



SPECIAL AUDIT REPORT

ON

THE ACCOUNTS OF

**GOMAL ZAM DAM - COMMAND AREA DEVELOPMENT AND
ON-FARM WATER MANAGEMENT FOR HIGH VALUE AND
HIGH EFFICIENCY AGRICULTURE PROJECT (GZD-CADP)**

**AGRICULTURE DEPARTMENT
GOVERNMENT OF KHYBER PAKHTUNKHWA**

AUDIT YEAR 2022-23

AUDITOR-GENERAL OF PAKISTAN

**SERVING THE NATION BY PROMOTING ACCOUNTABILITY, TRANSPARENCY AND
GOOD GOVERNANCE IN THE MANAGEMENT AND USE OF PUBLIC RESOURCES**

FOR THE CITIZENS OF PAKISTAN

PREFACE

The Auditor-General conducts audits under Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with the Sections 8 & 12 of the Auditor-General's (Functions, Powers and Terms & Conditions of Service) Ordinance 2001. The special audit on the accounts of Gomal Zam Dam - Command Area Development and On-Farm Water Management for High Value and High Efficiency Agriculture Project (GZD-CADP) was carried out accordingly.

The Directorate General Audit Khyber Pakhtunkhwa conducted special audit of the project during April 2023, with a view to reporting significant findings to the stakeholders. Audit examined the economy, efficiency and effectiveness aspects of the project. In addition, Audit also assessed, on a test check basis, whether the management complied with the applicable laws, rules and regulations in managing the project. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the project.

The Report was finalized in light of the vetted minutes of the Departmental Accounts Committee meeting held under the chairmanship of the Principal Accounting Officer on 10th & 11th January, 2024.

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

Islamabad:

Dated:

(Muhammad Ajmal Gondal)

Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

ACS	Additional Chief Secretary
AD	Assistant Director
CADP	Command Area Development Project
CCA	Cultivable Command Area
CNIC	Computerized National Identity Card
COVID	Corona Virus Disease
CPO	Chief Planning Officer
CPWD	Central Public Works Department
DAC	Departmental Accounts Committee
DD	Deputy Director
DG	Director General
DSA	Daily Subsistence Allowance
ECNEC	Executive Committee of National Economic Council
FBR	Federal Board of Revenue
FD	Finance Division
FFC	Farmers Facilitation Centers
FO	Farmers Offices
FY	Financial Year
GCA	Gross Command Area
GZD	Gomal Zam Dam
HEIS	High Efficiency Irrigation System
HPK	Halcrow Pakistan
IG	Interest Groups
IPC	Interim Payment Certificate
IRR	Internal Rate of Return
JRM	Joint Review Meeting
KP	Khyber Pakhtunkhwa
KPPRA	Khyber Pakhtunkhwa Public Procurement Regulatory Authority
KPRA	Khyber Pakhtunkhwa Revenue Authority
MFSC	Model Farm Services Center
MoU	Memorandum of Understanding
MRS	Market Rate System
MS	Microsoft
MW	Mega Watt
NAB	National Accountability Bureau
NESPAK	National Engineering Services Pakistan
OFWM	On-Farm Water Management
PARC	Pakistan Agriculture Research Center
PC-I	Planning Commission Proforma-I
PDWP	Provincial Development Working Party
PEC	Pakistan Engineering Council

PIC	Project Implementation Committee
PIL	Project Implementation Letter
PIU	Project Implementation Unit
PLL	Precision Land Leveling
PMC	Project Management Committee
PMU	Project Management Unit
POL	Petroleum Oil and Lubricants
PSC	Project Steering Committee
RCC	Roller Compacted Concrete
RIR	Rhode Island Red
RLL	Rough Land Leveling
SDG	Sustainable Development Goals
TA	Travelling Allowance
TOR	Terms of Reference
TS	Technical Sanction
USAID	United States Agency for International Development
USD	United States Dollars
VA	Veterinary Assistant
WAPDA	Water and Power Development Authority
WC	Water Courses
WUA	Water User Association

EXECUTIVE SUMMARY

The Directorate General Audit Khyber Pakhtunkhwa conducted special audit on the accounts of Gomal Zam Dam - Command Area Development and On-Farm Water Management for High Value and High Efficiency Agriculture Project (GZD-CADP) during April 2023. The Project Implementation Unit (PIU) was executing the project through active partnerships of the private-sector companies, attached government departments and consultants. The project was approved by ECNEC on 06.03.2014, with the planned commencement date of 01.07.2014 and completion date of 30.09.2017. Due to delayed completion of Waran Canal by WAPDA, 67 outlets were added in the system which increased the scope of work from 393 to 460 water courses and other allied components (both soft and hard) in the command area.

The Water User's Association (WUA) formed under the project were responsible for Operation and Maintenance (O&M) of the watercourses and the Interest Groups (IG) formed under the project for continuation and strengthening of their agribusiness ventures in collaboration with private sector, with the respective district offices of the attached departments to provide technical support, facilitation, supervision, operation and maintenance of the project established infrastructure, assets and continuation of services to the WUAs.

The project was financed by USAID and Government of Khyber Pakhtunkhwa. The original PC-I cost of the project was USD 34.07 million (Rs. 3373.23 million), out of which the USAID share was USD 22.22 million (Rs. 2200.00 million) and GoKP & Farmer share was USD 11.85 million (Rs. 1,173.23 million). However, due to non-utilization of funds by the project management, the USAID slashed its contribution by USD 9.35 million leaving a balance of USD 12.87 million (Rs. 1,274.13 million) as donor assistance which resulted into an increase in the GoKP & Farmer share to USD 21.21 million (Rs. 2099.49 million).

The project management could not execute the project activities as per the agreed timelines, and in accordance with the rules. There were issues in hiring of the services of consultancy firms. Similarly, the procurement of works was not carried out in accordance with the rules and regulations i.e. through e-bidding process under the procurement committee notified by the administrative secretary. The project management further failed to deduct and deposit the government dues into the government kitty as per rules.

The project management awarded civil works contracts in packages and the packages consisted 5-10 watercourses and single contractors were awarded more than one package, hence they could not complete the civil works within the stipulated period of time. Moreover, there was a clause in the contract agreements executed with the contractors that the contractors will start / execute the works on the watercourses in clusters i.e. the contractors will for instance, start work on the initial three watercourses, complete the said work, send the bills / invoices for the works, and only after that, the work on the other watercourses will be started, which badly hampered the progress of the activities of the project.

The field offices of the Agriculture Extension Department in District DI Khan and Tank purchased various agriculture inputs in disregard of the financial propriety and in violation of the KPPRA rules. The purchases were not made from the model farm services centers, and there were issues in the authenticity of the transactions carried out. Similarly, the agriculture machinery was purchased for onward distribution amongst the farmers and the water user associations for utilization, operation & maintenance and generation of revenues. However, the said machinery was purchased and handed over to the model farm services centers wherein the machinery was parked in open space and found in dilapidated conditions with wear and tear before their use by the farmers in the command area. Similarly, there were issues in the specifications of the machinery purchased by the line department as well.

The project was run by additional charge basis and frequent switch-over of the staff was also noticed which affected the completion of the project within the stipulated period of time. The administrative secretary also failed to play active role in resolution of the issues being surfaced during the execution of the project on ground.

Key Audit Findings:

- Non-execution of the main project activity and project component
- Non-obtaining of performance guarantees from the consultants and contractors
- Unauthorized issuance of agriculture machinery to Model Farm Services Center
- Loss to the government due to non-completion of the project, non-imposition of penalty upon contractors & consultants, non-restricting payments on account of consultancy services after exclusion of PLL, non-recovery of sales tax on services, non-recovery of income tax from consultant's personnel, non-recovery on account of poor performance, non-forfeiture of performance security of the defaulter contractors
- Unauthorized payment of mobilization advance, non-recovery of the machinery & equipment and non-utilization of mobilization advance
- Overpayment to contractors due to non-deduction of voids and culverts
- Irregular awarding and extension of consultancy and civil works contracts
- Suspected misappropriation on account of purchase of agriculture inputs

Recommendations:

- Non-execution and subsequent exclusion of PLL be inquired
- Bank guarantees be obtained from the consultants and contractors
- Unauthorized issuance of agricultural machinery be investigated
- Losses to the government be made good from the person(s) at fault
- Mobilization advances and machinery be recovered
- Overpayments to contractors be recovered
- Irregular awarding and extension of contracts be investigated
- Suspected misappropriation be inquired in detail

1. INTRODUCTION

Dera Ismail Khan and Tank Districts are known for spate irrigation system locally called Rod-Kohi Irrigation System. Rainfall in the upper catchments of District D.I. Khan and Tank result in runoff and water rushing into different torrents in the foothill plains of both the districts. The flood water is called Zam in the local language. The seasonal streams / Nullahs are blocked in the bed of the torrent with a temporary diversion structure (earthen bunds). The flood water is then diverted through field irrigation. Out of the five famous Zam running in the area, Gomal Zam which originates from the western mountains including part of the watershed located in Balochistan and Afghanistan, has been converted into a multipurpose dam.

The Gomal Zam Dam is a multipurpose Roller Compacted Concrete (RCC) Gravity dam which is situated at Khajuri Kachh in South Waziristan, with Gomal and Zhob rivers as the main sources of water. The dam has one main canal and 18 distributary canals with a Gross Command Area (GCA) of 271,271 acres and Cultivable Command Area (CCA) of 191,139 acres. The dam has the power generation capacity of 17.4 MW.

The system of Rod Kohi essentially focuses on subsistence crops and livestock farming, with usually low agricultural productivity. Water is the major limiting factor; fortunes of the farmers of the area vary between subsistence and scarcity. In view of the prevailing situation, it was recognized by the Government to improve living conditions of the communities in the area by turning the flood water into sustainable irrigation water supply along with provision of related capacity building opportunities and access to modern agricultural technologies to grow high value cereals and horticultural crops along with quality livestock for higher economic returns.

The project has four major operational objectives; construction of 460 watercourses and allied structures for conserving water and improving irrigation water application to cultivate 191,139 acres of land; formation and registration of 460 Water Users Associations (WUAs) and Interest Groups (IGs) in the command area; capacity building for enhancement of agricultural and livestock productivity and marketing support; and providing access to maximum farms to the nearby market through construction of farm to market roads.

The project was approved by ECNEC on 06.03.2014, with the administrative approval being granted on 17.09.2014 at a cost of Rs. 3373.610 million. The revised PC-I of the project was administratively approved on 03.02.2023 at a revised cost of Rs. 4233.587 million. The Activity Agreement was signed on 18.03.2015, with the actual commencement date of 08.09.2015 and original date of completion as 30.09.2017. The revised date of completion (Activity Agreement Amendment 2) was 30.09.2021.

The project is implemented by a Project Implementation Unit (PIU) established in DI Khan, with the coordination activities being looked after by a Project Management Unit

(PMU) established in Peshawar. The Additional Chief Secretary supervises the project through a Project Steering Committee (PSC) with the Secretary Agriculture as the Chief Coordinator of the project and working as the chairman of the Project Implementation Committee (PIC). The Commissioner DI Khan looks after and supervises the day-to-day issues through Project Management Committee (PMC), with the Joint Review Meeting as the joint forum for discussing the progress and issues arising out of the operations of the project in the field. There is a Procurement Committee for Works, Services and Goods as well, with the Project Director as its head which undertakes the procurement function for the project.

The USAID, Government of Khyber Pakhtunkhwa and Farming Community in the command area provide funding for the project by contributing an amount of Rs. 2026.905 million (48%), Rs. 1756.089 million (41%) and Rs. 450.593 million (11%) respectively, with the Agriculture, Livestock and Cooperatives Department KP as the administrative department of the project.

The interventions proposed under the project are on a cost sharing basis where the beneficiaries will be actively involved. The project has been designed to develop 191,139 acres land to be irrigated in the command area. The project will provide assistance and funding to the people of the command area in building and operating a modern irrigation system with major considerations for water productivity, while providing both food self-sufficiency and income from high value crops. The overall objective is that water available for 191,139 acres of command area of the Gomal Zam dam is used efficiently through integrated development of the command area, on-farm water management, productivity enhancement, introduction of high value crops and livestock breeds, and effective marketing.

The Water User's Association (WUA) formed under the project are responsible for Operation and Maintenance (O&M) of the watercourses and the Interest Groups (IG) formed under the project will continue and strengthen their agribusiness ventures in collaboration with private sector. Upon completion of the project, respective District Offices of the attached departments will also be available for technical support, facilitation, supervision, operation and maintenance of the project established / developed infrastructures, assets and continuation of services to the WUAs.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) adopted by the Auditor-General of Pakistan.

2. AUDIT OBJECTIVES

The objectives of audit were;

- To check compliance with rules and regulations regarding selection of consultants & contractors
- To examine all the schemes undertaken by the Department under the program

- To check whether all the procurements have been done in accordance with the USAID procurement guidelines
- To check whether the recruitments in the project have been made as per the prevailing rules and regulations
- To check whether project related components such as capacity building etc. have been carried out transparently
- To ensure whether PMU and line departments have fulfilled their responsibilities of monitoring and evaluation
- To assess the project's impact on agriculture and irrigation of southern areas

3. AUDIT SCOPE AND METHODOLOGY

The special audit covered management of the grant provided by the donor agency and funds provided by the provincial government; procurement of goods, works and services; disbursement of grants and funds; and distribution of the agriculture & livestock items amongst the farming community of the command area etc. since inception of the project in District DI Khan and Tank. The audit was conducted in accordance with the International Public Sector Auditing Standards and Financial Audit Manual issued by the Auditor-General of Pakistan along with substantive and compliance testing of the physical and financial transactions carried out by the project management. Along with substantive & compliance testing, field visits and physical verification of the watercourses and roads (completed and in progress) were also made.

4. AUDIT FINDINGS

4.1 Organization and Management

4.1.1 Non-achievement of project objectives due to non-execution of main project components – Rs. 1239.700 million

According to Para 9 of Clause 6.1.2 at Page No. 10 of the approved PC-I of the project, the current landscape of the command area is in eroded and undulating form, therefore, innovative options have to be adopted for its development. The traditional concept of providing bulldozers for leveling of land will not work, as efficient irrigation in water scarce situation would require precision land leveling using laser levelers. Precision land leveling must be seen in the context of essentiality for high efficiency in surface irrigation including furrow irrigation on laser leveled fields. Read with Para 3 of Clause 6.1.2 at Page No. 9 of the approved PC-I of the project, High Efficiency Irrigation (furrow irrigation on laser leveled fields and two demonstration farms including drip irrigation on 05 acres each in all of the 393 Mogha Commands and area of Waran Canal) is an essential element of the strategy for the development of the command area.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the original PC-I of the project was approved for a total cost of Rs. 3373.610 million with components of Command Area Development & Watercourses Construction, Precision Land Leveling, Productivity Enhancement – Demonstrations of Drip, Sprinkler & Furrow Irrigation on Laser Leveled Fields, Construction of Farmers Organizations Support Centers for three Field Offices (FOs) and Construction of FOs.

However, further scrutiny of record revealed that one of the two major physical activities i.e. Precision Land Leveling costing **Rs. 1043.200 million** was excluded in the 9th Project Steering Committee meeting held on 27.01.2020 vide Agenda Item-IV, on the grounds that the said exclusion was decided in the 11th Joint Review Meeting due to escalation of rates. However, the Project Manager USAID had clarified in the 8th JRM meeting that the JRM is a project management tool initiated by USAID to assist key partners in coordination and resolution of issues and that its decisions are not binding but are recommendations for respective partners based on their consent. Furthermore, the supervision consultants noted, vide their remarks in Appendix-C2 at Page No. 9 of the Addendum 02 that the said activity remained suspended by PIU during the first year of operations. The rest of the evidence in support of audit contention are mentioned in **Annexure-I**.

Moreover, non-execution of PLL resulted into non-execution of yet another main project component i.e. Productivity Enhancement – Demonstrations of Drip, Sprinkler & Furrow Irrigation on Laser Leveled Fields costing **Rs. 196.500 million**.

Audit held that exclusion of PLL resulted into non-execution of drip, sprinkler & furrow irrigation system, and thus into non-achievement of the main project objectives i.e. command area development for high value and high efficiency agriculture.

The lapse occurred due to non-implementation of the PC-I provisions and violation of rules & regulations and feasibility report which resulted into non-achievement of project objectives.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that a detailed inquiry may be conducted, as to why the project management did not execute the PLL in the initial years and did not complete the project activities within the due course of time, and rather waited for so long, till its exclusion by the forums, and withdrawal of funds by the USAID. Furthermore, penalties at the prescribed rates may be imposed upon the contractors which failed to complete their work on time. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault.

4.1.2 Non-obtaining of performance guarantees from the consultants and contractors - Rs. 150.088 million

According to Clause 3.4.1 at Page No. 16 of the consultancy agreement signed between M/S NESPAK and GZD-CADP in August 2016, the consultant has to submit a bank guarantee from a scheduled bank in Pakistan equivalent to 10% of the contract value, valid for a period of 03 months after completion of services. In case the consultant fails to complete the assignment according to the TORs, the client shall have the right to en-cash the guarantee to compensate for the damages. Read with Clause 4.4 of the contract data at Page No. 43 of the contract agreement signed with M/S Pasham Khan & Co., the contractor shall provide a Performance Security in the form of either Bank Guarantee from any scheduled bank in Pakistan or Bank Guarantee from a bank located outside Pakistan duly counter-guaranteed by a scheduled bank in Pakistan. The amount of this security shall be equal to 10% of the contract price stated in the letter of acceptance.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management entered into consultancy agreements with M/S NESPAK and M/S Taleem Foundation for a total amount of Rs. 518,390,753/- (Rs. 278,988,853 + 239,401,900) for consultancy services. However, the project management extended undue favor to both the consultants i.e. M/S NESPAK and M/S Taleem Foundation by not obtaining the performance guarantees amounting to **Rs. 51,839,075/-** (Rs. 518,390,753 X 10%).

Similarly, the project management entered into contract agreements with various contractors costing Rs. 982,496,380/- (Rs. 843,717,663 for water courses and Rs. 138,778,717 for earthen roads). However, the project management obtained a low profile insurance company's performance bonds from the contractors instead of the prescribed bank guarantees amounting to **Rs. 98,249,638/-** (Rs. 982,496,380 X 10%).

The lapse occurred due to non-implementation of the contract agreements which resulted in non-obtaining of performance guarantees amounting to **Rs. 150,088,713/-**.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that performance guarantees may be obtained from the consultant within 15 days. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides obtaining the said performance guarantees at the earliest.

4.1.3 Unauthentic distribution of Barseem inputs and tool kits – Rs. 6.538 million

According to Clause L (vi) at Page No. 13 of the MoU for Productivity Enhancement of Agriculture signed with Agriculture Extension Department in May 2020, the documents / information like CNIC Copy of the beneficiary; contact details; attendance, signature and thumb impression of the participants; pictorial record of each intervention; type of crop with variety; and yield of crop per unit area shall be provided to the USAID's A&E Consultant for verifying the deliverables for payment by the donor agency. Read with Clause 2.1 (3) (j) of the Addendum-II of the Consultancy Contract executed with M/S Taleem Foundation in June 2020, the consultant shall be responsible for collection of resolutions from the water user associations members for distribution of agriculture tools and equipment.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that an amount of Rs. 6,538,804/- was shown paid to Model Farm Services Center DI Khan and Tank on account of purchase of wheat and barseem seeds for demo plots along with the tool kits, as detailed below;

Invoice No.	Cheque No.	Date	Particulars	Amount
3	51986819	01.04.20	Wheat and Barseem Plot in DI Khan and Tank	2,741,170
4	93321128	24.07.20	Tool kits for Wheat and Barseem Plots in Tank	1,291,472
5	93321141	22.09.20	Tool kits for Wheat and Barseem Plots in DI Khan	2,506,162
Total				6,538,804

Further scrutiny of a sample of the beneficiaries amongst which the above-mentioned inputs were distributed revealed that 11 out of 27 transactions were such that the inputs were received by individuals other than the actual beneficiaries finalized by the line department and the project management (instead of M/S Taleem Foundation) which creates doubts about the authenticity of the distribution made in the command area.

The lapse occurred due to weak internal controls which resulted in unauthentic distribution of inputs.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that the beneficiaries list duly verified by M/S Halcrow Consultants may be provided to Audit. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides detailed inspection and internal audit by the monitoring and accounts staff of the project.

4.1.4 Unauthorized issuance of agriculture machinery – Rs. 55.663 million

According to Clause F at Page No. 10 of the MOU for COVID-19 Early Recovery Strategy (Short & Medium Term) signed with Agriculture Extension Department in May 2020, the large agriculture machinery will be distributed amongst the formed / registered water user associations on the basis of cluster approach, and the associations will provide receipt of the received machinery for verification purposes. For safety of the machinery, the formed committee will ensure proper space and shelter in the agreed venue / hujra as per decision of the cluster board / members.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that an amount of Rs. 55,663,796/- was paid to M/S Aziz Enterprises on account of purchase of different agriculture machinery (**Annexure-II**). However, further scrutiny of record revealed that the agriculture machinery purchased was handed over to the Model Farm Services Center DI Khan vide Handing / Taking Over Certificate No. 2175 dated 24.03.2022 instead of distributing the same amongst the water user associations in the command area as per the approved policy and criteria or utilizing the machinery through Farmers Facilitation Centers established by M/S Taleem Foundation for collective use of agriculture machinery through resolutions from the concerned water user associations.

Moreover, the USAID A&E Consultant i.e. M/S HPK vide their verification certificate dated 09.02.2021 verified the supplied agriculture machinery in Model Farm Services Center DI Khan and observed their non-distribution amongst the water user associations. However, the project director instead of distributing the machinery amongst the water user associations, handed over the same to the model farm services center in March 2022, and the USAID A&E Consultant could not verify the distribution of the machinery amongst the farmers or water user associations.

Upon physical inspection of the agriculture machinery handed over to the Model Farm Services Center DI Khan on 13.04.2023, the machinery was found in deteriorating conditions and was parked in open space in the center since their supply in December 2020 without utilizing the same a single time by the farmers. During inspection, it was further observed that 17 numbers of Wheat Threshers and 03 Wheat Hand Reapers handed over to the center were neither found parked in the center nor shown issued to the farmers which raises doubts about the presence of the agriculture machinery in the center as well.

Audit held that handing over of the machinery to the model farm services center was not only unauthorized but the same resulted in non-utilization of the said machinery, their parking in open space in the center and deterioration as well.

The lapse occurred due to violation of the agreed guidelines and the signed MOU which resulted in unauthorized issuance of the agriculture machinery, unauthorized expenditure and loss to the government in the shape of deterioration of the machinery as well.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that utilization status of the Machinery & Equipment purchased by the project may be provided to Audit. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault.

4.1.5 Non-conducting of internal audit of the transactions carried out by line departments – Rs. 484.275 million

According to Clause 7 at Page No. 11 of the MOU for Productivity Enhancement of Agriculture signed with Agriculture Extension Department in June 2019, internal audit shall be carried out by the representatives of PIU / PMU of the Gomal Zam Dam Command Area Development Project as well as by the donor’s inspection team.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management entered into different MOUs with the line departments for a total cost of Rs. 484,275,000/- followed by different addendums and revisions, as detailed below;

Office Name	Particulars	MOU Amount
Agriculture Extension	COVID-19 Early Recovery Strategy	164,254,000
Livestock Department	COVID-19 Early Recovery Strategy	153,895,000
Livestock Department	Intact MOU	115,212,000
Agriculture Research	Intact MOU	20,914,000
Agriculture Extension	Intact MOU	30,000,000
Total		484,275,000

Further scrutiny of record revealed that the project management failed to perform internal audit of the transactions carried out by the line departments through its Accounts Team / Section as required under the MOUs signed with the departments.

The lapse occurred due to weak internal controls which resulted in non-conducting of the line department transactions.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that internal audit may be conducted by the PMU staff and the Administrative Department. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides conducting a detailed internal audit of the transactions carried out by the line departments and physical verification of the procured machinery both stocked in the model farm service centers and distributed among the water user associations and report be shared with Audit.

4.1.6 Irregular and Unauthorized distribution of livestock items – Rs. 116.746 million

According to Clause 2 (C) (2) (i) at Page No. 4 and (G) (vii) at Page No. 10 of the revised MOU for Productivity Enhancement of Livestock signed with Livestock and Dairy Development (Extension) Department in June 2019, the line department shall prepare, demonstrate, procure and distribute inputs to the selected members / nominees / beneficiaries through the WUAs / Interest Groups as per agreed selection criteria. The PIU will provide a comprehensive beneficiary list, on the basis of which procurement plan will be developed. The monitoring checklist shall include pictorial record of each intervention / activity.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that an amount of Rs. 116,746,428/- was paid to different suppliers on account of supply of different livestock items under the COVID-19 and Intact MOU (**Annexure-III**). However, further scrutiny of record revealed that the livestock items purchased were distributed among the beneficiaries through the livestock officers in District DI Khan and Tank instead of distributing the same through the water user associations as required under the provisions of the MOU referred to above.

Audit further observed that;

- The distribution sheets were signed by the Veterinary Officer Local and the Representative of the GZD-CADP only.
- The signatures of the representative of the project management were pasted / stamped on the distribution sheets instead of putting actual handwritten signatures.
- The distribution sheets only mentioned the livestock items distributed as “pair of goats / sheep” without mentioning the detailed specifications mentioned in Clause 1 (vii) (c) and (v) at Page No. 16 of the revised MOU signed in June 2019.
- No penalty clause in case of non / late supply was incorporated in the MOU / contract agreements as well.

Audit held that issuing the livestock items to the livestock officers in districts was against the rules and regulations and chances of misappropriation of the same cannot be ruled out.

The lapse occurred due to violation of the MOU which resulted in doubtful distribution of livestock items.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, the Para was recommended for settlement subject to provision of distribution list of beneficiaries along with relevant record. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault.

4.2 Financial Management

4.2.1 Loss to the government due to non-timely completion of project - Rs. 1852.082 million

According to Clause C (1) and B (2) of the USAID Pakistan letter dated 08-09-2015 regarding Project Implementation Letter No. 01 under the Activity Agreement No. 391-DOA-GZD-CADP-001, for the Gomal Zam Dam - Command Area Development Project, the USAID committed to provide USD 22,223,954/- to the GoP, through the activity agreement, to finance the GZD-CADP Project, which will be provided to the Grantee (GoKP) in increments, subject to availability of funds, project performance and the terms & conditions in the assistance agreement. The project completion date is 30-09-2017.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management failed to complete the project activities within the stipulated period of time i.e. up to 30.09.2017, due to which the USAID Pakistan and GoKP agreed to extend the completion time from 30.08.2017 to 31.12.2019, through Amendment No. 01 dated 18-02-2018. However, the management once again failed to complete the project activities within the extended period of time, which compelled the USAID to decrease their contribution to the project by an amount of USD 9,353,954/- (from USD 22,223,954 to USD 12,870,000) through Activity Agreement Amendment No. 02 dated 14.11.2019 and subsequently increased the GoKP contribution to the project by USD 9,353,954/- (from USD 11,852,957 to USD 21,206,911), along with extending the completion time of the project from 31.12.2019 to 30.09.2021.

Audit held that the incompetence of the project management to complete the project activities on time, coupled with the poor supervisory role of the administrative department, compelled the USAID to withdraw the fund of Rs. 926,041,446/- (USD 9,353,954 X 99 (the exchange rate at the time of execution of the project)) and subsequent increase in the GoKP Contribution by equivalent amount of Rs. 926,041,446/-, which resulted into a total loss of **Rs. 1,852,082,892/-** to the provincial government.

It is worth-mentioning here that the Project Manager USAID, in 11th JRM meeting expressed his views that despite of the availability of extensive canal irrigation system,

professional teams of project implementation unit, design & supervisory consultants, social mobilization & capacity building consultants and funds, the project was not getting the absolute momentum for its timely completion. He also emphasized that due to lack of coordination of all stakeholders and effective planning, the project fund utilization has the lowest burn rate and overall completion of the project is delayed.

The lapse occurred due to non-implementation of the PC-I provisions and weak administrative controls which resulted in loss to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, the Para was recommended to be settled subject to approval of the revised PC-I by the ECNEC showing no loss to the provincial government. However, no progress was intimated to this office till finalization of this report.

Audit recommends implementation of the DAC decision.

4.2.2 Loss to the government due to non-imposition of penalty upon contractors - Rs. 49.124 million

According to Clause 7.1 & 7.4 at Page No. 31 of the standard contract agreements executed with the contractors, the contractors shall complete the works within the time for completion and if the contractors fail to complete the works within the time, they should pay the amount stated in the contract data for each day for which they fail to complete the works. Read with Clause 7.4 of the bidding documents, the contractor shall pay the procuring entity @ 0.20% per day of the contract price for the days of late completion up-to maximum of 5% of the contract price. Read with Para No. 1 of the Administrative Approval of the project, the completion period of the project is 36 months i.e. July 2016 to June 2017.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management awarded contracts for construction of different packages of watercourses costing Rs. 843,717,663/- and roads costing Rs. 138,778,717/- totaling to Rs. 982,496,380/- to various contractors. However, further scrutiny of record revealed that the contractors failed to complete the works within the stipulated periods of time. However, the project management failed to impose penalties at the prescribed rates, amounting to **Rs. 49,124,819/-** (Rs. 982,496,380 X 5%) upon the contractors, which resulted into loss to the government.

The stance of Audit was further strengthened by the Consultant's Quarterly Progress Report December 2022 wherein the reasons for delay in completion of the project were attributed to the contractors i.e. lack of seriousness on the part of the contractors; following the consultant's guidelines / quality concerns by the contractors; deployment of sufficient

technical staff and workforce by the contractors; sufficient machinery & equipment at site; repeated replacement of trained skilled labor at site etc. Till date, no work has been offered to the consultants by the contractors for certification, as evident from Appendix-B2 at Page No. 5 of Addendum-2 of M/S NESPAK.

The lapse occurred due to violation of rules & regulations and weak administrative controls which resulted in loss to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that a detailed inquiry may be conducted, as to why the project management could not complete the project activities within the due course of time, which ultimately resulted into withdrawal of funds by the USAID. Furthermore, penalties at the prescribed rates may be imposed upon the contractors which have failed to complete their work on time. However, no progress was intimated to this office till finalization of this report.

Audit recommends imposing penalties upon the contractors at the prescribed rates and their early recovery.

4.2.3 Loss to the government due to non-restricting payments on account of consultancy services after exclusion of PLL - Rs. 125.544 million

According to Table 22 (c) at Page No. 62 of the revised PC-I of the project, the original intervention program cost of the project was Rs. 2,311.520 million which included Precision Laser Land Leveling as one of the major component costing Rs. 1,043.200 million.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the project management executed the consultancy contract for design & supervision services with M/S NESPAK on 26.08.2016 at the cost of Rs. 84,018,040/- for the total intervention program cost of Rs. 2,311.520 million. Further scrutiny of record revealed that one of the major physical activities i.e. Precision Laser Land Leveling costing Rs. 1043.200 million which becomes 45% (Rs. 1043.200 / 2311.520 million X 100) of the original intervention cost, was excluded in the 9th Project Steering Committee meeting held on 27.01.2020 vide Agenda Item-IV.

Subsequently, the consultancy contract was extended vide Addendum-II up to Rs. 278.988 million. However, the project management failed to restrict the contract price of the consultancy firm proportionately by 45% which resulted in loss of Rs. 125.544 million (Rs. 278.988 million X 45%).

Audit held that the payments made to the consultancy firm included both the water courses and PLL components as evident from Clause 1.3 at Page No. 2 of the Consultant's

Quarterly Progress Report for June 2022 hence the government sustained a loss of Rs. 125.544 million.

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, the Para was recommended for settlement subject to restriction of payment to the consultancy firm for supervising the remaining work after excluding the PLL works. However, no progress was intimated to this office till finalization of this report.

Audit recommends implementing the DAC decision.

4.2.4 Loss to the government due to non-imposition of penalty upon consultants – Rs. 27.898 million

According to Clause 3.4.2 (b) of the special conditions of design & supervision consultancy agreement, if the consultant fails to complete the task according to the agreed work plan and fails to submit the required deliverables, the procuring entity shall in its sole discretion impose penalty on account of these delays to the maximum of 10% of the total value of contract as well as forfeit the amount retained from their bills.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management executed a revised contract agreement with M/S NESPAK Pvt. Ltd. in February 2020, with a total cost of Rs. 278,988,853/-. Further scrutiny of record revealed that the consultancy firm failed to compel the contractors to complete their work within the stipulated period of time. However, the project management failed to make the consultant equally responsible for the non-completion of the project till date of audit by imposing a penalty at the rate of 10% amounting to **Rs. 27,898,885/-** (Rs. 278,988,853 X 10%).

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that approval of the PSC for changing the scope of work from deliverables to men-month basis and non-payment of Rs. 38.316 million from the provincial government may be provided to Audit. However, no progress was intimated to this office till finalization of this report.

Audit recommends imposing penalty at the prescribed rate and recovery of the amount at the earliest.

4.2.5 Loss to government due to non-recovery of income tax from consultant's personnel – Rs. 22.914 million

According to Clause 1.8 of the general conditions of the design & supervision consultancy contract agreement executed with M/S NESPAK on 26.08.2016, the Consultant, Sub-consultants and their personnel shall pay taxes, duties, fees, and other impositions as may be levied under the applicable laws. Read with Clause 44 of the general conditions of the social mobilization and capacity building consultancy contract agreement executed with M/S Taleem Foundation on 04.12.2017, the Consultant, Sub-consultants and their experts are responsible for meeting any and all tax liabilities arising out of the contract.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management executed the design & supervision consultancy contract with M/S NESPAK at the cost of Rs. 84,018,040/-, followed by Addendum-I for an amount of Rs. 38,316,400/- and Addendum-II for an amount of Rs. 156,654,413/-, totaling to Rs. 278,988,853/-. However, the consultant failed to deduct the income tax from the monthly payments made to their personnel amounting to Rs. 17,406,748/- approximately, as detailed below;

S. No.	Particulars	Total Cost	Remuneration Cost
1	Original contract agreement	84,018,040	47,533,440
2	Addendum-I	38,316,400	11,620,400
3	Addendum-II	156,654,413	114,913,643
Total Remuneration Cost			174,067,483
Income Tax Amount (Rs. 174,067,483 X 10%)			17,406,748

Similarly, the project management executed the social mobilization and capacity building consultancy contract with M/S Taleem Foundation at the cost of Rs. 239,401,900/- including an amount of Rs. 55,080,000/- as remuneration cost. However, the consultant failed to deduct the income tax from the monthly payments made to their personnel amounting to Rs. 5,508,000/- (Rs. 55,080,000 X 10%) approximately.

The lapse occurred due to violation of the consultancy agreement which resulted in loss of **Rs. 22,914,748/-** to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that details regarding income tax deducted from the consultant's employees may be provided to Audit or

recovery be made from the consultant. However, no progress was intimated to this office till finalization of this report.

Audit recommends recovery of the amount from the consultants.

4.2.6 Unjustified expenditure on account of social mobilization and capacity building consultancy charges - Rs. 135.732 million

According to the objectives of the consultancy assignment at Page No. 18 of the contract for consultancy services signed between M/S Taleem Foundation and GZD-CADP on 04.12.2017, following are the main activities to be performed by the consultant;

- Social mobilization of water users.
- Increasing the knowledge and skills of farming community.
- Creating and increasing linkages among community organizations, line departments, markets and service providers.
- Enabling the 393 water user associations to operate and maintain the irrigation system.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management entered into a consultancy agreement with M/S Taleem Foundation for an amount of Rs. 239,401,900/-, with the following breakup;

- Remuneration cost Rs. 55,080,000/-.
- Office operations Rs. 48,589,900/-.
- Training, strengthening and capacity building Rs. 135,732,000/-.

Further scrutiny of record revealed that the remuneration cost of Rs. 55,080,000/- was based on monthly payment of 07 key staff members, 01 short-term sub-consultant, and 08 non-key technical staff, the responsibilities / job descriptions of which are mentioned at Page No. 22 of the consultancy agreement, covering all the aspects / activities to be carried out by them. On the other hand, an amount of Rs. 135,732,000/- was also committed by the project management for the activities like training, strengthening and capacity building which were already covered in the job descriptions of the aforementioned consultant's personnel, which tantamount to duplication of payment.

Audit further observed that there was no need to hire the consultancy firm for the social mobilization and capacity building of the farmers and water user associations as the activities shown performed by the consultant were actually performed by the staff of the project and the line departments (further details in **Annexure-IV**).

Audit held that the above state of affairs shows that the expenditure incurred under the subject head of activity was unjustified and chances of duplication of payments for the one and same activity with different names cannot be ruled out.

The lapse occurred due to weak internal controls which resulted in unjustified expenditure.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that the payments to the consultant may be restricted to the amount excluding the objected amount. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault.

4.2.7 Loss to the government due to non-imposition of penalty upon social mobilization and capacity building consultants - Rs. 23.940 million

According to Clause 14 (b) of the special conditions of social mobilization and capacity building consultancy contract agreement executed with M/S Taleem Foundation on 04.12.2017, if the consultant fails to comply with schedule given in the agreed work plan and fails to submit the required deliverables, the client shall in its sole discretion impose a penalty on account of these delays to a maximum of 10% of the total value of work and forfeit the amount retained from his bills.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management entered into a consultancy agreement with M/S Taleem Foundation for an amount of Rs. 239,401,900/- for social training and capacity building of the farmers. Further scrutiny of record revealed that the consultancy firm failed to complete the deliverables / tasks within the stipulated period of time and unilaterally abandoned the contract by disengaging the staff and equipment causing financial losses to the government. However, the project management failed to impose penalty upon the consultant at the prescribed rate amounting to Rs. 23,940,190/- (Rs. 239,401,900 X 10%).

The Stance of Audit was strengthened from the Project Director GZD-CADP final notice issued to the consultant vide letter dated 05.04.2022 wherein it was stated that the consultancy firm has failed to perform the deliverables and contractual obligations despite repeated extension and sub-division of deliverables on the consultant's requests. The Stance of Audit was further strengthened from the Project Director GZD-CADP letter dated 23.12.2021 wherein it was stated that the overall progress of the consultant's activities was extremely slow and incomplete in almost all of the cases, and the firm failed to complete the activities till 30.09.2021.

Audit held that the social mobilization and capacity building consultant could not complete the assigned tasks / deliverables because of poor performance on the ground on one hand and defective hiring of the consultancy services during the initial contract awarding

stage as evident from the Secretary Agriculture Department letter dated 11.05.2016 wherein it was stated that the project director failed to observe the rules and regulations and followed unapproved TORs and evaluation criteria for shortlisting of the firms.

The lapse occurred due to violation of rules and regulations which resulted in loss to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that the department may conduct detailed inquiry through the Provincial PMU established for National Agriculture Emergency program. However, no progress was intimated to this office till finalization of this report.

Audit recommends imposing penalty upon the consultant at the prescribed rate and its early recovery.

4.2.8 Unauthorized payment of mobilization advance and non-recovery of the machinery & equipment – Rs. 109.158 million

According to Clause 46.2 and 34 of the general conditions of social mobilization and capacity building consultancy contract agreement executed with M/S Taleem Foundation on 04.12.2017, an amount of first installment equivalent to 20% of the total contract value shall be **reimbursed** by the client to the consultant **at the time of approval** of the inception report. The equipment and material made available to the consultant by the client, or purchased by the consultant with funds provided exclusively for this purpose by the client, shall be the property of the client and shall be marked accordingly. Upon termination of the contract, the consultant shall make available to the client an inventory of such equipment and material.

According to Clause 11.1 of the contract data of the works contract agreements executed with different contractors, as the project is of short duration and further keeping in view the donor agency apprehensions, no advance will be paid to the contractors on their mobilization.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management entered into a consultancy agreement with M/S Taleem Foundation for an amount of Rs. 239,401,900/- for social training and capacity building of the farmers. Further scrutiny of record revealed that an amount of Rs. 47,880,000/- million was paid to the consultant as Mobilization Advance against the inception report for procurement of assets, equipment and material, in violation of the rules mentioned above, as evident from the GZD-CADP letter dated 30.11.2022.

Moreover, the assets, equipment and material procured from the amount of mobilization advance was not recovered from the consultant, despite the fact that the consultant had disengaged its staff and abandoned its activities unilaterally and the contract wound up by the project management.

Similarly, the Project Management awarded a total of 08 number of different contracts for construction of different packages of watercourses and roads costing Rs. 306,390,785/- to M/S Haji Pasham Khan & Co. and made advance payments amounting to Rs. 61,278,156/-. However, the contractor failed to complete any of the package within the stipulated period of time, and in some cases the contractor even could not commence the work on the packages.

The lapse occurred due to violation of rules and regulations which resulted in unauthorized payment of mobilization advance amounting to **Rs. 109,158,156/-** (details in **Annexure-V**) and non-recovery of machinery & equipment.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that the Department may conduct a detailed inquiry through the Provincial PMU established for National Agriculture Emergency Program. Regarding mobilization advance paid to the contractor, the forum decided that approval of the competent authority regarding advance payment and adjustment / recovery from the contractor bills be provided to Audit within 30 days. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides recovery of the machinery & equipment from the consultant and the mobilization advance amount from the contractor.

4.2.9 Loss to the government due to non-recovery of sales tax on services from the social mobilization and capacity building consultant - Rs. 38.916 million

According to the Working Tariff to the Second Schedule to the KP Finance Act 2013 and KP Finance Act 2019, issued vide Notification No: BO(Res-III) FD/2-2/2019-20/Vol-I dated 05.08.2020, the KP Sales Tax on Services on various services shall be deducted at the prescribed rates from various service providers.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management entered into a consultancy agreement with M/S Taleem Foundation for an amount of Rs. 239,401,900/- for social training and capacity building of the farmers. Further scrutiny of record revealed that i.e. M/S Alkhidmat Development Welfare Foundation offered a financial bid valuing Rs. 217,687,313/- (plus Rs. 34,829,970/- as sales tax @ 16%), and M/S Taleem Foundation a financial bid of Rs.

239,401,900/- (inclusive of sales tax) which was selected accordingly. However, the sales tax included by the selected firm at the similar rate as the second best evaluated bid of M/S Alkhidmat Development Welfare amounting to **Rs. 38,304,304/-** (Rs. 239,401,900 X 16%) was not deducted by the project management from their bills which resulted in loss to the government.

Moreover, the Project Management extended the consultancy agreement with M/S Taleem Foundation by an amount of Rs. 4,250,000/- for the COVID-19 related MOUs with the line departments. Accordingly, an amount of Rs. 3,825,000/- was paid to the consultancy firm vide Cheque No. 933211192 dated 02.02.2021. However, the project management failed to deduct the sales tax on services included by the consultancy firm in its financial bid at the rate of 16% amounting to Rs. 612,000/- (Rs. 3,825,000 X 16%) from the payments made to the consultancy firm.

Audit held that the project management should have either deducted the provincial sales tax on services from the payments made to the selected consultant **or** should have awarded the consultancy contract to the competing firm as their financial bid becomes lower than the selected firm in case the financial bids are exclusive of the tax.

The lapse occurred due to violation of rules and regulations which resulted in loss of **Rs. 38,916,304/-** to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, the Para was recommended for settlement subject to verification of recovery made by the project management and production of the same to Audit. However, no progress was intimated to this office till finalization of this report.

Audit recommends implementation of the DAC decision.

4.2.10 Unauthorized payment to consultant before submission of deliverable - Rs. 5.270 million

According to Clause 46.3 of the general conditions of social mobilization and capacity building consultancy contract agreement executed with M/S Taleem Foundation on 04.12.2017, the client shall pay the consultant after the receipt by the client of the deliverables and the covered invoice for the related lump sum installment payments.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management entered into a consultancy agreement with M/S Taleem Foundation for an amount of Rs. 239,401,900/- for social training and capacity building of the farmers. Further scrutiny of record revealed that an amount of Rs. 5.270

million was paid to the consultant on account of training material without submitting the documents for training plans etc. as evident from the GZD-CADP letter dated 30.11.2022.

The lapse occurred due to violation of contract agreement which resulted in unauthorized payment to the consultant.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that the Department may conduct a detailed inquiry through the Provincial PMU established for National Agriculture Emergency Program. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault.

4.2.11 Loss to the government due to less-deduction of income tax - Rs. 2.582 million

According to Clause 153(1)(b)(ii)(b) of the Withholding Income Tax Rates Card for the FY 2019-20, the income tax levied on the service providers is 10% in case the service provider is not a company. Read with the provisions of the Market Rate System, wherein income tax and contractor's profit etc. are included in the rates by the government.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management paid an amount of Rs. 123,557,000/- to M/S Taleem Foundation on account of social mobilization and capacity building consultancy. However, income tax was deducted at the rate of 8% instead of 10% from the said consultant despite the fact that the firm was not a company, as evident from the website of the firm wherein it was shown that the consultant was established as a non-profit community support organization to promote education in Balochistan, thereby resulting into less deduction of income tax and thus into a loss of Rs. 2,471,140/- ($10\% - 8\% = 2\% \times \text{Rs. } 123,557,000$) to the government.

Moreover, the Project Management paid an amount of Rs. 1,479,335/- to the On-Farm Water Management Tank under MOU-6 vide Cheque No. 93321217 dated 15.06.2021 on account of construction of watercourses. However, further scrutiny of record revealed that income tax at the prescribed rate of 7.5% amounting to Rs. 110,950/- was not deducted from the payments made to the executing agency.

Audit held that as the MOU with the line department was signed on the basis of 8% premium on the MRS rates, deduction of the inbuilt income tax in the rates was required to have been deducted from the payments.

The lapse occurred due to violation of rules and regulations which resulted in loss of **Rs. 2,582,090/-** to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that recovery made by the project management may be verified from Audit. However, no progress was intimated to this office till finalization of this report.

Audit recommends recovery of the amount.

4.2.12 Non-initiation of work despite payment of mobilization advance - Rs. 18.883 million

According to Clause 5 at Page No. 6 of the Memorandum of Understanding signed with On-Farm Water Management in August 2020, the payment to the on-farm water management will be 20% advance for initialization of the works (mobilization of machinery and equipment), 20% on the work plan and the claimed verified bill will be reimbursed accordingly.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management awarded the balance works of 02 packages of watercourses and roads each were awarded to the On-Farm Water Management Tank under MOU-6 for a total cost of Rs. 94,419,904/- in August 2020 with a completion period of 12 months. The project management paid an amount of Rs. 18,883,981/- to the on-farm water management as mobilization advance vide Cheque No. 93321131 dated 01.09.2021 against Package No. 10, 12, 16 & 17.

Further scrutiny of record revealed that the on-farm water management failed to commence work on these packages on ground, as evident from M/S NESPAK Quarterly Progress Report for June 2022 wherein it was stated that the work on the packages is at standstill due to rate issues.

Audit held that making payment of mobilization advance to the on-farm water management without commencing work on ground despite the lapse of 2-3 years was against the MOU and was nothing but withdrawal of grant funds from the donor agency.

Audit further held that the Agriculture Department failed to play an active role in resolution of the dispute (rate issue) between the on-farm water management and the project management, as required under Clause 6 at Page No. 7 of the MOU, wherein it was stated that the decision of the officer aforementioned shall be final and binding on both the parties in case of any dispute.

The lapse occurred due to violation of contract agreement and weak administrative controls which resulted in non-initiation of work and non-utilization of grant funds.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, the Para was recommended for settlement subject to provision of the inquiry report regarding the progress of actual work done by the On-Farm Water Management. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides early utilization of the grant funds.

4.2.13 Non-recovery of outstanding amount and suspected loss due to redirection of the grant funds - Rs. 5.583 million

According to Clause 5 at Page No. 6 of the Memorandum of Understanding signed with On-Farm Water Management in August 2020, the payment to the on-farm water management will be 20% advance for initialization of the works (mobilization of machinery and equipment), 20% on the work plan and the claimed verified bill will be reimbursed accordingly.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the On-Farm Water Management Tank carried out civil works amounting to Rs. 9,992,200/- in Package 10 and 12, with an amount of Rs. 5,583,480/- remaining unutilized. Later on, the MOU was ended with the line department but the project management failed to recover the balance amount from the line department till date of audit i.e. April 2023.

The lapse occurred due to weak administrative controls which resulted in non-recovery of the outstanding amount.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, the Para was recommended for settlement subject to provision of the inquiry report regarding the progress of actual work done by the On-Farm Water Management. However, no progress was intimated to this office till finalization of this report.

Audit recommends recovery of the outstanding amount.

4.2.14 Loss to the government due to non-imposition of penalty - Rs. 4.720 million

According to Clause 2 of the amendments, duration and terms at Page No. 7 of the MOU executed with On-Farm Water Management in August 2020, the MOU shall be valid primarily for a period of 12 months.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the balance works of 02 packages of watercourses and roads each were awarded to the On-Farm Water Management Tank under MOU-6 for a total cost of Rs. 94,419,904/- in August 2020 with a completion period of 12 months. Further scrutiny of record revealed that the on-farm water management failed to complete the work on these packages within the stipulated period of time, as evident from M/S NESPAK Quarterly Progress Report for June 2022 wherein it was stated that the work on the packages is at standstill due to rates issue. However, the project management failed to report the issue to the Administrative Secretary for taking it up with the quarters concerned for amicable settlement and early utilization of the grant money.

Moreover, there was no penalty clause in the MoU entered into with the On Farm Water Management DI Khan as well.

Audit held that the matter should have been either timely resolved or penalty amounting to **Rs. 4,720,995/-** (Rs. 94,419,904 MOU amount X 5% at least) should have been imposed upon the executing agency for non-completion of the works and non-utilization of the grant money.

Audit further held that in order to utilize the grant amount the administrative secretary should have resolved the rates issue / dispute by adjusting the escalated amount from the GoKP share in the best of public interest.

The lapse occurred due to violation of contract agreement and weak administrative controls which resulted in loss to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that a fact-finding inquiry may be conducted and responsibility be fixed against the person(s) at fault. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides resolving the issue by the administrative secretary before redirection of the grant funds by the donor agency.

4.2.15 Loss to the government due to non-forfeiture of performance security of the defaulter contractors - Rs. 14.675 million

According to Clause 4.4 of the general conditions of contract and 4.4 of the contract data of the contract agreement executed with M/S Hizbullah Khan Gandapur in August 2017, the contractor shall furnish to the procuring entity within 14 days after receipt of the letter of acceptance, a performance security in the form of bank draft or bank guarantee @4% valid for a period of one year or till the defect liability period is over and also satisfactory completion certificate is issued by the Engineer.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management executed contract agreements for construction of different packages of watercourses and roads to different contractors. However, further scrutiny of record revealed that the contractors failed to complete the works within the stipulated (and even in the multiple extended) period of time. Accordingly, the balance works of 02 packages of watercourses and roads each were awarded to the On-Farm Water Management Tank in August 2020 under MOU-6 without forfeiture of the performance guarantees which resulted in loss of Rs. 14,675,105/- to the government, as detailed below;

Pkg. No.	Contractor Name	Works	Original Contract Price	Performance Security
10	Hizbullah Khan & Sons	23 No WCs	46,267,755	4,626,775
12	Hizbullah Khan & Sons	13 No WCs	48,483,298	4,848,330
16	Nasrullah & Brothers	Roads	26,233,671	2,900,000
17	M. Zed Khan	Roads	21,175,210	2,300,000
Total				14,675,105

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that the recovery may be made from the contractors. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides forfeiting the performance securities at the earliest.

4.2.16 Overpayment to contractors due to non-deduction of voids – Rs. 4.856 million

According to the unit of analysis of the market rate system, the item of work embankment formation can be compacted up to a maximum of 90% by mechanical means.

Read with Rule 395 of the Federal Treasury Rules Volume-1, the payments of all works done shall be made on the basis of measurements recorded in measurement book kept for the purpose.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management paid different quantities of an item of work i.e. “Embankment formation in ordinary soil and compaction by mechanical means (borrow area) – 03-05-a” under different packages of road works and watercourses. However, further scrutiny of record revealed that the management failed to deduct the voids of at least 10% and culverts from the item of work, which resulted into an overpayment of **Rs. 4,256,196/-** to the contractors, as detailed below;

Work Name	Contractor	IPC No.	Qty. paid (M ³)	Voids M ³ (10%)	Rate	Amount
Road – Package XXIII	Haji Pasham	1	11607.53	1160.753	347	402,781
Road – Package XXI	Haji Pasham	2	1695.41	169.541	347	58,831
Road – Package XXII	Haji Aurangzeb	2	23988.12	2398.812	347	832,388
Road – Package XVI	Nasrullah Khan	1	9296.34	929.634	347	322,583
Road – Package XVII (Disty 6)	M Zed Khan	2	5605.01	560.501	347	194,494
Road – Package XVII (Main)	M Zed Khan	2	3816.42	381.642	347	132,430
Watercourse – Package XII	Hizbullah Khan	4	48467.00	4846.7	329	1,594,564
Watercourse – Package X	Hizbullah Khan	4	35340.78	3534.078	329	1,162,712
Sub-Total-I						4,700,783
Work Name	Contractor	IPC No.	Qty. paid (M ³)	Voids M ³ (10%)	Rate	Amount
Road – Package XXI	Haji Pasham	2	1695.41	275.76	347	95,688
Road – Package XXII	Haji Aurangzeb	2	12976.18	172.12	347	59,725
Sub-Total-II						155,413
Grand Total						4,856,196

Moreover, the contractor had no Roller Compactor machine at site for compaction of the embankment, as pointed out by M/S NESPAK vide their Quarterly Progress Report 2022 at Page No. 76 wherein it was stated that there was a lack of sufficient machinery and equipment at site including roller compactor, hence extra deduction was required to have been made from the contractors’ payments.

The lapse occurred due to weak internal controls which resulted into a total overpayment of **Rs. 4,856,196/-** to the contractors.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, the Para was recommended for settlement subject to production of MRS 2022 rates and production of final payment

showing deletion of culverts. However, no progress was intimated to this office till finalization of this report.

Audit recommends recovery of the amount.

4.2.17 Irregular payment on account of mobilization advance to the line departments – Rs. 61.687 million

According to Clause N (b) at Page No. 14-15 of the original MOU for COVID-19 Early Recovery Strategy (short and mid-term) signed with Directorate General Agriculture Extension in May 2020, 20% of the total cost of the activities mentioned in the MOU will be paid on submission of the work plan after signing of the MOU. Read with Para 228 of CPWA Code and Finance Department Order No.SO(Dev-II) 12-15/2003-04/FD dated 28.06.2004, mobilization advances shall not be granted as a matter of right. It shall be granted when absolutely necessary in public interest. The sanctioning authority for mobilization advance shall be the Administrative Secretary. The extent of mobilization advance should be determined by the Administrative Secretary keeping in view the requirements of the project and sites. It should not be more than 2% of the project cost or Rs.3.000 million whichever is less.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management entered into MOUs for COVID-19 Early Recovery Strategy with the line departments for a total cost of Rs. 318,149,000/-, out of which an amount of Rs. 61,687,000/- was paid as 20% mobilization advance, as detailed below;

Office Name	Particulars	MOU Amount	20% Advance
Agriculture Extension	COVID-19 Early Recovery Strategy	164,254,000	31,512,000
Livestock Department	COVID-19 Early Recovery Strategy	153,895,000	30,175,000
Total		318,149,000	61,687,000

Further scrutiny of record revealed that the 20% advance was said to have been paid to the line departments on account of submission of work plans. However, no such work plans were found available on record.

The lapse occurred due to weak internal controls which resulted in irregular payment.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that details of the work plan approved by the competent authority may be provided to Audit. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault.

4.2.18 Unauthorized payment on account of TA and POL - Rs. 5.573 million

According to Bullet Point No. 4 at Page No. 11 of the MOU signed with the On-Farm Water Management DI Khan, the staff salary / DSA / POL etc. will be requested for each month owing in consideration the 20% advance release amount and successful completion of the MOU activities and satisfactory utilization of the MOU budget.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that an amount of Rs. 5,573,000/- was expended under the head POL and TA by the staff of the On-Farm Water Management during the MOU effective period (Rs. 2,821,000 POL + 2,752,000 TA) as evident from the Final Report of Evaluation of Balance Civil Work carried out on 26.08.2022.

Further scrutiny of record revealed that the line department failed to commence and complete the work on the roads and watercourses packages and resultantly it was decided that the MOU signed may be rescinded on account of certain unavoidable ground realities and factors as evident from the backdrop of the constitution of the civil works evaluation committee at Page No. 3 of the Final Report of Evaluation of Balance Civil Work carried out on 26.08.2022. However, the project management failed to restrict the payments to the staff of the line department on account of TA and POL up to the level of actual work done.

The lapse occurred due to weak internal controls which resulted in unauthorized payment.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that inquiry may be conducted by the department besides recovery of the amount. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides making recovery of the amount.

4.2.19 Non-deposit of government dues into the relevant heads of accounts – Rs. 4.592 million

According to Clause 2 (J) (3) (c) at Page No. 12 of the revised MOU for Productivity Enhancement of Livestock signed with Livestock and Dairy Development (Extension) Department in June 2019, income tax and other compulsory levies as required under the rules

shall be deducted by the line department and be deposited into the government exchequer under the relevant heads of accounts.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that an amount of Rs. 13,442,511/- (Rs. 7,967,315 COVID MOU + 5,475,196 Intact MOU) was deducted from different suppliers as government dues. However, further scrutiny of record revealed that the line department could only deposit the income tax amount of Rs. 8,850,455/- into the government treasury, leaving a balance of Rs. 4,592,056/- as non-deposited.

The lapse occurred due to violation of rules and regulations which resulted in non-deposit of the government dues into the relevant heads of accounts.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that as the non-deposit of government dues was admitted, the same may be deposited into the government treasury within 30 days. However, no progress was intimated to this office till finalization of this report.

Audit recommends early deposit of the government dues in the relevant heads of accounts.

4.3 Procurement and Contract Management

4.3.1 Irregular extension of design & supervision consultancy agreement due to adding the additional amount - Rs. 122.334 million

According to the Decision of Provincial Cabinet Meeting held on 09.08.2019 under the Agenda Item No. 01, the approval of extension in the contract period of consultancy services of M/S NESPAK Pvt. Ltd. was granted with **cost enhancement** to be paid / charged out of the donor share, keeping in view the circumstances explained by the Secretary Agriculture. Read with Agenda Item No. 05 of the minutes of the 9th Project Steering Committee meeting held on 27.01.2020 under the chairmanship of ACS P&D Department KP, the forum approved the Addendum-II of M/S NESPAK Pvt. Ltd. with the revised cost of Rs. 156,654,413/- and period from 27.08.2018 to 26.08.2021 and directed that the same should be carried out **as per KPPRA rules and regulations only**. Further read with Section 33 (2) (b) of the KPPRA Act 2012, a procuring entity can issue repeat order to the same bidder not exceeding 15% of the original procurement.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management, in contrary to the above decisions, executed a revised contract agreement with M/S NESPAK Pvt. Ltd. in February 2020, with a total cost

of Rs. 278,988,853/-, instead of the approved revised cost of Rs. 156,654,413/-, which resulted into irregular extension by an amount of **Rs. 122,334,440/-** (Rs. 278,988,853 - 156,654,413).

Particulars	Period	Duration	Contract Amount	Amount paid	Remarks
Original contract	26.08.16 to 25.08.17	01 year	84,018,040	37,186,384	Rs. 46,831,655 remaining in balance
Addendum-I	26.08.17 to 25.08.18	01 year	38,316,400	0	Amount claimed but not paid
Addendum-II	26.08.18 to 25.08.21	03 years	156,654,413	138,696,961	Rs. 17,957,452 remaining in balance
Addendum-III	26.08.21 to 30.06.22	10 months	0	22,000,000	Neutral cost extension.
Total		05 years & 10 months	278,988,853	197,883,345	Rs. 42,789,108 remaining total balance

Audit further observed that;

- The design and supervision consultancy contract was extended by the project steering committee with the **revised cost** of Rs. 156,654,413/- instead of **additional cost** and thus the total of the consultancy payments should have been restricted to Rs. 156,654,413/- instead of allowing payments up to Rs. 278,988,853/-.
- In case the amount of Rs. 156,654,413/- is added to the original consultancy cost of Rs. 84,018,040/-, the percentage increase in the consultancy cost becomes 232.05% (Rs. 278,988,853 - 84,018,040 = 194,970,813 / 84,018,040 X 100) meaning thereby that the extension cost becomes more than the original cost which is against the ordinary prudence.
- The provincial cabinet approved the extension of the consultancy agreement without obtaining any justification and grounds from the procuring entity regarding incompatibility and technical difficulties in operation and maintenance in case of not issuing repeat orders to the existing / original consultant, as required under Section 14 of the KPPRA Act 2012.
- The original consultancy contract and Addendum-I to the contract were awarded on deliverable basis. Whereas, the Addendum-II to the consultancy contract was given on men-month basis.

The lapse occurred due to violation of rules and regulations which resulted in irregular extension of consultancy contract.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that the payments to the consultant may be restricted to the second revised amount of Rs. 156,654,413/- besides conducting a detailed inquiry as to why the consultancy contract was not awarded on percentage basis initially; the contract not readvertised instead of second revision; and occurrence of an increase of 232% in the original contract amount. However, no progress was intimated to this office till finalization of this report.

Audit recommends investigating the matter for fixing of responsibility against the person(s) at fault.

4.3.2 Suspected loss to the government due to time-&-cost extension of design & supervision consultancy services at the cost of the provincial government – Rs. 38.316 million

According to Clause 2 and 3 of the terms and conditions of the original design & supervision consultancy contract executed with M/S NESPAK on 26.08.2016, the consultant shall perform the Services for a period of 12 months, effective from the date aforementioned. For the Services rendered, the procuring entity shall pay the consultant an amount not to exceed Rs. 84,018,040/-.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management executed design & supervision consultancy contract agreement with M/S NESPAK Pvt. Ltd. in August 2016 at the cost of Rs. 84,018,040 /- for a period of 12 months. During the original contract period, an amount of Rs. 37,186,384/- was paid to the consultancy firm from the donor funds, leaving a balance of Rs. 46,831,655/- as unutilized.

Further scrutiny of record revealed that the project activities could not be completed within the stipulated period of time, therefore, the project management granted time-&-cost extension amounting to Rs. 38,316,400/- instead of granting time extension only **against the donor unutilized funds**.

Moreover, the additional cost of Rs. 38,316,400/- was not yet paid to the consultant till date of audit i.e. April 2023 and the same was reflected in the Agenda Item No. 06 of the 19th meeting of PDWP held on 22.04.2022, wherein the said amount was shown to be borne by the provincial government in the breakup of cost table given in the minutes.

Audit held that the non-completion of the activities on time resulted in granting the time-&-cost extension to the consultancy firm from the provincial kitty as against adjusting the same from the provision available for the consultancy charges in the donor funds.

The lapse occurred due to weak internal controls which resulted in loss to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that approval of the PSC for changing the scope of work from deliverables to men-month basis and non-

payment of Rs. 38.316 million from the provincial government may be provided to Audit. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault.

4.3.3 Irregular awarding of social mobilization and capacity building consultancy contract - Rs. 239.401 million

According to Agriculture Department KP Notification No. CPO(AD)WM-52/2016/KC dated 02-06-2016, a committee was constituted for the procurement of works and services for the GZD-CADP, with Project Director as its chairman, having members from PMU GZD-CADP, Irrigation Department, C&W Department, DG-OFWM, USAID, PIU GZD-CADP, and any other co-opted member.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management entered into a consultancy agreement with M/S Taleem Foundation for an amount of Rs. 239,401,900/- for social mobilization and capacity building of the farmers. However, further scrutiny of record revealed that in violation of the committee afore-mentioned, a project sub-committee was notified vide office order dated 20.09.2017 for opening, evaluating and shortlisting of the consultants, which makes the awarding of consultancy contract as irregular.

Audit further observed that;

- The project management awarded 08 marks to M/S NESPAK out of 40 on specific experience in the field (and rejected the firm), despite the fact that the said firm had undertaken many relevant projects (copies of some of the projects undertaken attached).
- The approval of allocating 60% marks to the technical parameter “firms’ experiences” by the project sub-committee was not available on record.
- The comparative statement of the selected firm only, showing marking on the basis of “firm’s general” and “specific experience”, could not be found available on record.
- The details of the selected consultant like registration with FBR, KPRA, KPPRA and PEC etc. could not be found from its profile available on record.
- As per the information available on the website of the firm, the selected consultant was found established as a non-profit community support organization to promote education in Balochistan, with no expertise in consultancy services in the field of Agriculture.
- The logos of the firm on the financial proposal did not match with each other.

The stance of Audit was further strengthened from the Secretary Agriculture Department letter dated 11.05.2016 wherein it was stated that the project director failed to follow the channel and ensure approval of the competent forum for consultant selection

thereby making the whole process as irregular. The TORs and evaluation criteria for shortlisting of the firms have not been approved even by the project director which not only resulted in irregular selection but speaks volume of inefficiency and ignorance of law as well.

The lapse occurred due to weak internal controls which resulted in irregular awarding of consultancy contract.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that the department may conduct a detailed inquiry comprising the Provincial PMU established for National Agriculture Emergency Program. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault.

4.3.4 Unauthorized revision of contracts over-&-above the technical sanction limit - Rs. 46.696 million

According to Note 2 of Para 71 of the CPWD Code, read with Para 5.19 of the B&R Code, no officer of the Public Works Department is entitled to pass any excess over a revised estimate sanctioned by a higher authority than himself. Further read with Para 65 & 69 of the CPWA Code, when the expenditure upon the works exceeds the amount administratively approved by more than 10%, a revised administrative approval must be obtained from the authority competent to approve the cost as so enhanced. A revised estimates must be prepared when the sanctioned estimate is likely to exceed by more than 5% of the sanctioned estimate.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management awarded contracts for construction of different packages of watercourses and roads to different contractors. However, further scrutiny of record revealed that the contracts were revised by the project management over-&-above the 5% limit admissible on the technical sanction which resulted in unauthorized revision of contract prices by an amount of Rs. 46,696,778/-, as detailed in **Annexure-VI**.

The lapse occurred due to violation of rules and regulations which resulted in unauthorized revision of contract agreements.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that the letter / notification regarding the admissibility of 15% variation may be provided to Audit. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault.

4.3.5 Loss to the government due to non-awarding of balance works at the risk-&-cost of the defaulter contractors - Rs. 2.853 million

According to Clause 9.1 and 12.1 of the contract agreement executed with M/S Hizbullah Khan Gandapur in August 2017, failure to remedy the defects in works or complete the outstanding work within a reasonable time shall entitle the procuring entity to carry out all the necessary works at the contractor's cost. If the contractor fails to remedy the default within 14 days after receipt of the procuring entity's notice, he shall demobilize from the site leaving behind the equipment to be used for the completion of the works at the risk-&-cost of the original contractor.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management executed contract agreements for construction of different packages of watercourses and roads to different contractors. However, further scrutiny of record revealed that the contractors failed to complete the works within the stipulated (and even in the multiple extended) period of time. Accordingly, the balance works of 02 packages of watercourses and roads each were awarded to the On-Farm Water Management Tank in August 2020 at 8% above the original contract cost under MOU-6 which resulted in loss of **Rs. 2,853,156/-** to the government, as detailed below;

Pkg. No.	Contractor Name	Works	Original Contract Price	Balance Work	New MOU Price	Difference
10	Hizbullah Khan & Sons	23 No WCs	46,267,755	26,051,630	28,135,760	2,084,130
12	Hizbullah Khan & Sons	13 No WCs	48,483,298	21,171,483	21,940,509	769,026
Total						2,853,156

Audit held that the balance works should have been awarded to the new contractors / entities at the risk-&-cost of the defaulter contractor as mentioned in the contract agreements.

The lapse occurred due to violation of rules and regulations which resulted in loss to the government.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that recovery may be made from the concerned contractors. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides recovering the amount of loss.

4.3.6 Non-renewal of bank guarantee against mobilization advance – Rs. 6.132 million

According to Para 228 of CPWA Code and Finance Department Order No.SO(Dev-II) 12-15/2003-04/FD dated 28.06.2004, mobilization advances shall not be granted as a matter of right. It shall be granted when absolutely necessary in public interest. The sanctioning authority for mobilization advance shall be the Administrative Secretary. The extent of mobilization advance should be determined by the Administrative Secretary keeping in view the requirements of the project and sites. It should not be more than 2% of the project cost or Rs.3.000 million whichever is less. Read with the Accounts Officer GZD-CADP email dated 08.06.2021 addressed to the Project Director, the Bank Guarantee for Mobilization Advance is expired in September 2021 which has not been renewed till date. Now the Kaizen has asked for renewing the bank guarantee or recovering the entire amount of outstanding advance against Package-XXII amounting to Rs. 4.900 million.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the Project Management entered into contract agreement for Construction of Gara Guldad to Kot Zafar Bala Dasti Road including Allied Structure with M/S Haji Aurangzeb Khan Gandapur & Sons in August 2020 for a total cost of Rs. 30,662,460/- and accordingly the contractor was paid mobilization advance amounting to Rs. 6,132,496/- against which the Bank Guarantee No. UIC/D/P003/0000100309/0920//200-0 was submitted by the contractor with the expiry date of 03.09.2021. However, the contractor failed to renew the bank guarantee as evident from the Accounts Officer GZD-CADP email referred to above.

Audit held that either the bank guarantee should have been renewed or recovery of the total outstanding mobilization advance amounting to Rs. 4.900 million should have been recovered from the contractor.

The lapse occurred due to weak internal controls which resulted in non-renewal of bank guarantee.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, the Para was recommended for settlement subject to renewal of the bank guarantee or recovery / adjustment of the

advance from his running bills. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides renewal of bank guarantee or recovery of the outstanding mobilization advance.

4.3.7 Suspected misappropriation on account of purchase of agriculture inputs – Rs. 73.636 million

According to Clause 8 at Page No. 11 of the MOU for Productivity Enhancement of Agriculture executed with Agriculture Extension Department in June 2019, the procurement of goods shall be made as per KPPRA / Agriculture Farm Services Center rules or as prescribed by the government from time to time.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that an amount of Rs. 73,636,311/- was paid to Model Farm Services Center DI Khan and Tank on account of purchase of different agriculture inputs under COVID-19 and Intact MOUs with Agriculture Extension Department DI Khan and Tank, as detailed in **Annexure-VII**.

Further scrutiny of record revealed that;

- The payments were made on blank bills of Model Farm Services Center DI Khan, Model Farm Sub-Services Center Kulachi DI Khan and Model Farm Services Center Tank which were neither signed by the officials / officers of the Centers nor serial numbered. Instead, the bills were verified by the Focal Persons of the Agriculture Extension Department in the concerned districts.
- The focal persons who verified the bills of the centers were employees of the agriculture extension department and were playing the roles of facilitators of the relevant farm services centers as well, which was a clear conflict of interest. Furthermore, in case of District Tank, the focal person worked as the District Director Agriculture Extension Tank as well and signed the covering letter vide which the bills of the centers were submitted.
- Most of the payments were made on the bills of the Model Farm Sub-Services Center Kulachi DI Khan which did not even exist and bills in the name of the center were generated, submitted and verified by the focal person of the Agriculture Extension Department DI Khan working as a facilitator of the non-existing sub-services center as well.
- The line departments submitted their claims on the bills of the Model Farm Services Centers whereas the payments were made out of the bank account of the District Director Agriculture Extension Department DI Khan and Tank in cash as evident from the bank statements which adds to the Audit contention about the suspected misappropriation.

- The handwriting on the bills of the model farm services centers and the stock registers maintained by the agriculture extension department and farm sub-services center were similar as well.
- The rates of agriculture inputs claimed by the farm services centers were not supported by any documentary evidence as to whether the same were directly purchased from the manufacturers or from suppliers by adopting open tendering system or otherwise.
- Upon physical inspection of the agriculture machinery handed over to the Model Farm Services Center DI Khan, along with the Accounts Section of the PIU GZD-CADP and the Facilitator MFSC DI Khan on 13.04.2023, it was observed that only two activities were carried out through the center i.e. tool kits and the initial maize inputs under the intact MOU only, as evident from the cash book maintained by the center.
- The maize inputs were shown issued to the Model Farm Sub-Services Center DI Khan as evident from the Page No. 19-23 of the stock register maintained by the Agriculture Extension Department DI Khan. However, the same were not issued to the beneficiaries by the center as evident from their stock register Page No. 30-31.
- The stock register of the Model Farm Services Centers, delivery challans, supply orders issued by the line departments, the suppliers' bills and the bank statements of the line department and the services center were not provided to Audit for necessary audit scrutiny.

The lapse occurred due to weak internal controls which resulted in suspected misappropriation.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that a detailed inquiry may be conducted and responsibility be fixed against the person(s) at fault. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides recovery of the amount.

4.3.8 Irregular payment to the contractor due to irregular awarding of contract for purchase of agriculture machinery – Rs. 61.270 million

According to Clause 30 (a) (3) (b) (i) of the Tender Inquiry, a total of 20 marks were allocated to the technical parameter “projects of similar nature / agriculture related machinery and equipment in last five years” with 05 marks each for similar nature project.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that the contract for the purchase of agriculture machinery and equipment was awarded to M/S Aziz Enterprises and an amount of Rs. 61,270,086/- was paid accordingly, as detailed in **Annexure-VIII**.

The selected bidder was awarded a total of 88/100 technical marks and his bid declared as the only responsive bid. Whereas M/S Marwat & Yousafzai was awarded a total of 73/100 technical marks and his bid declared as non-responsive. However, further scrutiny of record revealed that the rejected bidder was awarded 10/20 marks in the technical parameter “projects of similar nature / agriculture related machinery and equipment in last five years” at the time when they had submitted a total of 10 supply orders of similar nature projects executed within the last five years.

Moreover, the selected bidder failed to submit the detailed specifications of the seed processing unit and project management did not bother to ask for the same, as against the rejected bidder i.e. M/S Marwat Yousafzai which submitted detailed specifications of the quoted machinery.

Audit held that the rejected bidder was required to have been allotted full 20/20 marks in the aforementioned technical parameter which would have resulted in securing a total of 83/100 technical marks by the rejected bidder and their bid would have been declared responsive.

The lapse occurred due to violation of the technical evaluation criteria finalized by the procurement committee which resulted in irregular awarding of contract.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, the Para was recommended for settlement subject to production of the Purchase Committee analysis regarding awarding of technical marks to the bidder along with other record. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault.

4.3.9 Non-recovery on account of mobilization advance – Rs. 6.512 million

According to Clause 11.1 (1) of the contract data of the contract agreement executed with the contractors (for instance with M/S Haji Pasham Khan), 20% advance mobilization of the total contract price will be paid to the contractor and the same will be adjusted from the contractor payment invoices.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that an amount of Rs. 14,215,993/- was paid to 04 different contractors as mobilization advance under Package-X, XII, XVI and XVII. The contractors failed to complete the works within the multiple extended period of time and consequently the project management was compelled to cancel their contracts. However, the project management failed to recover the outstanding mobilization advance amounting to Rs. 6,512,433/- from the contractors.

The lapse occurred due to weak internal controls which resulted in non-recovery of the mobilization advance.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that recovery of the mobilization advance made by the project management from the contractor may be verified from Audit within 30 days. However, no progress was intimated to this office till finalization of this report.

Audit recommends recovery of the mobilization advance at the earliest.

4.3.10 Irregular expenditure on account of purchase of imported semen – Rs. 4.000 million

Non-deduction of general sales tax – Rs. 0.680 million

According to Clause 18 of the General Conditions of Contracts executed with the suppliers, the firms / importers shall submit authorized dealership certificate from the manufacturer where required.

According to Clause 3 (1) (a) of the Sales Tax Act 1990, there shall be charged, levied and paid a tax known as sales tax at the rate of seventeen percent of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him. There is no exemption of GST on sexed semen in the Finance Acts 2020, 2021 and 2022.

During special audit of the Gomal Zam Dam – Command Area Development Project, it was observed that an amount of Rs. 4,000,000/- was paid to M/S Agri Stock Solution on account of purchase of imported semen, as detailed below;

Items	Supplier	Cheque No.	Date	Qty.	Rate	Amount
Frisian	Agri Stock Solution	91369225	25.06.20	1500	2000	3,000,000
Jersey	Agri Stock Solution	91369225	25.06.20	500	2000	1,000,000
Total						4,000,000

However, further scrutiny of record revealed that there were no import documents like goods declaration, airway bills and bill of entries etc. attached with the bills.

Moreover, the line department failed to deduct the sales tax at the prescribed rate amounting to Rs. 680,000/- (Rs. 4,000,000 X 17%) from the payments made to the supplier as well.

The lapse occurred due to violation of rules and regulations which resulted in irregular expenditure.

When pointed out in April 2023, the management stated that detailed reply will be furnished after consulting of the relevant record.

In the DAC meeting held on 10th and 11th January 2024, it was decided that a certificate from the Livestock Research wing regarding non-availability of semen may be provided to Audit. However, no progress was intimated to this office till finalization of this report.

Audit recommends inquiring the matter for fixing of responsibility against the person(s) at fault besides recovery of the tax amount.

4.4 Overall Assessment

i. Relevance

The initiation of the project was relevant to the development of the area and its people as there was a need for a system based on high value & high efficiency agriculture given the scarcity of water in the area. The project was initiated to contribute to the economic growth and poverty alleviation in the project command area as well as help achieving the sustainable developmental goals like “SDG-1: No Poverty; SDG-2: Zero Hunger; SDG-5: Gender Equality; SDG-12: Responsible Consumption & Production; and SDG-13: Climate Action”.

ii. Efficiency

There were gross issues of managing the administrative and financial affairs of the project since inception till date. The project was originally planned to be completed within the period of 36 months i.e. up to June 2017, followed by multiple extensions and finally up to June 2024. However, the pace of the project activities indicates that the same may not be completed within the extended period of time, as evident from the fact that only 160 watercourses (the main physical intervention) were completed out of a total of 460 in the period of 08 years.

iii. Economy

The project management failed to undertake the project activities and achieve the project objectives within the approved budgets, as evident from the fact that the contract agreements of the consultancy services were revised / extended multiple times by increasing the corresponding costs manifold.

vi. Effectiveness

The project management and the administrative department failed to complete the planned project activities like construction of watercourses; water ponds; high efficiency irrigation system like drip, sprinkler and furrow irrigation; and earthen shingle roads etc. with the grant amounts provided by the donor agency. Furthermore, the ineffectiveness of the project management and activities can be judged from the fact that the precision land Leveling which was a pre-requisite for the high efficiency irrigation system in the water-scarce command area was excluded and the corresponding amount of grant money redirected by the donor agency.

vi. Compliance with rules

There were issues of non-compliance with rules and regulations as evident from the fact that the procurement of works and services were carried out through a sub-committee constituted by the project management in violation of the committee approved by the administrative department. Furthermore, the process of procurement of the social mobilization and capacity building consultancy services were initiated on the basis of the TORs which were neither approved by the administrative department nor by the project management.

vii. Performance Rating of Program

The performance rating of the project was unsatisfactory.

viii. Risk Rating of Program

The risk rating of the program was medium as there were a number of supervisory layers involved in checking and verifying the physical activities and financial transactions.

5. CONCLUSION

The project management failed to execute the project activities as per the agreed and planned timelines and in accordance with the rules and regulations. There were issues in hiring the services of the consultancy firms. Similarly, the procurement of works was not carried out in accordance with the rules and regulations i.e. through e-bidding process under

the procurement committee notified by the administrative secretary of the project. The project management further failed to deduct and deposit the government dues into the government kitty as per rules.

The donor agency redirected its contribution and now only USD 12.870 million is available for the project out of initial commitment of USD 22.220 million i.e. a cut of USD 9.350 million. Out of USD 12.870 million, USD 4.145 million was available for utilization. The original PC-I cost of the project was USD 34.072 (Rs. 3373.230) million, with the USAID share of USD 22.222 (Rs. 2200.000) million; GoKP share of USD 7.181 (Rs. 710.950) million; and Farmers' share of USD 4.669 (Rs. 462.280) million. The total revised cost (Activity Agreement Amendment 2) of the project was USD 34.077 (Rs. 3373.623) million, with the USAID share of USD 12.870 (Rs. 1274.130) million; GoKP & Farmer share of USD 21.207 (Rs. 2099.493) million. In case of any variation in the foreign aid by the USAID, the project cost is to be accommodated by adjusting the KP Government's resources as per Activity Agreement Amendment No. 2, hence chances of further increase in financial burden on the provincial government in case of re-direction of the donor funds cannot be ruled out.

The project management awarded the civil works contracts in packages and the packages were composed of 05-10 watercourses and single contractors were awarded more than one packages, hence they could not complete the civil works within their stipulated periods of time. Moreover, there was a clause in the contract data of the contract agreement executed with the contractors that the contractors will start / execute the works on the watercourses in clusters i.e. the contractors will for instance, start work on the initial three watercourses, complete the said work, send the bills / invoices for the works, and only after that the work on the other watercourses could be started, which badly hampered the progress of the activities of the project.

There were issues in the soft component of the project activities as well. The Agriculture Extension Departments in District DI Khan and Tank purchased various agriculture inputs in complete disregard of the financial propriety and in violation of the KPPRA rules for transparent and open competitive bidding. The purchases were said to have been made from the model farm services centers, however in fact, these were not made from the centers, and there were issues in the authenticity of the transactions carried out. Similarly, the agriculture machinery was purchased for onward distribution amongst the farmers and the water user associations for their utilization, operation & maintenance and generation of revenues as well. However, the said machinery was purchased and handed over to the model farm services centers wherein the machinery was parked in open space and found in dilapidated conditions with wear and tear before their use by the farmers in the command area. Similarly, there were issues in the specifications of the machinery purchased by the line department as well.

The project was run by additional charge basis for a considerable period of time and frequent switch-overs of the staff was also noticed which badly affected the

completion of the project within the stipulated period of time. The administrative secretary also failed to paly active role in resolution of the issues being surfaced during the execution of the project on ground.

ACKNOWLEDGEMENT

We wish to express our appreciation to the management and staff of the project for the assistance and cooperation extended to the auditors during this assignment.

Annexure-I

4.1.1 Non-achievement of project objectives due to non-execution of main project components – Rs. 1239.700 million	
S. No.	Issue
1	The Project Management Committee in its 3 rd meeting held on 23 & 24-05-2018 directed that the said activity should be started immediately without further delay.
2	The Commissioner DI Khan Division in the follow up meeting held on 21-03-2019, noted that the revised rates of PLL have been approved by PSC.
3	The said activity was said to have been converted into a rough land Leveling in the 7 th PSC meeting held on 22.11.2018 vide its Agenda Item-III, which could not be carried out even by the project management.
4	The PLL was not only included in the PC-I of the project but remained intact after the feasibility study and master plan being prepared by M/S AAB Pvt. Ltd as well.
5	The PLL was included in Table 2 at Serial No. 5 in the Amendment 01 to the PIL-001 and 002 issued vide USAID letter dated 30-04-2020, for an amount of USD 3.470 million, as against the claim of the project that the said activity has been excluded as per USAID directions.
6	The main project component (Component No. 1) i.e. command area development could not be achieved which badly affected achievement of the other objectives, as they mainly depended upon it, as evident from Clause 5.3.2 at Page No. 7 of the approved PC-I of the project, wherein it was stated that the value-added agriculture & livestock, and the marketing components can be undertaken once the command area is developed fully.
7	The PLL was required as the land is eroded and undulated. The beneficiaries showed their concern for Leveling of land and demanded for laser Leveling. Modern irrigation systems like drip, furrow or sprinkler were feasible to adopt in the area for crops and vegetables, as evident from Para 04 of Clause 5.22 (a) at Page No. 44 of the Feasibility & Baseline Report prepared by AAB Pvt. Ltd.
8	The rough land Leveling was already being undertaken by the farmers at their own in most of the command area in anticipation of the project interventions as well as to utilize the water in the system. As PLL is done after rough land Leveling, provision for about 163,000 acres will provide additional opportunity to the farmers of the command area to get the remaining fields Leveled quickly, as evident from Para 04 of Clause 6.8 at Page No. 57 of the feasibility report.
9	The command area development activities (construction & lining of watercourses, PLL and HEIS) were highly needed and found feasible in all the distributaries and would certainly result in command area development and improving living conditions of masses, as evident from Clause 5.1 at Page No.38 of the feasibility report.
10	The Leveling was highly desirable by the farmers, followed by provision of farm machinery & tools such as tractors, ploughs, seed drills, sprayers, harvesters and threshers etc., along with provision of financial support in the form of interest free loans in the beginning of the season, as evident from Clause 5.21 at Page No. 43 of

	the feasibility report.
11	Due to insufficient water to irrigate the command area, the irrigation system has been designed on the concept of water deficit irrigation to benefit maximum area/users. However, in order to enhance the productivity and judicious use of available water, high efficiency irrigation systems i.e. furrow irrigation on laser Leveled fields or drip irrigation options have been made in the current project, as evident from Para No. 03 of Clause 6.3 at Page No. 16 of the approved PC-I of the project.
12	The situation in the area is rather complex because the command area needs reclamation, formation and Leveling and it is not possible for the farmers to design the command area for higher productivity without support of the project. The IRR for the construction of the dam cannot be accomplished until and unless command area is precisely developed and made functional, as evident from Para No. 04 of Clause 6.3 at Page No. 16 of the approved PC-I of the project.
13	The project (which was required to have been completed in one year i.e. the original project period) was progressing at a very slow rate, as most of the activities and deliverables were achieved less than 50%, and some of the activities were not even started till date of Audit, as evident from the monitoring report.

Annexure-II

4.1.4 Unauthorized issuance of agriculture machinery – Rs. 55.663 million				
Invoice No.	Cheque No.	Date	Particulars	Amount (Rs.)
8	93321194	12.02.21	500 Agriculture Machinery and Tools in DI Khan	17,756,102
9	93321195	12.02.21	402 Agriculture Machinery and Tools in Tank	13,061,060
11	93321223	15.06.21	Other Agriculture Machinery	8,334,360
12	93321224	15.06.21	Other Agriculture Machinery	9,994,530
16	34304838	03.12.21	04 Kharif Double Drill and 03 Maize Planters	3,530,530
17	34304839	03.12.21	05 Kharif Double Drill and 04 Maize Planters	2,987,214
Total				55,663,796

Annexure-III

4.1.6 Irregular and Unauthorized distribution of livestock items – Rs. 116.746 million						
Items	Supplier	Cheque No.	Date	Qty.	Rate	Amount
Damani sheep (Rams + Ewe)	Farm Solutions	91369228	25.06.20	110	81000	8,910,000
Damani goats (Bucks + Doe)	Farm Solutions	91369228	25.06.20	110	81000	8,910,000
Damani sheep (Rams + Ewe)	Farm Solutions	91369241	09.10.20	87	81000	7,047,000
Damani goats (Bucks + Doe)	Farm Solutions	91369241	09.10.20	87	81000	7,047,000
Poultry Birds RIR Cross 10 Birds Package (8 Pullets and 02 Cockere)	Sarhad Traders	9373333	28.12.20	19650	649	12,752,850
Poultry feeds	Sarhad Traders	9373334	28.12.20	1965	3530	6,936,450
Poultry feeders (Manual)	Sarhad Traders	9373332	28.12.20	1965	123.5	242,678
Poultry drinkers (Manual)	Sarhad Traders	9373332	28.12.20	1965	130	255,450
Poultry feeds	Sarhad Traders	9373334	28.12.20	1965	3530	6,936,450
Vanda	Hanifullah & Brothers	216760284	02.07.21	6300	1920	12,096,000
Vanda	Hanifullah & Brothers	216760300	24.09.21	3300	1920	6,336,000
White gold powder	Lead pharma	216768301	24.09.21	3200	864	2,764,800
Frisian	Agri Stock Solution	91369225	25.06.20	1500	2000	3,000,000
Jersey	Agri Stock Solution	91369225	25.06.20	500	2000	1,000,000
Damani Bucks	Farm Solutions	91369224	25.06.20	50	40500	2,025,000
Damani Ram	Farm Solutions	91369224	25.06.20	30	40500	1,215,000
Poultry feeds	Sarhad Traders	91369248	09.10.20	2500	3530	8,825,000
Poultry feeders (Manual)	Sarhad Traders	91369249	09.10.20	2500	123.5	308,750
Poultry drinkers (Manual)	Sarhad Traders	91369249	09.10.20	2500	130	325,000
Poultry Birds RIR Cross 10 Birds Package (8 Pullets and 02 Cocker)	Sarhad Traders	209373335	28.12.20	25000	649	16,225,000
True specimen of the breed true to type of Holstein prison breed	Agri Stock Solution	216760305	18.10.21	6	299000	1,794,000
True specimen of the breed true to type of Holstein prison breed	Agri Stock Solution	216760305	18.10.21	6	299000	1,794,000
Total						116,746,428

Annexure-IV

4.2.6 Unjustified expenditure on account of social mobilization and capacity building consultancy charges - Rs. 135.732 million	
S. No.	Issue
1	The activities which were required to have been carried out by the consultant were actually carried out by the staff of the project and the line departments, as evident from the Project Director GZD-CADP letter dated 23.12.2021.
2	Before and after disengagement of the firm, the project team had to carry out extensive social services and the distribution and selection of agriculture and livestock items were made by the project team, as evident from the Project Director GZD-CADP letter dated 23.12.2021.
3	The project will be implemented by PIU which will be established in D.I. Khan and will enter into agreements with the line departments for contracting the specific assignments related to knowledge, technical backstopping, training and demonstrations, as evident from the strategy for project implementation of Clause 13.1 at Page No. 44 of the approved PC-I of the project.
4	The physical and biological interventions will be implemented by the private sector which will also be responsible to provide the operation and maintenance services for a period of 02 years after completion of the interventions, and during this period they will be responsible to train the members of the farmer organizations and water user associations, as evident from the strategy for project implementation of Clause 13.1 at Page No. 45 of the approved PC-I of the project.
5	Regular staff of the on-farm water management existed in both District D.I. Khan and Tank. In addition, the said office has an established training facility to build the capacity of professional / sub-professionals as well as the farmers (water users), as evident from Clause 6.2.1 at Page No. 13 of the approved PC-I of the project.
6	The trained team of engineers and scientists have now been absorbed in the regular side of PARC sponsored Arid Zone Research Institute D.I. Khan which can be considered as available resource in command area of the project, as evident from Clause 6.2.4 at Page No. 14 of the approved PC-I of the project.

Annexure-V

4.2.8 Unauthorized payment of mobilization advance and non-recovery of the machinery & equipment – Rs. 109.158 million					
Package No.	Contractor Name	Works	Contract Date	Contract Amount	20% Advance Payment
15	Haji Pasham Khan & Co	17 No WCs	10.08.2020	44,852,380	8,970,476
18	Haji Pasham Khan & Co	14 No WCs	10.08.2020	44,993,741	8,998,748
26	Haji Pasham Khan & Co	07 No WCs	10.08.2020	44,988,522	8,997,704
30	Haji Pasham Khan & Co	11 No WCs	28.09.2020	44,304,089	8,860,818
31	Haji Pasham Khan & Co	10 No WCs	28.09.2020	27,528,107	5,505,621
32	Haji Pasham Khan & Co	17 No WCs	28.09.2020	30,818,431	6,163,686
21	Haji Pasham Khan & Co	Road work	01.09.2020	35,261,105	7,052,221
23	Haji Pasham Khan & Co	Road work	01.09.2020	33,644,410	6,728,882
Sub-Total-I				306,390,785	61,278,156
Sub-Total-II					47,880,000
					109,158,156

Annexure-VI

4.3.4 Unauthorized revision of contracts over-&-above the technical sanction limit - Rs. 46.696 million						
Pkg. No.	Contractor Name	Works	Contract Amount	Up to 5% over TS	Revised Amount	Excess amount
1	Stately Engineering & Co	15 No of WCs	43,405,462	45,575,735	46,112,128	536,393
2	Pir Azmat Shah & Sons	13 No WCs	40,182,532	42,191,659	46,626,518	4,434,859
3	Pir Azmat Shah & Sons	15 No WCs	40,493,842	42,518,534	46,752,608	4,234,074
4	Pir Azmat Shah & Sons	12 No WCs	39,776,082	41,764,886	49,733,130	7,968,244
5	Hizbullah Khan & Sons	14 No WCs	38,105,904	40,011,199	46,706,530	6,695,331
6	Hizbullah Khan & Sons	14 No WCs	39,227,447	41,188,819	46,678,969	5,490,150
7	Nasrullah Main Khel & Sons	15 No WCs	38,026,915	39,928,261	44,433,430	4,505,169
8	Hizbullah Khan & Sons	12 No WCs	39,615,613	41,596,394	44,068,722	2,472,328
9	Hizbullah Khan & Sons	20 No WCs	39,228,002	41,189,402	44,448,994	3,259,592
20	Haji Aurangzeb Khan	13 No WCs	44,183,272	46,392,436	48,209,421	1,816,985
25	Haji Aurangzeb Khan	09 No WCs	44,160,364	46,368,382	46,752,852	384,470
30	Haji Pasham Khan & Co	11 No WCs	44,304,089	46,519,293	49,487,796	2,968,503
16	OWFM Tank	Road work	26,233,671	27,545,355	29,476,035	1,930,680
Total						46,696,778

Annexure-VII

4.3.7 Suspected misappropriation on account of purchase of agriculture inputs – Rs. 73.636 million				
Invoice No.	Cheque No.	Date	Particulars	Amount
2	93321142	22.09.20	Maize input (seed, fertilizer and pesticides) distribution in DI Khan	1,022,600
3	93321155	29.09.20	Maize input (seed, fertilizer and pesticides) distribution in Tank	834,035
6	93321186	23.12.20	Wheat inputs in DI Khan	2,185,400
7	93321187	23.12.20	Wheat inputs in Tank	1,749,600
10	93321223	15.06.21	Rhode Grass/ Surghum and Mung Bean Inputs in Tank	1,235,680
13	93321224	15.06.21	Rhode Grass/ Surghum and Mung Bean Inputs in DI Khan	1,343,520
14	34304827	12.10.21	Maize input distribution in DI Khan	11,573,912
15	34304828	12.10.21	Maize input distribution in Tank	9,393,656
19	34304856	17.03.22	Wheat Demo Plots in DI Khan	9,363,200
20	34304857	17.03.22	Wheat Demo Plots in Tank	7,638,400
23	34304874	12.05.22	Purchase and distribution of inputs (urea and fertilizers) in DI Khan	430,464
1-to-14	-	-	Payment for the purchase of different agriculture inputs for demo plots in DI Khan and Tank (Intact MOU)	26,865,844
Total				73,636,311

Annexure-VIII

4.3.8 Irregular payment to the contractor due to irregular awarding of contract for purchase of agriculture machinery – Rs. 61.270 million				
Invoice No.	Cheque No.	Date	Particulars	Amount
8	93321194	12.02.21	500 Agriculture Machinery and Tools in DI Khan	17,756,102
9	93321195	12.02.21	402 Agriculture Machinery and Tools in Tank	13,061,060
11	93321223	15.06.21	Other Agriculture Machinery	8,334,360
12	93321224	15.06.21	Other Agriculture Machinery	9,994,530
16	34304838	03.12.21	04 Kharif Double Drill and 03 Maize Planters	3,530,530
17	34304839	03.12.21	05 Kharif Double Drill and 04 Maize Planters	2,987,214
18	34304842	04.01.22	Seed Processing Unit in DI Khan	5,606,290
Total				61,270,086