfahani Road, Faisal Town
26. Shadman part of Race Course Road, Shahrah-e-Aiwan-E-Tijrat
27. Link Road Main Boulevard Garden Town
28. Wahdat Road (from Ferozpur Road to prierpty no. 69, Bloc C, New Muslim Town)
29. Gulberg Road (Jail Riad/Ghous-UI-Azam Road)

30. Main Boulevard Gulberg
31. M.M Alam Road Gulberg
32. Hali Road Gulberg (Segment)
33. Stadium Road (Sharah-e-Noor Jehan) Gulberg-III
34. Road Behind Liberty Market Gulberg
35. Shakra-E-Quaid-E-Azam (The Mall Road)
36. Tariq Road Link M.M Alam Road Gulberg
37. Firdous Market Road Gulberg
38. Link Road Market (1) Gulberg (Shezan Side)
39. Link Main Market (2) Gulberg (Auriga Side)
40. Ghalib Market (Chen One Road) Gulberg (Scheme)
41. College Road Gulberg (Segment-1)
42. College Road Gulberg (Segment-2)
43. College Road Gulberg (Segment-3)
44. Park Road (Ali Zaib Avenue) Gulberg
45. Link M.M Alam Road, T Block Gulberg
46. Gurumangat Road

Annexure -II

Prm. CommChallan TP

Process	COMPLETION DAYS
Site Survey	7
Dues Checking	3
Checking Land Rules	3
Approval From D.G.	3
Challan Issuance	10
Ready for Disposal	0
Total Completion Days	26

Prm. CommChallan TP (obj)

Process	COMPLETION DAYS
Other	6
Total Completion Days	6

Prm. Comm Issue TP

Process	COMPLETION DAYS
Letter Issue	7
Comp. Letter Issuance	3
Ready for Disposal	0
Total Completion Days	10

Temp. CommChallan TP

Process	COMPLETION DAYS
Verification	4
Site Survey	7
Challan Issuance	5
Ready for Disposal	0
Total Completion Days	16

Temp. CommChallan TP (obj)

Process	COMPLETION DAYS
Other	6
Total Completion Days	6

Process	COMPLETION DAYS
Verification and Issuance	8
Ready for Disposal	0
Total Completion Days	8

Verification Of Documents

Process	COMPLETION DAYS
OTHER	8
Ready for Disposal	0
Total Completion Days	8

Annexure-III**(Rs in million)**

Year	Budget Estimate	Actual Receipts	Less Receipts	Receipts in %age
2012-13	3,500.00	2,545.427	954.57	72.72 %
2013-14	3,000.00	2,359.788	640.21	78.65 %
2014-15	4,500.00	2,440.060	2,059.94	54.22 %
2015-16	5,000.00	2,856.241	2,143.76	57.12 %
2016-17	4,500.00	2,408.552	2,091.45	53.52 %
2017-18	4,000.00	2,611.955	1388.04	65.29 %

Annexure-IV

Sr No.	Property No.	File No.	Purpose	Area of plot in marla	Area required as per law for the subject purpose
1	Plot No.372, Block-A-II, Johar Town, Lahore	TPR/A/219	Clinic	12	01 kanal
2	Plot No.434, Block-E, Johar Town, Lahore	TPR/A/478	College	12.13	04 kanal
3	Plot No.60, Block-A, Johar Town, Lahore	TPR/A/688	Academy	15.00	04 kanal
4	Plot No.74, Block-A, Johar Town, Lahore	TPR/A/479	College	12.33	04 kanal
5	Plot No.343, Block-A, Johar Town, Lahore	TPR/A/488	College	20.16	04 kanal
6	Plot No.345, Block-A, Johar Town, Lahore	TPR/A/487	College	20.104	04 kanal

(LIST-B)

LDA ROADS/SEGMENTS OF ROADS

1. Tollinton Market Road, Shadman
2. Zafar Ali Road Gulberg-V
3. Campus Bridge Road, Garden Town
4. Shah Jillani Road Quaid-e-Azam Town
5. Khayaban-e-Jinnah Road
6. Canal Bank Road (from District Boundary Wagha to ThokarNiazBaig)
7. Canal Bank Road (From ThokharNiazBaig to District Boundary)
8. Link Raiwind Road
9. Main Boulevard, Sabzazar Scheme
10. Main Boulevard Johar Town/Khayaban-e-Firdousi
11. Bypass Road M.A Johar Town (Canal to Wapda Town Roundabout)
12. Wahdat Road
13. QaziEesa Road, Faisal Town
14. Raiwind Road (Thokar Niaz Baig to Defence Road Manu Chowk)
15. Abu ulHasanIsfahani Road Faisal Town
16. MaulanaShaukat Ali Road (Segment 2)
17. Humdard Jail Road, Township
18. Defence Road (Multan Road to Raiwind Road)

Annexure-VI



