# AUDITOR-GENERAL OF PAKISTAN

**February 2026**

# Audit Report on Malir Development Authority FY 2023-24 & 2024-25

**Report No: DGAWPS-**
Audit Year 2025-26

## PREFACE

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8 & 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor-General of Pakistan to conduct audit of receipts and expenditure of the Federation and the Provinces or the accounts of any authority or body established by or under the control of the federal or a Provincial government.

This report is based on audit of ***Malir Development Authority (MDA)*** for the financial years 2023-24 & 2024-25. The Directorate General Audit Works (Provincial) Sindh, Karachi conducted audit during Audit Year 2025-26 on a test check basis with a view to make an independent assessment of the entity and provide reliable information to the stakeholders for making sound decision making. The report also aims at improving the internal controls of the entity, thereby allowing the management to take corrective action and improve operational efficiency.

The Audit Report includes key facts about the entity, audit snapshot, findings on systemic issues, conclusion and recommendation for executive action. Audit findings indicate a number of matters related to stated roles & responsibilities of the entity, financial management, human resource management, procurement, operational processes, achievements of targets/KPI and digitization.

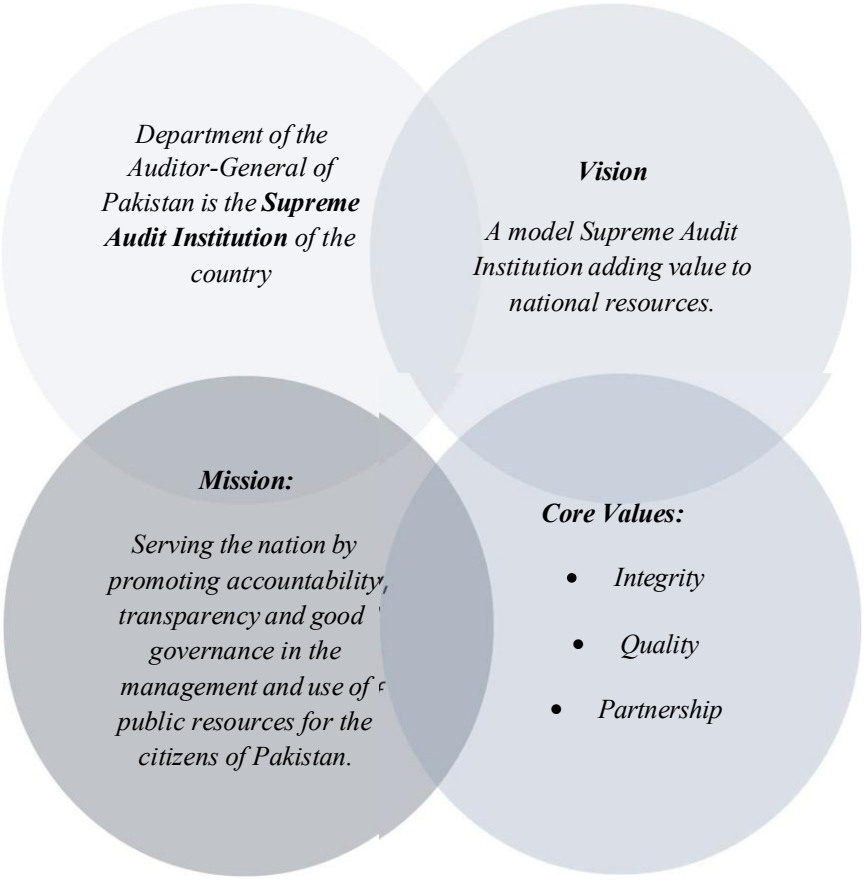
The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests.

The Audit Report is submitted to the Governor of Sindh 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 of Sindh.

Islamabad
Dated: February, 2026

(**Maqbool Ahmad Gondal**)
**Auditor-General of Pakistan**

# Department of the Auditor-General of Pakistan




The Auditor General's organization is the prime institution in the country for ensuring public accountability and fiscal transparency in governmental operations. The organization is expected to bring about improvements in the financial discipline and internal control environment in the executive departments for minimizing the possibility of waste and fraud.

The Auditor-General of Pakistan is appointed under the Constitution of the Islamic Republic of Pakistan. His reports are laid before the legislature and are discussed in the Public Accounts Committees of the respective legislative Assemblies. His mandate enables him to strengthen the legislative oversight by providing an independent and objective assessment of the process of governance at the federal, provincial, and local level.

# AUDIT SNAPSHOT

## Why did we do this audit?

| Assurance | Test Compliance | Check Controls |
|---|---|---|
| To provide independent assurance on utilization of public funds, land management and internal controls of Malir Development Authority | To examine compliance with applicable laws, rules and regulations governing the authority particularly in land management, procurement practices and delivery of development & housing schemes. | To assess effectiveness of financial management, revenue administration, and internal control systems to ensure transparency, accountability and proper utilization of public resources. |

## What did we find?

**Key Findings**

- Non-conducting of mandatory financial attestation of annual accounts since inception undermined transparency and credibility of financial reporting.
- Non-finalization of public housing schemes. Large-scale encroachment and non-mutation of Authority land indicated poor land management and weak administrative control. Prolonged non-recovery of dues from allottees reflected weak revenue recovery mechanisms.
- Non-compliance with procurement, budgetary, and regulatory requirements, coupled with delays in project execution, highlighted systemic governance and project management weaknesses.
- HR issues such as irregular appointment of work-charged staff, unadjusted advances and promotions reflected weak internal controls.

## Key Assessments

**Weak Revenue coletion Mechanism**

- Persistent revenue shortfalls was observed, with actual collections reaching only 41% in 2022–23, 32% in 2023–24, and 90% in 2024–25. While recent improvement is notable, earlier years reflect systemic weaknesses in revenue forecasting and collection efficiency.

**Ineefective Service Delivery**

- Out of a total 34,070 acres across three major schemes, only 9,512 acres (28%), all from Taiser Town have been mutated. Whereas Shah Latif Town and NMHP, launched in 1996 and 1997 respectively, show zero mutation progress, indicating prolonged delays in land regularization and documentation.

**Weak Enforement**

- Out of 28,070 acres across Shah Latif Town and Taiser Town, 2,612 acres (9.3%) are under encroachment led by Taiser Town with 1,739 acres (8.4%) and Shah Latif Town with 873 acres (11.6%). This reflects significant land misuse, especially in Shah Latif Town, and underscores the need for targeted anti-encroachment enforcement and land recovery measures.

## What did we recommend?

| | |
|---|---|
| **Strengthening governance and accountability** | Ensure statutory financial transparency through timely annual attestation of accounts by Chartered Accountants in accordance with the governing law. |
| **Protecting public land and assets** | Safeguard Authority land by completing mutation, removing encroachments, and enforcing land management controls to prevent further losses. |
| **Improving financial discipline** | Improve financial and administrative discipline by enforcing budget approvals, proper adjustment of advances, and strict compliance with procurement rules. |
| **Improving revenue collection and revovery mechanism** | Strengthen revenue administration by instituting an effective dues recovery system with legal enforcement and regular monitoring to improve realization. |
| **Strengthening service delivey & project management** | Enhance governance and service delivery by rationalizing human resources, strengthening internal controls, and ensuring timely completion of development and housing schemes. |

# HIGHLIGHTS

## ENTITY SUMMARY SHEET — MDA (FY 2023-24& 2024-25)

**Disclaimer:** The financial information presented herein has not been independently verified, as Malir Development Authority's financial statements have not been audited by an independent Chartered Accountant. Accordingly, the figures cited in this audit report are drawn from the draft financial statements provided by management and are subject to adjustment upon completion of statutory audit.

| Description | Detail |
|---|---|
| Legal Framework of Entity | Malir Development Authority (MDA) was established under the Malir Development Authority Act, 1993 as a statutory body of the Nh to ensure planned urban development within its notified jurisdiction. |
| Key Responsibilities/ Mandate and Objectives | The Malir Development Authority (MDA), formed under the 1993 ordinance, oversees planned urban development in Karachi's Malir region, focusing on housing schemes, infrastructure, and land management. Its objectives include providing affordable housing, improving socio-economic conditions, controlling urban sprawl, and promoting sustainable community development. |
| Total Assets (Current/Longterm) | Fixed assets, including land, buildings, infrastructure works, and development schemes, were not properly recorded, valued, or supported with updated asset registers. Depreciation was not accounted for and ownership and custody of several assets could not be verified since Authority failed to prepare and maintain its annual accounts and balance sheet. |
| Total Liabilities (Current/Longterm) | - |
| Income/Revenue | Rs. 1038.438 million |
| Government Grants/ADP | - |
| Expenditure | Rs. 733.195 million |
| Receipts | Rs. 1,038.438 million<br>(Rs. 745.134 million revenue from various schemes & Rs. 293.304 million profit from banks) |
| Cash Balances | Rs. 1,853.266 million |
| Funding Sources (Govt/Donor agency) | • Government grants<br>• Sale/lease of plots and properties<br>• Development charges and fees<br>• Other receipts as authorized by law |
| Accounting policy | The accounts of Malir Development Authority are maintained on cash basis of accounting, whereby receipts are recognized when actually received and expenditures are recognized when payments are made. |
| Status of financial statements | Malir Development Authority did not prepare complete and reliable financial statements in accordance with prescribed accounting standards and applicable financial rules for the year under audit. The Authority maintained its accounts on cash basis; however, key components of financial reporting, including proper statement of assets and liabilities, notes to the accounts, and reconciliation of balances, were either incomplete or not prepared. |
| Composite (risk) Rating (derived from audit finding to provide an at-a-glance summary of entity integrity and performance) | C |
| Compliance Status of audit recommendations | Awaited |

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# ABBREVIATIONS

| | |
|---|---|
| A.A | Administrative Approval |
| AAR | Annual Audit Report |
| ADP | Annual Development Plan |
| AED | Anti-Encroachment Drive |
| AEN | Assistant Executive Engineer |
| AGP | Auditor-General of Pakistan |
| AIR | Audit Inspection Report |
| ASTM | American Society for Testing and Materials |
| BER | Bid Evaluation Report |
| BOQ | Bill of Quantities |
| BPS | Basic Pay Scale |
| C/W | Compound Wall |
| CA | Chartered Accountant |
| CC | Cement Concrete |
| CDR | Call Deposit Receipt |
| CFT | Cubic Feet |
| CPWA | Combined Public Works Account |
| CPWD | Combined Public Works Department |
| CRC | Complaint Redressal Committee |
| CSR | Composite Schedule of Rate |
| Cu.M | Cubic Meter |
| CWT | Hundred Weight |
| DAC | Departmental Accounts Committee |
| DAO | District Account Office / Divisional Accounts Officer |
| DDC | District Development Committee |
| DDO | Drawing and Disbursing Officer |
| DG | Director General |
| DGAWPS | Directorate General Audit Works (Provincial) Sindh |
| FBR | Federal Board of Revenue |
| FD | Finance Department |
| FIR | First Information Report |
| FY | Financial Year |
| GFR | General Financial Rules |
| GoS | Government of Sindh |
| GST | General Sales Tax |
| HR | Human Resources |
| ICB | International Competitive Bidding |
| ICT | Information and Communication Technology |
| JV | Joint Venture |

| | |
|---|---|
| KPIs | Key Performance Indicators |
| M&E | Monitoring and Evaluation |
| M&R | Maintenance and Repair |
| MB | Measurement Book |
| MDA | Malir Development Authority |
| MfDAC | Memorandum for Departmental Accounts Committee |
| MPAs | Members of the Provincial Assembly |
| NCB | National Competitive Bidding |
| NMHS | New Malir Housing Project |
| NOC | No-Objection Certificate |
| O&M | Operation and Maintenance |
| PAC | Public Accounts Committee |
| PAO | Principal Accounting Officer |
| PC-I | Planning Commission Proforma-I |
| PD | Project Director |
| PDP | Project Development Proposal |
| PDWP | Provincial Development Working Party |
| PEC | Pakistan Engineering Council |
| POL | Petrol, Oil and Lubricants |
| PIU | Project Implementation Unit |
| PSO | Pakistan State Oil |
| PWD | Public Works Department |
| RA | Running Account |
| RCC | Reinforced Cement Concrete |
| RFT | Running Feet |
| SBCA | Sindh Building Control Authority |
| S/F | Supplying and Fixing |
| SFR | Sindh Financial Rules |
| SFT | Square Feet |
| SGA&CD | Services, General Administration & Coordination Department |
| SLGO | Sindh Local Government Ordinance |
| SMPA | Sindh Master Plan Authority |
| SOPs | Standard Operating Procedures |
| SPPRA | Sindh Public Procurement Regulatory Authority |
| SRB | Sindh Revenue Board |
| SST | Sindh Sales Tax |
| ToRs | Terms of Reference |
| TS | Technical Sanction |
| XEN | Executive Engineer |

## OVERVIEW OF THE ENTITY

Malir Development Authority (MDA) was established in 1993 to provide low-cost and affordable residential facilities to the public. Currently, around 125,000 scheduled residential plots are at various stages of development, reflecting the Authority's key role in planned urban expansion. Development along the M-9 Motorway corridor has introduced new settlement patterns and enhanced surrounding real estate values. Major schemes such as Shah Latif Town, New Malir Housing Scheme, and Taiser Town have strong potential to evolve into future commercial and economic hubs.

The Authority manages large public housing schemes spread over substantial land area. As illustrated in the area-wise distribution, Taiser Town (Scheme-45) covers the largest area of 20,570 acres, followed by Shah Latif Town Scheme-25/A with 7,500 acres, and New Malir Housing Project (Scheme-I) with 7,000 acres, highlighting MDA's significant land portfolio for planned residential development.

MDA's strategy emphasizes affordable housing development with rebates, while commercial sites are disposed of through open public auction to strengthen revenue generation. By managing its asset base effectively, the Authority aims to ensure sustainable income for long-term urban development.

The Authority is accountable to the Provincial Legislature and Government of Sindh and is subject to statutory audit by the Auditor-General of Pakistan. Its operations are governed by applicable laws, financial rules, and procurement regulations to ensure transparency and proper utilization of public resources.

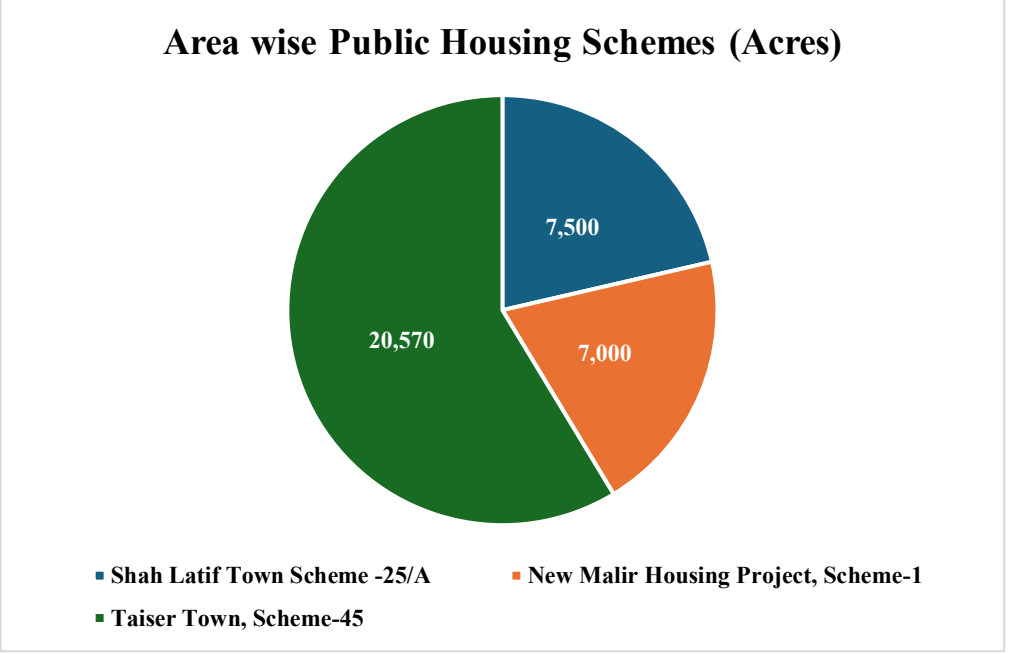
### Governing Laws & Policies

i) Malir Development Authority Act, 1993-94
ii) ii. Sindh Financial Rules
iii) iii. CPWA Code (A & D Codes)
iv) iv. Sindh Public Procurement Act, 2009

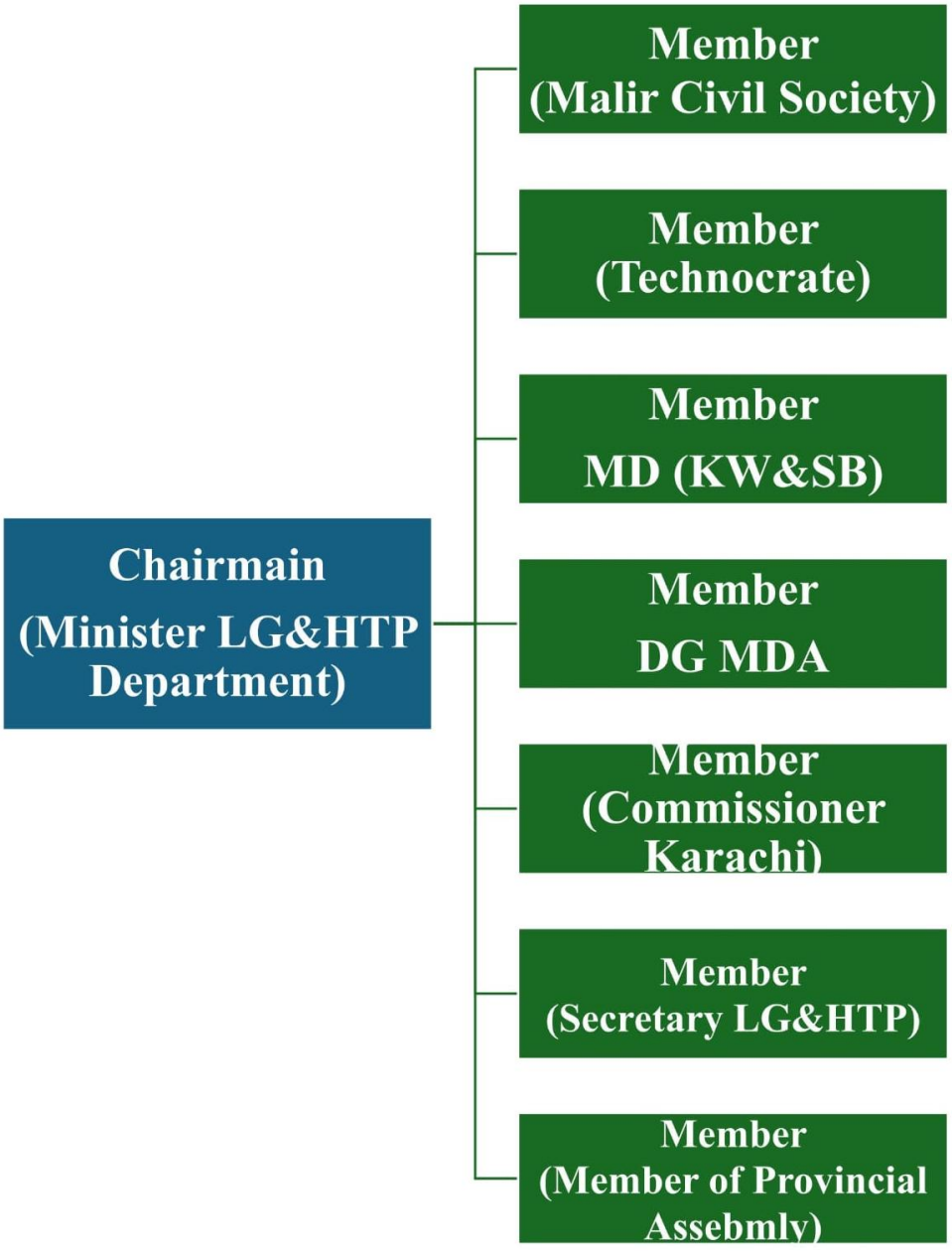
### Core Functions

- Preparation of master plans to ensure orderly urban expansion.
- Development of low-cost public housing schemes and regulation of private schemes.
- Allotment, regularization, and auction of residential and commercial plots.

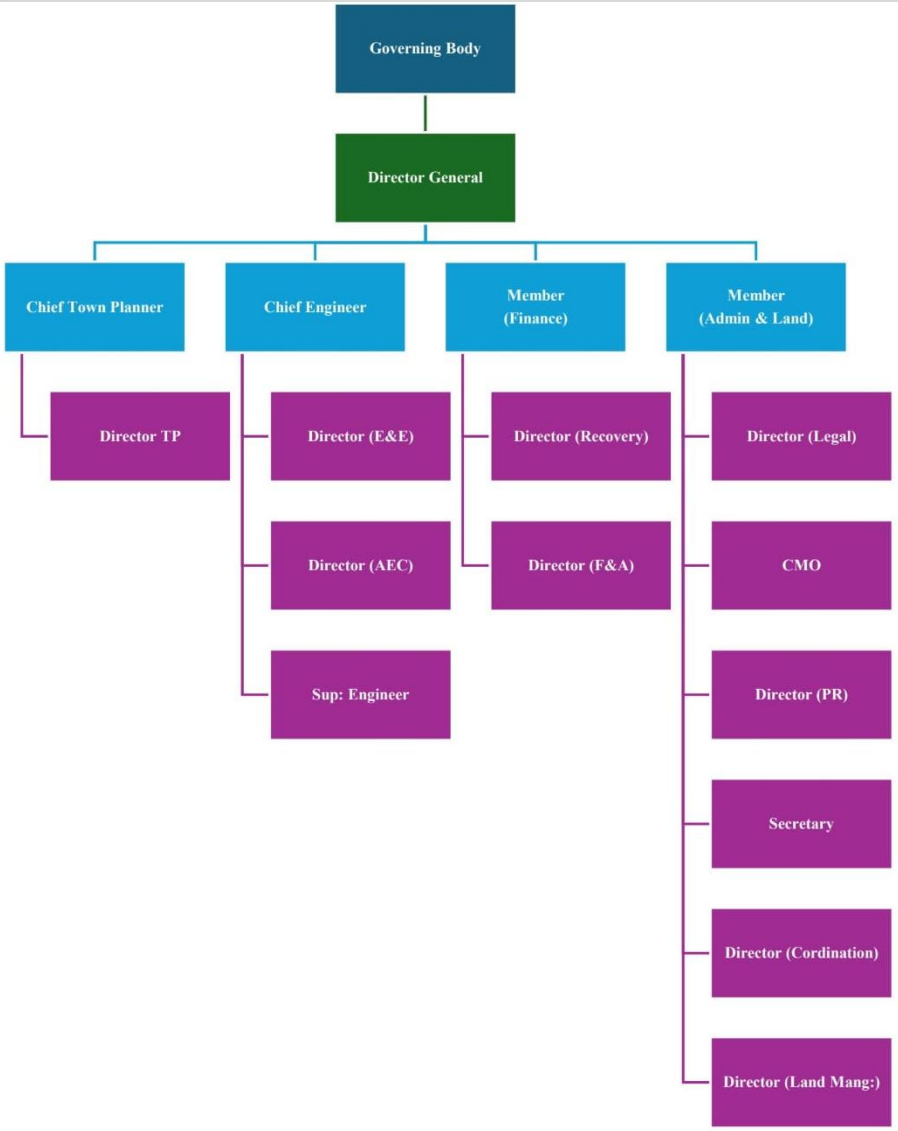
- Maintenance of allottee-wise land records for transparency and accountability.
- Provision of essential infrastructure (roads, water supply, sewerage, electricity).
- Enforcement of building control regulations and monitoring of construction activities.



**Governing Body**



## Organization Structure



## AUDIT FINDINGS

### SUMMARY

Audit of Malir Development Authority (MDA) revealed significant weaknesses in governance, financial management, and operational controls, adversely affecting transparency, accountability, and achievement of development objectives.

Financial management remained weak due to non-conduct of mandatory attest audit since inception, expenditure of Rs. 733.195 million without approved budget estimates, non-recovery of outstanding dues of Rs. 5,299.443 million, and loss of interest income of approximately Rs. 2.333 million due to ineffective cash management.

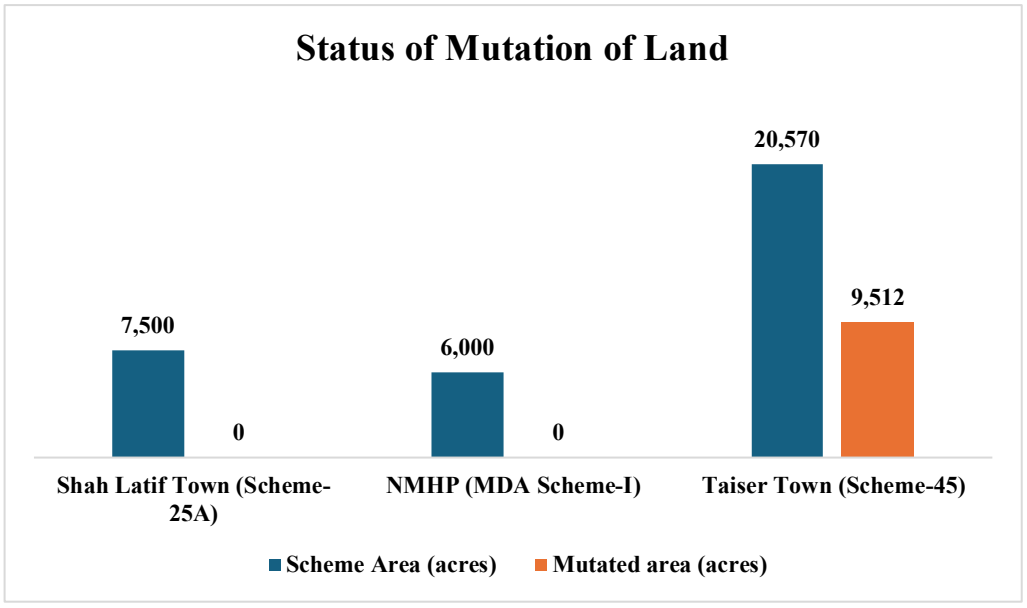
Human resource controls were compromised by irregular appointments, inadmissible allowances, salary drawl on higher grades, and irregular promotions, resulting in avoidable expenditure.

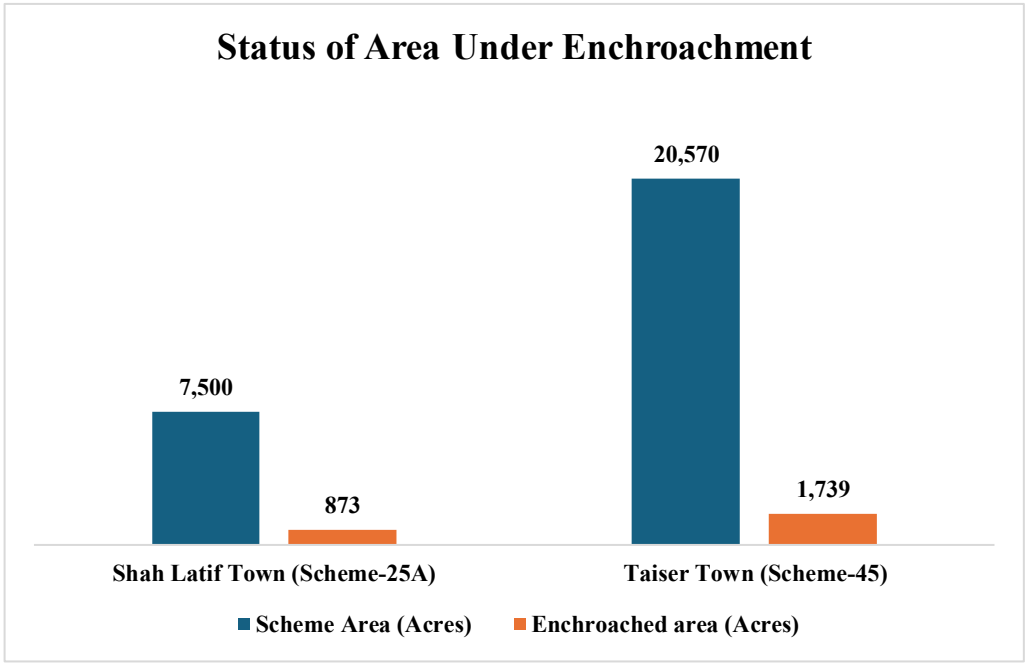
Procurement and contract management suffered from non-compliance with prescribed rules, including award of contracts without competition, selection of higher bids, weak oversight, and non-enforcement of statutory deductions and safeguards.

Operational performance remained below targets as revenue realization of Rs. 745.133 million against Rs. 1,155.930 million resulted in a shortfall of Rs. 410.797 million. Citizen Participatory Audit further highlighted unjustified cost escalation of Rs. 1,661.840 million, non-recovery of taxes and deposits, and payments without adequate documentation.

Overall, the audit findings indicate systemic control failures requiring urgent measures to strengthen governance, ensure compliance, safeguard public assets, and improve financial and operational performance.

The Authority failed to safeguard its land assets, as large areas remained unmutated and encroached. As shown in the mutation status, Shah Latif Town (7,500 acres) and NMHP Scheme-I (6,000 acres) had nil mutated area, while in Taiser Town (Scheme-45), only 9,512 acres were mutated out of 20,570 acres, leaving substantial land unregularized. Encroachment also persisted, with 873 acres encroached in Shah Latif Town and 1,739 acres in Taiser Town, reflecting weak land governance and enforcement. The position is illustrated below:


Status of Mutation of Land
7,500
0
6,000
0
20,570
9,512
Shah Latif Town (Scheme-25A)
NMHP (MDA Scheme-I)
Taiser Town (Scheme-45)
Scheme Area (acres)
Mutated area (acres)

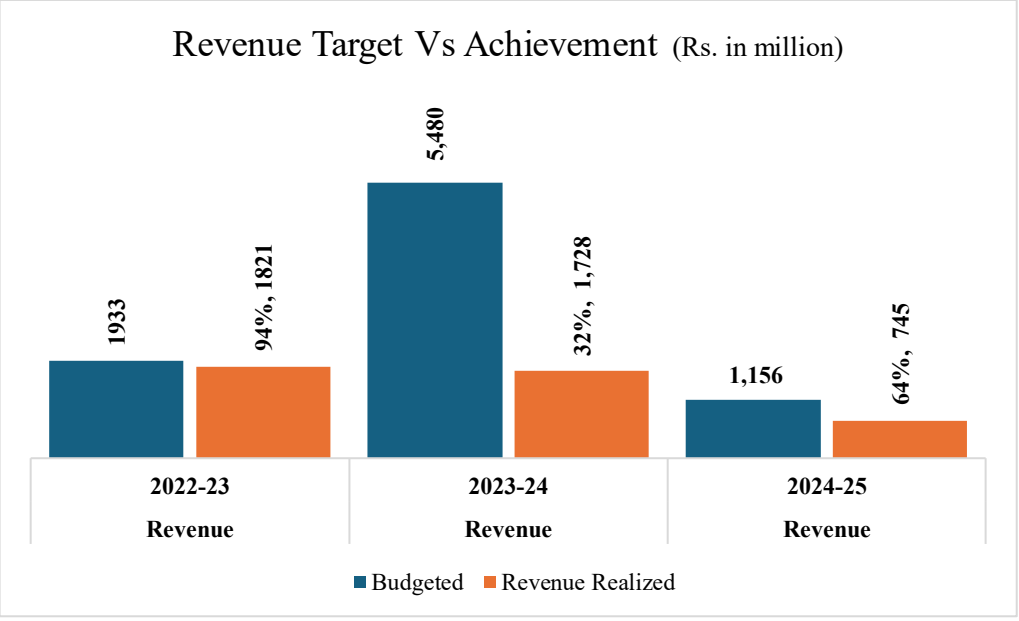

Status of Area Under Enchroachment
7,500
873
20,570
1,739
Shah Latif Town (Scheme-25A)
Taiser Town (Scheme-45)
Scheme Area (Acres)
Enchroached area (Acres)

# 1 FINANCIAL PERFORMANCE ANALYSIS FY 2023-24 & 2024-25

The financial performance of Malir Development Authority during the last three financial years reflects persistent weaknesses in revenue realization, budgetary discipline and financial governance which collectively constrained the Authority's operational efficiency and financial sustainability.

## 1.1 Revenue Performance

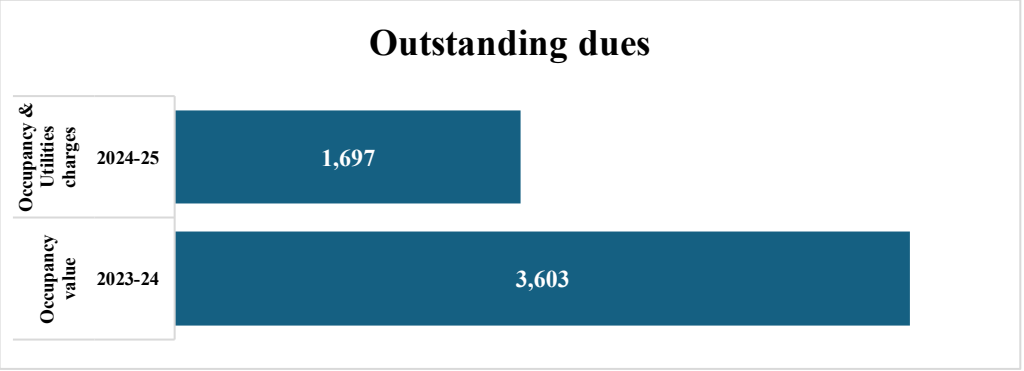
Analysis of revenue targets against actual realization shows inconsistent and weak revenue performance. During FY 2022-23, the Authority achieved approximately 94% of its revenue target; however, a sharp deterioration was observed in FY 2023-24, where only 32% of the budgeted revenue was realized. In FY 2024-25, although some improvement was recorded, the Authority still achieved only 64% of the targeted revenue. For FY 2024-25, against a budgeted revenue target of Rs. 1,155.930 million, actual receipts amounted to Rs. 745.133 million, resulting in a revenue shortfall of Rs. 410.797 million. The continued inability to meet revenue targets indicates weak revenue assessment, ineffective recovery mechanisms, and lack of enforcement against defaulters.[1]




[1] Un-audited Financial Statements of MDA for the year 2024-25

## 1.2 Outstanding Dues and Recoverability

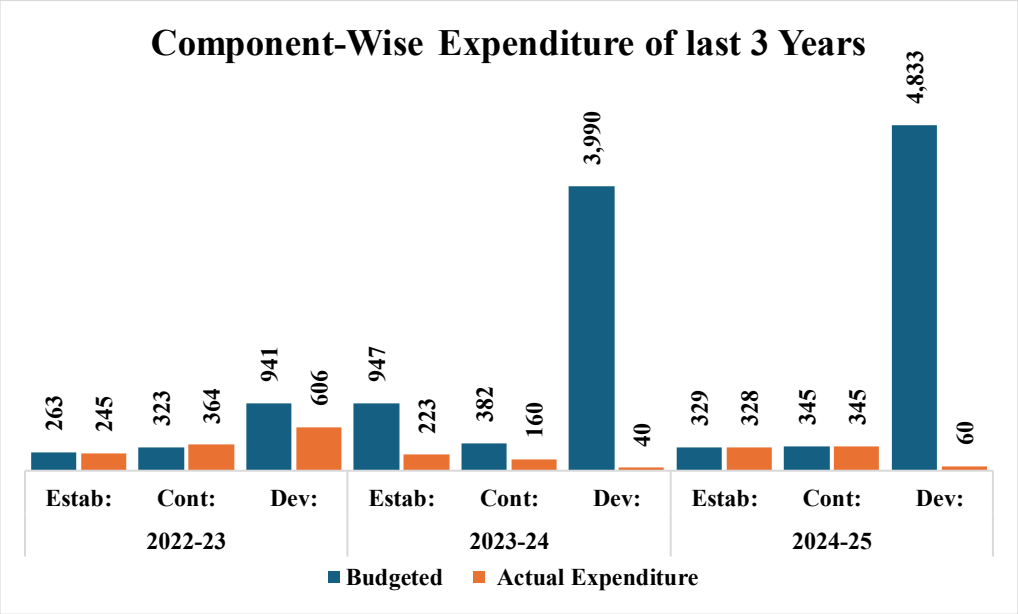
The Authority failed to recover outstanding dues amounting to Rs. 5,299.443 million from defaulting allottees on account of occupancy value and utilities charges. Of this amount, Rs. 3,602.786 million pertains to FY 2023-24, while Rs. 1,696.657 million relates to FY 2024-25. Non-recovery of dues accumulated over extended periods reflects poor monitoring, weak enforcement, and ineffective follow-up, resulting in significant blockage of public funds and erosion of the Authority's revenue base.




## 1.3 Budgetary Control and Expenditure Management

During FY 2024-25, the Authority incurred expenditure amounting to Rs. 733.195 million under pay and allowances, non-salary, and development heads without obtaining approval of budget estimates from the Provincial Government. This practice reflects non-compliance with statutory requirements and indicates weak financial discipline and ineffective internal controls. Component-wise analysis of expenditure over the last three years further shows significant variances between budgeted and actual expenditure, particularly under the development head, where large budget allocations remained unutilized. Such wide variances indicate unrealistic budgeting, weak planning, and limited execution capacity.[2]

[2] Un-audited Financial Statements of MDA for the year 2024-25




## 1.4 Financial Reporting and Audit Compliance

Despite statutory requirements under the Malir Development Authority Act, the Authority failed to conduct mandatory financial attest audit of its accounts from Chartered Accountants since inception. Absence of independent financial certification undermines transparency, reliability, and credibility of financial statements, and prevents an accurate assessment of the Authority's true financial position.

## 2 STATED MANDATE, ROLES AND RESPONSIBILITIES

The Authority failed to effectively discharge its mandate as large areas of controlled land remained encroached, land mutation was incomplete, and housing schemes could not be finalized. Weak enforcement and governance resulted in blockage of public land and non-achievement of housing objectives.

### 2.1 Non-finalization of public housing schemes and non-removal of encroachment on land

According to Section 8(1)(i) & (viii) of the Malir Development Authority Act, 1993, the Authority shall "prepare or cause to be prepared and execute schemes for the development of the area" and "formulate, implement and execute schemes for the development of urban areas." Further, under Section 14, the Authority is empowered to prevent "encroachments and unauthorized constructions" in controlled areas. Moreover, as per Section 19(3), after sanction of a scheme "it shall be lawful for the Authority to undertake the execution of such scheme."

Out of the total controlled area of 34,070 acres, an area measuring 2,612 acres was under encroachment and occupied by various government departments and illegal settlements. Further, only 9,512 acres had been mutated in the name of the Authority by the Board of Revenue, whereas the remaining area was not mutated. Moreover, due to transfer of planned blocks to other resettlement projects, 22,457 residential plots of Taiser Town Scheme, launched in 2007, were affected, indicating non-finalization of housing schemes and ineffective protection of allotted land. Details are as under:

| Sr. # | Name of scheme | No. of plots balloted | Scheme Area (acres) | Area under encroachment | Mutated area (acres) | Remarks |
|---|---|---|---|---|---|---|
| 01 | Shah Latif Town (Scheme-25A) Launched in 1996 | 38,865 | 7,500 | 873 | - | - |
| 02 | NMHP (MDA Scheme-I) Launched in 1997 | 27,600 | 6,000 | - | - | - |
| 03 | Taiser Town (Scheme-45) Launched in 2005 | 79,391 | 20,570 | 1,739 | 9,512 | 22,457 Nos. of residential plots affected due to transfer of planned blocks of the scheme to other resettlement projects |

Failure to remove encroachments, mutate land and finalize housing schemes reflected weak governance and enforcement, resulting in blockage of public land and non-achievement of housing objectives.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends immediate removal of encroachments, mutation of remaining land, restoration of planned blocks and expeditious finalization of housing schemes.

Note: The issue was reported earlier also in the audit report for Audit Year 2024-25 vide para number 2.4.6.8. Recurrence of same irregularity is a matter of serious concern.

AIR MDA 2023–24 & 2024–25 (PDP#03&12)

## 2.2 Irregular approval of layout plan for private housing scheme

In accordance with the approved layout plan dated 07/06/2024, the following mandatory conditions shall be complied with:

i) All cases for approval of individual building plans shall be got approved from SBCA Karachi.

ii) Utility NOCs from concerned departments as required under KBTPR-2002 & MDATPR-2015 (amended upto date)

iii) NOCs from Industry Department & Environmental Protection Agency, Government of Sindh should also be submitted to SBCA at the time of approval of Building plan.

The layout plan of land measuring 7-38 acres, survey No. 200 & 830 Deh Thano Tapo Malir was approved. Following irregularities were identified:

a) Non-approval of building plan from SBCA.
b) NOC's were not obtained from the following departments:
   - Industry Department
   - Environmental Protection Agency (EPA)
   - Utility NOCs from concerned departments
   - Fire and Civil Defense departments
   - SBCA (Sindh Building Control Authority)

Approval of layout plan of land without observing codal formalities which indicated weak internal controls.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite

written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends inquiry into the matter besides fixing of the responsibility on the person(s) at fault.

AIR MDA-2024-25 (PDP#08)

## 2.3 Non-taking over of allotment record of housing schemes from the consultants

As per Item No. 09 of the minutes of the 9th Governing Body meeting of MDA held on 16-10-2024, "The agreements with both consultant companies, M/s Paragon City and M/s Maxiam Marketing Company, were to be terminated, and permission was accorded to the Director Land to take over the complete government record. Further, all housing schemes were to be operated under the Director Land Management at one place by providing a one-window operation for the general public."

The complete record of schemes "Taiser Town Scheme-45 and New Malir Housing Scheme-I" were not taken over by MDA from the consultants. These schemes remained under the control of private firms i.e. M/s Paragon City and M/s Maxiam Marketing whose staff were reportedly involved in malpractice, including tampering with original files, preparing fake bank challans, and unauthorized sale of plots without owners' consent, resulting in loss to the public at large.

The department's failure to take over the record exposed general public funds to risk indicated serious negligence and mismanagement.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit requires inquiry into the matter besides fixing of the responsibility on person(s) at fault.

AIR MDA-2024-25 (PDP# 16)

# 3 FINANCIAL MANAGEMENT

Financial management remained weak due to non-conduct of mandatory financial attest audit since inception, expenditure of Rs. 733.195 million without approved budget estimates, non-recovery of outstanding dues of Rs. 5,299.443 million, and loss of approximately Rs. 2.333 million due to ineffective cash management. These lapses reflected poor financial discipline and weak internal controls.

## 3.1 Non-conducting of financial attest audit of accounts from Chartered Accountants

As per Rule 37(2) of Malir Development Authority Act, 1993, "The accounts maintained under sub-section (1) shall be audited by not less than two Chartered Accountants. (3) A statement of accounts duly audited by the auditors under sub-section (2) Shall be furnished to Government, as soon as may be, after the end of every financial year."

The management failed to carry out mandatory financial attest audit of accounts of the authority from the chartered accountants since inception of Authority in violation of above Act.

Failure in conducting certification audit of annual accounts reflected lack of transparency, neutrality and authenticity in financial statements. Thus, true and fair view of its financial position cannot be ascertained.

The matter was reported to the management in January, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends financial attestation of its accounts be conducted by a reputable audit firms as required under the law in accordance with the established financial guidelines.

Note: The issue was reported earlier also in the audit report for Audit Year 2024-25 vide para number 2.4.6.17. Recurrence of same irregularity is a matter of serious concern.

AIR MDA -2023–24 & 2024–25 (PDP#02&14)

## 3.2 Irregular expenditure without approval of budget estimates

According to Section 36 (I) of Malir Development Authority Act 1993, "The Authority shall prepare a statement of estimated receipts and expenditure

for every financial year and submit such statement to the Government for approval six months before the commencement of such financial year."

The management incurred expenditure amounting to Rs. 733.195 million under pay and allowances, non-salary, and development heads without obtaining approval of budget estimates from the Provincial Government, in violation of prescribed rules.

The department incurred expenditure without its approval from competent forum indicated weak internal controls.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit seeks regularization of budget from the Provincial Government at the earliest.

AIR MDA-2024-25 (PDP#11)

### 3.3 Non-compensation against land allotted to re-settlement project

As per Item No. 05 of the minutes of the 8th Governing Body meeting of MDA held on 17-04-2023, "The land was to be handed over to the Project Director, and alternate adjustment of 500 acres of land at the current/similar market value of Scheme-45, Taiser Town, or payment of the cost of land along with development charges amounting to Rs. 1,990.0 million was to be made to MDA."

The land measuring 258.230 acres was allotted and handed over to the Project Implementation Unit Government of Sindh for Resettlement of affectees of Gujjar, Mehmoodabad, and Orangi Nallas, Karachi without any alternate adjustment of land or payment of the cost of land and development charges amounting to Rs. 1,990.0 million.

Non-compensation against land, the authority was deprived of potential revenue reflected weak financial management.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit requires immediate recovery / compensation.

AIR MDA-2024-25 (PDP #17)

## 3.4 Non-recovery of outstanding dues from allottees of plots

As per Rule No. 28 of General Financial Rules (Chapter 3, Revenue & Receipts), "No Amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of the Competent Authority for their adjustment must be sought.

The outstanding dues amounting to Rs. 5,299.443 million were not recovered from defaulting allottees on account of occupancy and utilities charges. Summarized position is as under.

(Rs. in Million)

| Sr. No. | Description | PDP# | Financial Year | Outstanding dues |
|---|---|---|---|---|
| 1 | Occupancy charges | 01 | 2023-24 | 3,602.786 |
| 2 | Occupancy & Utilities charges | 10 | 2024-25 | 1,696.657 |
| **Total** | | | | **5,299.443** |

Further, details are given in **Annex-1 of Appendix-II**.

Non-recovery of dues since 1996 showed lack of seriousness on the part of management despite lapse of considerable time.

The matter was reported to the management in May, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends that strenuous efforts may be put in to recover the amount from the defaulters at the earliest besides strengthening of governance controls.

Note: The issue was reported earlier also in the audit report for Audit Year 2024-25 vide para number 2.4.6.5. Recurrence of same irregularity is a matter of serious concern.

AIR MDA-2023-24 & 2024-25 (PDP#01&10)

## 3.5 Non-adjustment of advance salaries

As per Para-668 of Treasury Rules, "Advances granted under special orders of competent authority to government officers for departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they are sanctioned subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary."

An amount of Rs. 7.347 million was allowed on account of advance salaries but the same was not adjusted from their monthly salaries as required

under the rules. Further, the management also did not properly maintain the register of loan and advances. Details are given in **Annex-2 of Appendix-II.**

Non-deduction of refundable loan and advances without adherence of rules and regulations stands irregular. Non-maintenance of record can lead to misuse and over payments.

The matter was reported to the management in May, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit seeks recovery of the advances as per rules besides maintenance of proper record to avoid misuse of loan/advance facility.

AIR MDA-2023-24 (PDP#04)

### 3.6 Loss of revenue income by operating current bank accounts

As per Notification No. FD/RO/FS/30/2006 dated 28/9/2006 issued by Finance Department, Government of Sindh, Karachi, "All bank accounts of the government department/entities, being operated in private/ commercial banks, should immediately be closed and the public funds maintained in such accounts transferred to respective PLS saving forthwith. The details of all such accounts / account number, name and address of the bank and the date of opening of account) and amount returned to PLS saving should be sent to the Finance Department."

The management opened 22 current bank accounts instead of Profit and Loss Sharing (PLS) accounts, resulting in a loss of annual interest income of approximately Rs. 2.333 million. Details are given in **Annex-3 of Appendix-II.**

The decision to open (22) current bank accounts instead of Profit and Loss Sharing (PLS) accounts had a significant impact on the Authority's revenue generation.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends formulation of an effective revenue/investment policy of the authority to enhance the revenue of the authority.

Note: The issue was reported earlier also in the audit report for Audit Year 2024-25 vide para number 2.4.6.3. Recurrence of same irregularity is a matter of serious concern.

AIR MDA-2024-25 (PDP#18)

# 4 HUMAN RESOURCE MANAGEMENT

Human resource management was characterized by irregular appointments, excessive reliance on work-charged staff, non-abolishment of long-vacant posts, inadmissible allowances, and irregular promotions. These weaknesses resulted in irregular expenditure and unnecessary financial burden on the Authority.

## 4.1 Irregular appointment of work-charged staff and non-abolishment of long-vacant posts

As per Finance Department Notification No. FD(EXP. IX)-7(67)/91 dated 10-03-1994, "Appointment of contingent paid staff without prior approval of the Finance Department is banned. Further, long-vacant sanctioned posts exceeding three years are required to be abolished under government rationalization policy."

An amount of Rs. 148.540 million was paid to 411 work-charged employees in violation of above notification. Further, these appointments were made against non-sanctioned posts without requisitions, documents, or budgetary provision. In addition, out of 1,796 employees, only 57 were regular, while 1,328 sanctioned posts remained vacant and unutilized for a period exceeding three years.

The weak administrative controls and poor HR planning led to appointment of work-charged employees and non-abolishment of long-vacant posts which resulted in irregular expenditure and unnecessary financial burden on the Authority.

The matter was reported to the management in May, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends formulation of an effective HR policy, abolition of long-vacant posts, and strict adherence to Finance Department instructions to prevent such huge appointments on work charged basis.

Note: The issue was reported earlier also in the audit report for Audit Year 2024-25 vide para number 2.4.6.9. Recurrence of same irregularity is a matter of serious concern.

AIR MDA-2023-24 (PDP#05)

## 4.2 Irregular payment of inadmissible allowances

As per Government of Sindh S&GAD Notification No.PA-DS(G)/41133/76 dated: 27-07-1977 and No. SO (INSP) S&GAD VI (3) /79 dated: 20-07-1979, "The conveyance allowance is an allowance paid to employees to enable them to reach the office. The conveyance allowance is not required to be paid to those officers, who have been provided with government transport facilities and / or have gone on vacations." Further, as per Finance Department Govt. of Sindh letter No. FD(SR-III)-5-145-2012 dated 2nd March, 2012, in supersession of this department circulars Nos. FD(SR-III)-5/1-2008 dated 04-01-2008 and No. FD(SR-III)-5-139/2011 dated 12-02-2011, "Sanction of Government of Sindh is hereby accorded for grant of utility allowance to the regular employees of Sindh Civil Secretariat and Provincial Assembly Sindh."

Various allowances worth Rs. 8.475 million were paid to the employees contrary to the government instructions. The details are as under:

(Rs. in million)

| S.NO. | Allowances | Amount |
|---|---|---|
| 1 | Conveyance | 0.060 |
| 2 | Secretariat | 0.555 |
| 3 | Utility | 6.726 |
| 4 | Orderly | 0.300 |
| 5 | Executive | 0.833 |
| | **Total** | **8.475** |

The disbursement of various allowances over and above the prescribed limit of the Government of Sindh, despite financial constraint is unjustified.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends implementation of government instructions besides rationalization of HR expenditure in accordance with financial resources of the authority.

Note: The issue was reported earlier also in the audit reports for Audit Years 2023-24 & 2024-25 vide para numbers 2.5.6.3 & 2.4.6.11. Recurrence of same irregularity is a matter of serious concern.

AIR MDA-2024-25 (PDP#09)

## 4.3 Irregular drawl of salary on higher grade

According to Rule 11 of General Financial Rules, Volume-I, "Each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers."

An amount of Rs. 16.24 million was paid to two employees of Local Government Department. Mr. Irfan Baig, Junior Clerk (BPS-05) of Local Government Department and Mr. Asad Ali Khan, contractual employee (BPS-17) of City District Government were transferred and posted to MDA against the post of BPS-19 and BPS-18 respectively without any provisions in rules. Details are given as under:

(Rs. in million)

| Sr. No. | Name | Period | Amount |
|---|---|---|---|
| 1 | Mr. Irfan Baig | Jan-22 to Nov-24 | 8.815 |
| 2 | Mr. Asadullah | | 7.427 |
| | | | **16.242** |

Posting and drawl of salary on higher grade is unjustified and reflected weak administrative oversight in the organization.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends corrective measures and recovery of excess amount from concerned employees.

AIR MDA-2024-25 (PDP#15)

## 4.4 Irregular promotions through change in cadre of employees

According to Government Service Rules and internal control requirements, "Appointments and promotions must be made in accordance with prescribed qualification criteria and complete employee particulars must be recorded in the system."

According to Rule 11 of General Financial Rules, Volume-I, "Each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers."

Three employees were promoted through change in cadre in violation of the prescribed rules & regulations. Details are as under:

- Employees initially appointed as Khalasi/Naib Qasid were promoted to the post of Sub-Engineer through an irregular change in cadre.
- An employee initially appointed as Junior Clerk was successively promoted to Data Entry Operator, then Program Officer, and finally to Accounts Officer, all through irregular changes in cadre. Details are as under:

| S.NO. | Name of Employee | Present Designation | Appointed as |
|---|---|---|---|
| 1 | Adnan Afzal | Sub Engineer (BS-16) | Naib Qasid |
| 2 | Muhammad Farooq | Sub Engineer (BS-16) | Khallasi |
| 3 | Manthar Memon | Accounts Officer (BS-18) | Junior Clerk / Cum Typist |

The promotion of staff without observance of codal formalities is in contravention of the rules, reflected poor human resource management in the organization.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends adoption of technology-based maintenance of HR data to ensure merit-cum-seniority based promotion in future.

AIR MDA-2024-25 (PDP#19)

# 5 PROCUREMENT

Procurement activities suffered from non-compliance with prescribed rules, including award of contracts without competition, selection of higher bidders, and weak contract management. Failure to enforce statutory deductions and performance safeguards exposed public funds to financial risk.

## 5.1 Non-invitation of tender for security services

According to Rule-17(1) of the Sindh Public Procurement Rules 2010, "Procurements over three hundred thousand rupees and up to two million rupees shall be advertised by timely notifications on the Authority's website and may in print media in the manner and format prescribed in these rules."

An amount of Rs. 4.410 million was paid to M/s Frontier Constabulary Security for hiring of security services without competitive bidding in violation of SPPRA rule.

The hiring of security services without adopting the prescribed tendering process is held irregular.

The matter was reported to the management in May, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends fixing of the responsibility on the person(s) at fault besides strengthening of internal controls to prevent such violations in future.

Note: The issue was reported earlier also in the audit report for Audit Year 2024-25 vide para number 2.4.6.12. Recurrence of same irregularity is a matter of serious concern.

AIR MDA-2023-24 (PDP#06)

## 5.2 Irregular payment to consultant

According to Rule 11 of General Financial Rules, Volume-I, "Each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers."

The work of consultancy services worth Rs. 12.600 million was awarded to M/s ECIL Consultant. Following irregularities were observed:

1. SST on consultancy services was not deducted on payments made to the consultant.

2. Income tax was deducted at 3% instead of the applicable rate of 10%.

3. Security deposit was refunded to the consultant without ensuring performance evaluation or completion certification.

4. The engineer estimates prepared by the consultant were defective as the bids received were more than 15% below the estimated cost, indicating overestimated and unrealistic cost projection.

5. Consultancy work was not vetted by a competent authority or technical committee before execution.

(Rs. in Million)

| Amount paid | IT deducted | IT deductible | IT due | Due SST 15% | Total recoverable | SD Refunded |
|---|---|---|---|---|---|---|
| 12.600 | 0.340 | 1.260 | 0.920 | 1.890 | 2.810 | 6.495 |

An undue favour was extended to the consultant at the cost of public exchequer.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit seeks recovery of pointed out amount besides fixing of the responsibility on person(s) at fault.

AIR MDA-2024-25 (PDP#07)

## 6 OPERATIONAL PROCESSES, TARGETS AND KPIs

Operational performance remained below targets as revenue of Rs. 745.133 million was realized against the target of Rs. 1,155.930 million, resulting in a shortfall of Rs. 410.797 million. Weak planning, inadequate monitoring, and ineffective linkage between financial inputs and physical progress adversely affected outcomes.

### 6.1 Short receipt of targeted revenue

As per Rule-28 of General Financial Rules, Volume-I, "No amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable, the order of the competent authority for their adjustments must be sought."

The management estimated to achieve revenue target of Rs. 1,155.930 million from various schemes but recovered only Rs. 745.133 million resulting in short recovery of the revenue target of Rs. 410.797 million. Details are as under:

(Rs. in Million)

| Component | Budget Estimate | Actual Receipts for the year | Non-achievement of Receipt Targets |
|---|---|---|---|
| MDA Schemes | 1,155.930 | 745.133 | 410.797 |

Non-realization of targeted revenue reflected weak revenue management in the organization.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends formulation of policy for effective revenue and investment.

AIR MDA-2024-25 (PDP# 20)

### 6.2 Irregular issuance of allotment of residential plots

As per Rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money." Further, as per Section 19(4) of the National Database and Registration Authority Ordinance, 2000, "A card including a National Identity Card, issued to a person under this Ordinance shall be proof of

his identity as could be established from the contents of such card for any purpose for which his identity is required to be established."

Several irregularities were observed in the issuance of allotment orders. The details are tabulated as follows:

| S.No. | Plot Size | Plot No | Nature of Plot | Irregularities |
|---|---|---|---|---|
| 1 | 120 sq yards | 1-79-1-R-259 | Residential | ➢ The allotment letter lacked critical details such as CNIC No., date, plot number, and the signature of the allottee.<br>➢ The finance sheet was missing prior to the issuance of the allotment letter.<br>➢ The allotment order and transfer order were issued with only a one-day gap and without advertisement. A minimum gap of seven days is mandatory as per practice.<br>➢ NADRA verification was not available in the file.<br>➢ Bank challans were not verified from bank |
| 2 | 120 sq yards | 1-81-3-R-263 | Residential | ➢ NADRA verification was missing from the file.<br>➢ Bank challans were not verified from bank<br>➢ Variation in signatures of the allottee were found in allotment file. |
| 3 | 80 sq yards | 1-76-4-L-861 | Residential | ➢ NADRA verification was not attached in the file.<br>➢ Non-verification of bank challans.<br>➢ Statement regarding the appearance of legal heirs of the deceased was missing.<br>➢ Allotment by mutation was not issued besides its transfer order was issued to legal heir.<br>➢ The file was transferred without issuance of a mutation via allotment letter.<br>➢ The file was transferred within a day, without giving advertisement of the allotment order. |

The department issued allotment orders without mandatory requirements indicated favoritism to particular persons.

The matter was reported to the management in September, 2025. However, no reply was received. No DAC was convened by the PAO despite written requests dated 19.06.2025, 09.07.2025, 21.07.2025, 15.10.2025, 24.10.2025, 11.11.2025, 13.11.2025, 25.11.2025 and 28.11.2025.

Audit recommends inquiry into the matter besides fixing of the responsibility on the person(s) at fault.

AIR MDA-2024-25 (PDP#13)

## CONCLUSION

The audit findings reveal fundamental deficiencies in the Authority's financial management, governance, land administration, and human resource practices, adversely affecting transparency, accountability, and operational effectiveness. Weak revenue recovery, non-compliance with statutory audit requirements, inadequate control over land assets, and irregular administrative and procurement practices reflect systemic control failures requiring immediate management attention. These shortcomings have constrained financial sustainability and delayed delivery of intended public benefits.

These weaknesses have directly impacted the general public by slowing the provision of planned housing, infrastructure, and civic amenities, while mismanagement of public land and inefficient use of resources deprived citizens of improved urban services and reduced confidence in the Authority's ability to serve community needs effectively.

The recommendations emphasize strengthening internal controls, ensuring compliance with legal and regulatory requirements, improving revenue administration, and enhancing planning and monitoring mechanisms. Effective implementation is essential to restore financial discipline, safeguard public assets, and improve service delivery in line with the Authority's mandate.

The audit also observed serious deficiencies in procurement and works management, including violations of procurement rules, unjustified execution of works, weak quality controls, delayed completion of schemes, and inadequate post-completion evaluation. Management responses were not received, and DAC meetings were not convened by the PAO.

These systemic issues reflect weak institutional controls and expose the Authority to financial loss, legal disputes, reputational damage, and erosion of public trust. Timely implementation of audit recommendations, strengthening of internal controls, strict compliance with applicable laws and regulations, and effective oversight by the competent authorities are essential to improve governance, safeguard public resources, and enhance the Authority's operational effectiveness.

## RECOMMENDATIONS

- Establish a robust dues recovery mechanism with time-bound action plans, legal enforcement, and periodic monitoring to ensure recovery of outstanding receivables.
- Ensure mandatory annual financial attestation of accounts through engagement of Chartered Accountants in accordance with the governing law to enhance transparency and credibility.
- Take immediate measures to remove encroachments and complete mutation of all Authority land to safeguard assets and ensure availability for planned development.
- Strengthen financial controls by ensuring timely adjustment of advances and maintaining complete and up-to-date records of loans and advances.
- Formulate and implement a comprehensive human resource policy, abolish long-vacant posts, and ensure appointments and promotions strictly comply with approved rules.
- Enforce strict compliance with procurement laws and regulations, including competitive bidding and proper documentation, to prevent irregular procurements.
- Ensure that all expenditures are incurred strictly within approved budget estimates and obtain prior approval of competent authorities where required.
- Strengthen governance controls over allotment of plots and approval of layout plans by ensuring full compliance with legal, technical, and regulatory requirements.
- Improve revenue management through realistic target setting, effective monitoring, and adoption of sound investment and banking practices to maximize returns.
- Enhance project planning and monitoring frameworks to ensure timely completion of housing schemes and proper compensation or adjustment for any transfer of Authority land.

## APPENDICES:

### A. Audit Objectives

- To assess compliance with applicable laws, rules, and regulations governing the Authority.
- To evaluate effectiveness of financial management, revenue recovery, and internal control systems.
- To examine governance arrangements, human resource management, and procurement practices.
- To review efficiency and effectiveness of land management and development activities.

### B. Audit Scope

- Review of financial management systems including budgeting, revenue receipts, expenditure, and maintenance of accounts.
- Examination of land administration functions covering allotment of plots, mutation of land, and management of encroachments.
- Assessment of procurement, consultancy engagements, and contract management for compliance with applicable rules.
- Evaluation of governance arrangements, human resource practices, and implementation status of selected development and housing schemes.

### C. Audit Methodology

- Examination and analysis of financial records, vouchers, files, and supporting documents.
- Compliance testing against applicable laws, rules, notifications, and government instructions.
- Analytical review of trends, variances, and performance indicators.
- Discussions with management and concerned officials to validate observations and obtain explanations.

**Annex-1**

## 3.4 Non-recovery of outstanding dues from allottees of plots

(Rs. in Million)

| Financial Year 2023-24 | | | | |
|---|---|---|---|---|
| **Name of scheme** | **Details** | **Total receivable** | **Total received** | **Outstanding Dues** |
| New Malir Housing Projects MDA Scheme 1 commercial | Occupancy Value | 799.321 | 575.378 | 223.943 |
| New Malir Housing Projects MDA Scheme Regular 1 plots | | 3168.463 | 2705.907 | 462.557 |
| Malir Development Authority Taiser Town Schme-45 Cottage Industry | | 544.765 | 119.690 | 425.075 |
| Malir Development Authority Taiser Town Schme-45 | | 565.219 | 120.630 | 444.589 |
| Malir Development Authority Taiser Town Schme-45, Defaulter List Paid 50% Below (240 Sq Yds) | | 266.874 | 62.367 | 204.507 |
| Malir Development Authority Taiser Town Schme-45 | | 65.700 | 9.909 | 55.792 |
| Malir Development Authority Taiser Town Schme-45 | | 101.049 | 15.465 | 85.584 |
| Shah latif town Commercial Plots | | 2424.889 | 2226.810 | 198.079 |
| Taiser Town Commercial Plots | | 1268.034 | 419.443 | 848.591 |
| **Total** | | **9204.313** | **6255.598** | **2948.715** |
| Malir Development Authority Taiser Town Schme-45, Defaulter List Paid 50% Below (240 & 400 Sq Yds Overseas), VALUE IN $ in PKR Rs.275 on 30 june 2024 | Occupancy Value in $ | 3,100,250 *275= | 721,806 *275= | 2,378,443 *275= |
| **Total in $** | | **852.569** | **198.497** | **654.072** |
| **Total** | | **10056.882** | **6454.095** | **3602.787** |

(Rs. in Million)

| Financial Year 2024-25 | | | | |
|---|---|---|---|---|
| **Sr#** | **Scheme** | **Total bid amount** | **Recovered** | **Outstanding** |
| 01 | Taiser Town Scheme-45 | 1,268.034 | 421.653 | 846.391 |
| 02 | Shah Latif Town | 2,424.888 | 2,237.710 | 187.186 |
| 03 | New Malir Housing Scheme (Regular) | 3,168.463 | 2,716.686 | 452.236 |
| 04 | New Malir Housing Scheme (Commercial) | 799.320 | 588.491 | 210.844 |
| | **Total** | **7,660.705** | **5,964.54** | **1,696.657** |

**Annex-2**

## 3.5 Non-adjustment of advance salaries

(Rs. in Million)

| S.No | Name | Dept | BPS | Designation | Sanctioned Amount | Rate of Monthly Instalment | No of Instalment till June-24 | Total Amount Recovered | Un-recovered |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Muhammad Irfan | Law Office | 19 | Director Legal Affair | 2.306 | 64061, 36302 | 12/48 | 0.463 | 1.842 |
| 2 | Muhammad Rashid | Finance | 17 | Deputy Dir | 1.215 | 67,506 | 07/48 | 0.472 | 0.742 |
| 3 | Muhammad Amim Siddiqui | Finance | 17 | Accounts Officer | 2.174 | 60,410 | 08/36 | 0.483 | 1.691 |
| 4 | Muhammad Arshad Siddiqui | Finance | 17 | AFA | 1.709 | 47,473 | 26/36 | 1.234 | 0.474 |
| 5 | Mazhar Waheed | Finance | 17 | Accounts Officer | 1.518 | 42,176 | 26/36 | 1.096 | 0.421 |
| 6 | Muhammad Manthar | Finance | 17 | Asst.Dir (P.R) | 1.108 | 23,093 | 28/48 | 0.646 | 0.461 |
| 7 | Muneer Ahmed | PHS Department | 14 | Senior Clerk | 0.376 | 13,696 | 15/48 | 0.205 | 0.17 |
| 8 | Azizullah Laghari | Land & Management | 11 | Junior Clerk | 0.846 | 17,628 | 07/48 | 0.123 | 0.722 |
| 9 | Abdul Rahim | Secretariat | 11 | Junior Clerk | 0.657 | 13,696 | 15/48 | 0.205 | 0.451 |
| 10 | Tausif Arif | NMHP-III | 2 | Chowkidar | 0.477 | 7,959 | 14/60 | 0.111 | 0.366 |
| | | | | **Total** | **12.389** | | | **5.042** | **7.346** |

**Annex-3**

## 3.6 Loss of revenue income by operating current bank accounts

| S. No | Account No | Branch | Nature of Account | Closing Balance | 10% Profit |
|---|---|---|---|---|---|
| 1 | 2000384348 | Silk Bank | Current | 111,442 | 11,144 |
| 2 | 2000384437 | Silk Bank | Current | 344,253 | 34,425 |
| 3 | 2000384308 | Silk Bank | Current | 97,908 | 9,791 |
| 4 | 2000384464 | Silk Bank | Current | 65,526 | 6,553 |
| 5 | 2000384828 | Silk Bank | Current | 580,378 | 58,038 |
| 6 | 2000384448 | Silk Bank | Current | 12,930 | 1,293 |
| 7 | 2000384456 | Silk Bank | Current | 36,243 | 3,624 |
| 8 | 2000384472 | Silk Bank | Current | 53,100 | 5,310 |
| 9 | 2000384383 | Silk Bank | Current | 1,105,697 | 110,570 |
| 10 | 2000384391 | Silk Bank | Current | 82,095 | 8,210 |
| 11 | 2000383964 | Silk Bank | Current | 48,552 | 4,855 |
| 12 | 2000384332 | Silk Bank | Current | 48,864 | 4,886 |
| 13 | 2000384324 | Silk Bank | Current | 22,707 | 2,271 |
| 14 | 2000384278 | Silk Bank | Current | 202,196 | 20,220 |
| 15 | 2000384375 | Silk Bank | Current | 5,016 | 502 |
| 16 | 2000384154 | Silk Bank | Current | 92,184 | 9,218 |
| 17 | 2000384488 | Silk Bank | Current | 3,287,097 | 328,710 |
| 18 | 2000384693 | Silk Bank | Current | 161,862 | 16,186 |
| 19 | 1011616 | MCB | Current | 46,966 | 4,697 |
| 20 | 971011617 | MCB | Current | 2,098,968 | 209,897 |
| 21 | 1662-36 | HBL | Current | 459,977 | 45,998 |
| 22 | 4107846517 | NBP | Current | 14,370,246 | 1,437,025 |
| **Total** | | | | **23,334,207** | **2,333,421** |

# CITIZEN PARTICIPATORY AUDIT

## Re-settlement of Affectees of Gujjar Nala, Mehmoodabad Nala and Orangi Nala, Karachi

## EXECUTIVE SUMMARY

The Citizen Participatory Audit was conducted on the request of a citizen to carry out a complete audit of the ADP scheme "Resettlement of Affectees of Gujjar Nala, Mehmoodabad Nala and Orangi Nala, Karachi," implemented by the Malir Development Authority under the Local Government and Housing Town Planning Department, Government of Sindh. The project was approved in October 2024 at a cost of Rs4,779.305 million, later revised to Rs5,360.342 million, with the objective of rehabilitating displaced families through provision of planned housing facilities.

The project comprises 6,941 housing units over 262.507 acres in Sectors 16, 61 and 87 of Taiser Town Scheme-45 with a completion period of 18 months. The total work order cost is Rs3,664.908 million against a technical sanction of Rs3,425.147 million, while expenditure of Rs560.509 million had been incurred up to June 2025. The audit covered review of physical and financial progress, verification of expenditures and assessment of the performance of the Project Implementation Unit including administrative and operational expenses.

### Key Findings:

i) Project land remained partially encroached due to weak enforcement, delaying resettlement benefits and infrastructure delivery.

ii) Statutory deductions (such as income tax and security deposits) were not properly recovered, and financial controls were inadequate.

iii) Procurement and contract management showed non-compliance with rules, including awards to higher bidders and inclusion of inadmissible items in estimates.

iv) Project costs escalated without justified scope changes, and payments were made without complete documentation.

v) Physical progress lagged behind targets due to land constraints, procurement issues, and cost revisions.

### Key Recommendations:

i) Remove encroachments promptly and monitor project land continuously.

ii) Enforce strict compliance with financial and tax laws, ensuring accurate deductions and robust pre-payment verification.

iii) Adhere to procurement rules, awarding contracts to the lowest evaluated responsive bidders and holding violators accountable.

iv) Limit estimates to technically approved items, recover inadmissible expenditures, and scrutinize approvals.

v) Strengthen inventory and asset management with timely recording and regular verification.

vi) Justify and approve any cost revisions in advance, supported by clear scope changes.

vii) Regulate operational expenditures through mandatory records and strict monitoring.

## INTRODUCTION

The "Resettlement of Affectees of Gujjar Nala, Mehmoodabad Nala and Orangi Nala, Karachi" is a government-led housing initiative being implemented by the Malir Development Authority (MDA) under the Local Government and Housing Town Planning Department, Government of Sindh. The project was approved in October 2024 at an original cost of Rs4,779.305 million, later revised to Rs5,360.342 million. The scheme aims to rehabilitate families displaced due to the removal of encroachments along major storm water drains by providing planned and legal housing facilities.

The project is located in Sectors 16, 61 and 87 of Taiser Town Scheme-45 and comprises 6,941 housing units over 262.507 acres with a completion period of 18 months. The scope includes internal development and provision of essential infrastructure such as roads, interception drains, water supply, sewerage and street lighting. The total work order cost is Rs3,664.908 million, with technical sanction of Rs3,425.147 million and expenditure of Rs560.509 million incurred up to June 2025.

The Citizen Participatory Audit has been undertaken on the request of citizen to conduct a complete audit of the ADP scheme, including review of the to-date physical and financial progress of the resettlement plan, verification of expenditures, and assessment of the performance of the Project Implementation Unit along with administrative and operational expenses. The exercise aims to promote transparency, accountability and effective utilization of public funds, and to assess whether the intended resettlement objectives are being achieved in a timely and satisfactory manner.

### Audit Objectives

To assess compliance of the ADP scheme with approved mandates, laws, rules and development guidelines.

- To examine concern of the citizen in the project
- To evaluate transparency, accountability and performance of the Project Implementation Unit.
- To identify weaknesses in internal controls, governance and project oversight affecting achievement of project objectives.

### Audit Scope

- Audit covered activities of the Project Director for the financial years 2022–23 to 2024–25.

- Review included land allotment, encroachments, procurement, contracts, financial management and execution of works.
- Examination of revised PC-I, resettlement progress, infrastructure development and expenditure incurred to date.
- Assessment of compliance with statutory provisions, approved documents and operational performance.

## Audit Methodology

Citizen was contacted before audit to obtain background information and areas of concern for focused examination.

- Audit covered activities of the Project Director for the financial years 2022–23 to 2024–25.
- Review of PC-I documents, contracts, technical sanctions, bills, vouchers, tax records and stock registers.
- Site surveys, physical verification and interviews with project officials, consultants and contractors.
- Compliance testing, analytical review and transaction testing to develop audit findings based on evidence.

## AUDIT FINDINGS

### Citizen Participatory Audit

The citizen-requested audit revealed weak project oversight, continued encroachments, award of works at higher rates, cost escalation of Rs. 1,661.840 million without defined scope changes, and non-recovery of statutory deductions. These deficiencies exposed the project to financial loss and implementation delays.

### 1.1. Non-removal of encroachments from land allotted for Resettlement Project

According to Section-3 (1) of the Sindh Public Property (Removal of Encroachment) Act, 2010, "Government or any authority or officer authorized by the government in this behalf may require the person directly or indirectly responsible for encroachment to remove such encroachment together with the structure, if any, raised by him on the public property, within the period not less than two days as may be specified in the order."

The relocation of 6,000 affectees, 258 acres of land was allotted in Sectors 16, 61 and 87 of Taiser Town for development of infrastructure works. The contract was awarded on 12.03.2025 with a completion period of 18 months. During site survey, it was observed that Sectors 16 and 87 were partially encroached, which was also confirmed by the consultant and the contractor.

The failure to remove encroachments from the allotted land reflected weak enforcement of statutory powers.

The matter was reported to the management in December, 2025. However, no reply was received. No DAC was convened by the PAO, despite written requests dated 01.01.2026 & 21.01.2026.

Audit recommends that management should take effective measures to vacate the unauthorized encroachments.

AIR CPA 2024-25 (PDP/AIR#01)

### 1.2. Irregular award of work

As per Regulation No.5.1 of the Procurement Regulation of Works, 2011, "Procuring agencies shall use open competitive bidding as the principal method of procurement for procurement of works. Staff of procuring agency

must maintain the highest standards of honesty and integrity in performing their duties."

The work amounting to Rs. 3664.908 million was awarded to M/s Sigma whose quoted bid was 7% above the estimated cost. However, the same is unjustified since other bidders had quoted below rates. The work was not awarded to the lowest evaluated bidder. Further, technical sanction was issued without date mentioned thereon. Details are as under:

(Rs. in Million)

| Contractor | Estimated cost | Quoted Amount | Comparison with estimated cost |
|---|---|---|---|
| M/s Haji Sayed Ameer | 3,425.148 | 2,740.118 | -20% |
| M/s Umer Jan & Company | | 2,740.118 | -20% |
| M/s Sherjan Musakhel | | 3,247.160 | -5.196 |
| M/s Sardar M. Ashraf | | 3,247.160 | -5.196 |
| **M/s Sigma Constructions** | | **3,664.908** | **7%** |
| M/s Noor ul Haq | | 3,733.412 | 9% |

The award of work to a higher bidder in violation of SPPRA Rules and the principle of financial economy reflected non-observance of codal provisions and resulted in an unjustified extra financial burden on the project.

The matter was reported to the management in December, 2025. However, no reply was received. No DAC was convened by the PAO, despite written requests dated 01.01.2026 & 21.01.2026.

Audit recommends inquiry into the matter besides fixing of the responsibility on the person(s) at fault

AIR CPA 2024-25 (PDP/AIR#02&09)

## 1.3. Increase in cost of work components in revised PC-I without defined scope

According to Rule 11 of General Financial Rules, Volume-I, "Each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers."

The cost of various components increased by Rs. 1,661.840 million (190.93%) without any defined change of scope. The cost of various components in original PC-I for the development of 6,500 houses was Rs. 870.397 million, whereas the revised PC-I for 6,941 houses was Rs. 2532.24 million which is almost more than three times of original cost, despite an increase of only 441

houses resulting in a substantial cost escalation without justification. Details are as under:

(Rs. in Million)

| Name of work | Description | Original PC-I | Revised Cost | Increase | Increase in % |
|---|---|---|---|---|---|
| Re-Settlement Of Affectees Of Gujjar Nallah, Mahmoodabad Nallah & Orangi Nallah, Karachi, Contractor: M/s Sigma | **infrastructure Development & Amenities** | | | | |
| | **internal Development (within Sector)** | | | | |
| | Roads & Interception Drains | 637.258 | 1701.35 | 1064.092 | 166.98% |
| | Water Supply System | 66.889 | 199.27 | 132.381 | 197.91% |
| | Sewerage System | 150 | 505.519 | 355.519 | 237.01% |
| | Streets Lights | 16.25 | 126.101 | 109.851 | 676.01% |
| **Total** | | **870.397** | **2532.24** | **1661.84** | **190.93%** |

Revising the cost without defining the change in scope of work reflected weak financial oversight which led to excessive and unjustified cost escalation resulting to potential loss to the government and lack of transparency in project execution.

The matter was reported to the management in December, 2025. However, no reply was received. No DAC was convened by the PAO, despite written requests dated 01.01.2026 & 21.01.2026.

Audit recommends documenting the scope of work, justifying all cost increases, and implementing strict financial controls before incurring additional expenditures.

AIR CPA 2024-25 (PDP/AIR#04)

## 1.4. Less deduction of income tax

According to Section-153 (1) (c) of Income Tax Ordinance, 2001, "Every prescribed person, making payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person, shall deduct income tax at source on the execution of a contract, in case of a company, 7% of the gross amount payable, if the company is a filer and 10% if the company is a non-filer; and in any other case, 7.5% of the gross amount payable, if the person is a filer and 10% if the person is a non-filer."

An amount of Rs. 9.347 million on account of income tax was less deducted while making payments to the contractor. Details are as under:

(Rs. in Million)

| RA Bill | Name of Scheme | Name of Contractor | Bill amount | Income Tax Due @8% | Income Tax Deducted | Income Tax Payable |
|---|---|---|---|---|---|---|
| 1st | Re-Settlement of Affectees of Gujjar Nallah, Mahmoodabad Nallah & Orangi Nallah, Karachi | M/s Sigma Contractors & engineering Works (pvt) ltd. | 238.208 | 19.05664 | 9.709 | 9.34764 |

Due to less recovery of income tax, government sustained loss of revenue.

The matter was reported to the management in December, 2025. However, no reply was received. No DAC was convened by the PAO, despite written requests dated 01.01.2026 & 21.01.2026.

Audit recommends expeditious recovery of government tax.

AIR CPA 2024-25 (PDP/AIR#03)

## 1.5. Irregular inclusion of vehicle rentals and office accommodation in BoQ

According to Rule 11 of General Financial Rules, Volume-I, "Each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers."

The provision of Rs.16.050 million for rentals and accommodation was included in BOQ. However, the same was not part of the scope of the infrastructure. Details are as under:

| Name of work/Contractor | Description | Qty | Rate | Total |
|---|---|---|---|---|
| Re-Settlement Of Affectees Of Gujjar Nallah, Mahmoodabad Nallah & Orangi Nallah, Karachi, Contractor: M/s Sigma | Provide Engineer's office , provide equip , furnish and maintain Engineer's office (Porta Cabin/rental Building) | 1 | 4000000 | 4,000,000 |
| | Providing Engineer's vehicles (Rental) including maintenance (including Driver, Fuel 200 ltr/per Month/per vehicle) | | | |
| | Toyota Coralla XLI with AC (1 No.) | 15 | 300000 | 4,500,000 |
| | Suzuki Cultus (1 No.) | 15 | 275000 | 4,125,000 |
| | Suzuki Cultus (1 No.) | 9 | 275000 | 2,475,000 |
| | FAW X-PV (1 No.) | 18 | 275000 | 4,950,000 |
| **Total** | | | | **16,050,000** |

The inclusion of irrelevant items resulted in wastage of public funds and reflected weak internal controls.

The matter was reported to the management in December, 2025. However, no reply was received. No DAC was convened by the PAO, despite written requests dated 01.01.2026 & 21.01.2026.

Audit recommends exclusion of vehicle rentals and office accommodation from BoQ and reinforcing controls to ensure inclusion of relevant items only.

AIR CPA 2024-25 (PDP/AIR#05)

## 1.6. Non-deduction of security deposit

As per 7.12.3 of SPPRA, Procurement Regulation (Works), "Procuring Agency will retain/deduct from each interim/running payments due to the contractor, the security deposit in proportion stated in the contract data/data sheet until completion of the whole of the works. The cumulative total of such amount will be 5% of bid total mentioned in the letter of acceptance. In this way total amount with procuring agency will be ten percent of bid cost in the shape of performance security and retention money/security deposit. Recoveries so made from contractor are returned to him by the procuring agency as per terms and conditions of contract."

Security deposits of Rs. 11.910 million was not deducted from the contractors' bills. Details are as under:

(Rs. in Million)

| RA Bill | Name of Scheme | Name of Contractor | Bill amount | SD@5% was not deducted. |
|---|---|---|---|---|
| 1st | Re-Settlement of Affectees of Gujjar Nallah, Mahmoodabad Nallah & Orangi Nallah, Karachi | M/s Sigma Contractors & engineering Works (pvt) ltd. | 238.208 | 11.9104 |

Less deduction of security deposits is violation of SPPRA rules which reflected weak financial management.

The matter was reported to the management in December, 2025. However, no reply was received. No DAC was convened by the PAO, despite written requests dated 01.01.2026 & 21.01.2026.

Audit requires recovery of the pointed-out amount besides strict adherence to the SPPRA regulations.

AIR CPA 2024-25 (PDP/AIR#07)

## 1.7. Irregular execution of work without description

According to Rule 11 of General Financial Rules, Volume-I, "Each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers."

Payment of Rs.238.208 million was made to M/s Sigma in the 1st RA bill without showing sector-wise execution of quantities in violation of approved technical sanction in which the estimation of quantities was sector wise. Details are as under:

(Rs. in Million)

| Name of work | Contractor | Bill# | Expenditure |
|---|---|---|---|
| Resettlement of Affectees of Gujjar, Mehmoodabad & Orangi Nullahs | M/s Sigma | 1st RA | 238.208 |

The execution of work without considering the sector wise allocation of quantities resulted in doubtful payment which reflected weak internal controls.

The matter was reported to the management in December, 2025. However, no reply was received. No DAC was convened by the PAO, despite written requests dated 01.01.2026 & 21.01.2026.

Audit seeks justification in the matter.

AIR CPA 2024-25 (PDP/AIR#08)

## 1.8. Irregular payment of POL without mandatory record

According to Rules 5, 8, 9, 15 & 18(12) of the Staff Car Rules, 1980 proper record i.e. Log Books, Movement Registers and Requisition Slips were required to be maintained in respect of all government vehicles for effective control on expenditure on POL and Repair & Maintenance of the official vehicles. These Rules provided regulations for the use of staff car which included that staff car might be used for official business. An officer might use the staff car for journey from office to his residence if this was performed after working in the office for not less than two hours beyond the normal office hours after fulfilling the laid down conditions.

An expenditure of Rs.5.324 million was incurred on POL without maintaining logbooks and field visit diaries.

The payment of POL without proper documentation led to irregular expenditure which reflected weak internal controls.

The matter was reported to the management in December, 2025. However, no reply was received. No DAC was convened by the PAO, despite written requests dated 01.01.2026 & 21.01.2026.

Audit recommends that pol payments are supported by logbooks and field visit records and strengthen controls to prevent payments without mandatory documentation.

AIR CPA 2024-25 (PDP/AIR#06)

## 1.9. Non-accountal of various procured items

As per Sindh Financial Rule, 2023, chapter 09, inventory management rule, section 83, "The departmental officers entrusted with the care, consumption of stores or use of fixed assets are responsible for maintaining correct records and preparing correct returns in respect of the stores and fixed assets entrusted to them."

An expenditure of Rs.4.692 million was incurred on procurement of IT items and furniture. However, the same were not accounted for in stock register. Details are as under:

(Rs. in million)

| S.No | Dated | Description | Amount |
|---|---|---|---|
| 1 | 19.06.2023 | Payment to Link Services for procurement of IT hardware and software | 2.295 |
| 2 | 29.08.2023 | Payment to Biomed Solution for procurement of Furniture and Fixture. | 2.397 |
| **Total** | | | **4.692** |

Non-accountal of the items resulted in the risk of mismanagement in financial affairs which reflected weak internal controls.

The matter was reported to the management in December, 2025. However, no reply was received. No DAC was convened by the PAO, despite written requests dated 01.01.2026 & 21.01.2026.

Audit recommends recording of all procured items in the stock register properly and strengthening of controls to prevent non-accountal of fixed assets in future.

AIR CPA 2024-25 (PDP/AIR#10)

## CONCLUSION

The Citizen Participatory Audit was initiated in response to citizen concerns, highlighted critical gaps in project management and control. Addressing these issues through timely implementation of recommendations and enhanced oversight is essential for safeguarding public resources and reinforcing trust, transparency, and accountability in public sector development projects.