



**AUDIT REPORT
ON
THE ACCOUNTS OF
CDA, CAA, NHA, PAK. PWD,
ESTATE OFFICE, FGEHF, NCL, PHAF,
ETPB, FRONTIER CORPS,
PAKISTAN COAST GUARDS,
PAKISTAN RANGERS,
HEC, WWF/BOARDS, BE&OE AND
PM&DC**

**GOVERNMENT OF PAKISTAN
AUDIT YEAR 2014-15**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADA	Airport Development Agency
ADB	Asian Development Bank
ADP	Annual Development Programme
ADPi	Aeroports deParis Ingenierie
AGPR	Accountant General Pakistan Revenues
ANO	Air Navigation Order
ASF	Airport Security Force
ATM	Air Traffic Management
BE&OE	Bureau of Emigration and Overseas Employment
BOI	Board of Inquiry
BOQ	Bill of Quantities
CAA	Civil Aviation Authority
CCD	Central Civil Division
CCTV	Closed Circuit Television
CDA	Capital Development Authority
CDWP	Central Development Working Party
Cft	Cubic Foot
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
CoC	Condition of Contract
CSR	Composite Schedule of Rates
cu.m	Cubic Meter
CZ	Central Zone
DAC	Departmental Accounts Committee
DBA	Directorate of Budget and Accounts
DCO	District Coordination Officer
DDO	Drawing and Disbursing Officer
DDWP	Departmental Development Working Party
D.G.	Director General
DMA	Directorate of Municipal Administration
DP	Draft Para
DRE	Dispute Review Expert
E&M	Electrical and Mechanical
ECNEC	Executive Committee of the National Economic Council
EIAR	Environmental Impact Assessment Report

EO	Estate Office
EPA	Environmental Protection Agency
ETPB	Evacuee Trust Property Board
ETTM	Electronic Traffic Toll Management
FAP	Foreign Aided Project
FBR	Federal Board of Revenue
FC	Frontier Corps
FERP	Flood Emergency Reconstruction Project
FGE	Federal Government Employees
FGEHF	Federal Government Employees Housing Foundation
FIA	Federal Investigation Agency
FIDIC	Federation Internationale Des Ingenieurs-Conseils (International Federation of Consulting Engineers)
FWO	Frontier Works Organization
FY	Financial Year
GB	Governing Body
GFR	General Financial Rules
GI	Galvanized Iron
GPF	General Provident Fund
GWL	General Waiting List
HVAC	Heating, Ventilating and Air-conditioning
HEC	Higher Education Commission
HIT	Heavy Industries Taxila
HQ	Headquarters
HSD	High Speed Diesel
IIAP	Islamabad International Airport Project
IB	Instructions to Bidders
ICB	International Competitive Bidding
ICT	Islamabad Capital Territory
IGFC	Inspector General Frontier Corps
IPC	Interim Payment Certificate
JIAP	Jinnah International Airport
JV	Joint Venture
KIBOR	Karachi Interbank Offered Rate
KKH	Karakoram Highway
KPK	Khyber Pakhtunkhwa

KPP	Khushal Pakistan Programme
KVA	Kilo Volt Ampere
LBG	Louis Berger Group
LC	Letter of Credit
MB	Measurement Book
MES	Military Engineering Service
MFDAC	Memorandum for Departmental Accounts Committee
MoC	Ministry of Communications
MoU	Memorandum of Understanding
MPH	Master of Public Health
MPO	Machinery Pool Organization
MT	Metric Ton
NAM	New Accounting Model
NCL	National Construction Limited
NESCOM	National Engineering and Scientific Commission
NESPAK	National Engineering Services of Pakistan
NHA	National Highway Authority
NHC	National Highway Council
NHEB	National Highway Executive Board
NHIP	National Highway Improvement Programme
NIT	Notice Inviting Tender
NLC	National Logistics Corporation
NOC	No Objection Certificate
NPV	Net Present Value
O&M	Operation and Management
OEP	Overseas Employment Promoters
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PAR	Performance Audit Report
PBB	Passenger Boarding Bridges
PC-I	Planning Commission (Proforma-I)
PCC	Plain Cement Concrete
PCGs	Pakistan Coast Guards
PDP	Proposed Draft Para
PEC	Pakistan Engineering Council
PHA	Pakistan Housing Authority

PHAF	Pakistan Housing Authority Foundation
PLA	Personal Ledger Account
PM	Prime Minister
PMC	Planning and Monitoring Cell
PMC	Project Management Consultants
PM&DC	Pakistan Medical and Dental Council
POL	Petroleum, Oil and Lubricants
PPRA	Public Procurement Regulatory Authority
PPWD	Pakistan Public Works Department
PQC	Pavement Quality Concrete
PR	Pakistan Rangers
PRIMACO	Pakistan Real Estate Investment and Management Company (Pvt) Ltd
PSI	Pound Square Inch
PSDP	Public Sector Development Programme
PSO	Pakistan State Oil
PWD	Public Works Department
PWP	Peoples Works Programme
RCC	Re-inforced Cement Concrete
RD	Reduced Distance
Rft	Running Foot
RM	Running Meter
RMA	Road Maintenance Account
ROW	Right of Way
RPT	Regular Public Transport
SAR	Special Audit Report
SH	Sub-Head
SLEIF	State Life Emigrants Insurance Fund
SLIC	State Life Insurance Corporation
SOP	Standard Operating Procedure
SRO	Statutory Regulatory Order
STP	Sewerage Treatment Plant
SWWB	Sindh Workers Welfare Board
TST	Triple Surface Treatment
WWB	Workers Welfare Board
WWF	Workers Welfare Fund

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with the Sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of the accounts of the Federation, the Provinces, and any Authority or Body established by the Federation or a Province.

The report is based on audit of the accounts of CDA, CAA, NHA, Pak. PWD, EO, FGEHF, NCL, PHAF, ETPB, FC, PCGs, PR, HEC, WWF/Bs, BE&OE and PM&DC for the financial year 2013-14 and also contains a few audit observations for the financial years 2010-11, 2011-12 and 2012-13. The Directorate General Audit Works (Federal), Islamabad conducted audit during 2014-15 on a test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The Audit observations listed in Annexure-1 shall be pursued with the Principal Accounting Officers at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

Most of the observations included in this report have been finalized after due consideration of written responses of the auditees and discussions in DAC meetings.

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

Sd/-

Islamabad
Dated: 3rd March, 2015

(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit Works (Federal), Islamabad, carries out the audit of Federal Government entities engaged in construction works, namely, Capital Development Authority, Civil Aviation Authority, National Highway Authority, Pakistan Public Works Department, Estate Office, Federal Government Employees Housing Foundation, National Construction Limited, Pakistan Housing Authority Foundation, Evacuee Trust Property Board, Frontier Corps, Pakistan Coast Guards, Pakistan Rangers, Higher Education Commission, Workers Welfare Fund/Boards, Bureau of Emigration and Overseas Employment, Pakistan Medical and Dental Council and Ministry of Planning, Development and Reforms (Afghan Projects). These entities function under the administrative control of various Principal Accounting Officers and consume major portion of the funds provided under the Public Sector Development Programme.

The Directorate General Audit Works (Federal), Islamabad, has existing human resource of 138 including officers and staff. The annual budget of the Directorate General for the current financial year is Rs 112.18 million. The Directorate General is mandated to conduct Financial Attest, Compliance with Authority Audit and Performance Audit of civil works including mega projects of Federal Government. As part of its Audit Plan (2014-15), for the Compliance with Authority Audit, the Directorate General Audit Works (Federal) conducted audit of 146 formations, out of the 274 under its audit jurisdiction during Phase-I of the Audit Plan, by deputing twenty-one (21) Field Audit Teams with an input of 3,946 man-days. Moreover, regularity audit of twenty-five (25) formations relating to CDA, CAA, NHA, Pak. PWD, HEC, BE&OE and PM&DC were conducted in Phase-II of Audit Plan of 2013-14 and audit observations have been included in this report.

The objectives of audit were to:

- i. ascertain whether or not the moneys shown as expenditure in the accounts were authorized for the purpose for which they were spent;
- ii. observe whether the expenditure incurred is in conformity with the laws, rules and regulations framed to regulate the procedure for expending public money;
- iii. ascertain whether every item of expenditure is incurred with the approval of the competent authority in the Government for expending the public money;
- iv. examine propriety of transactions to ascertain whether due vigilance is exercised in respect of expenditure incurred from public moneys;
- v. review, analyze and comment on impact and implications of various government policies relating to the auditee organizations;
- vi. review, analyze and comment on budget, accounts, financial statements, balance sheet, etc. and
- vii. verify that rules and procedures were adopted in assessment, and collection of revenues.

a. Scope of Audit

Out of total works expenditure of the Federal Government for the financial year 2013-14, auditable expenditure under the jurisdiction of Director General Audit (DGA), Works (Federal), Islamabad was Rs 141,096.28 million covering 274 formations under ten (10) PAOs. Of this, the DGA Works (Federal) audited an expenditure of Rs 89,924.23 million which in terms of percentage is 63.73% of auditable expenditure. In addition, as part of its Audit Plan (2014-15), the DGA Works (Federal) executed 01 financial attest audit of the accounts of Pakistan Public Works Department (Government

of Pakistan) and twelve (12) Foreign Aided Projects executed by NHA (10), CAA (1) and HEC (1). The Financial Attest Audit Reports of Pak. PWD and Foreign Aided Projects are published separately. However, significant issues of financial governance and project management relating to Foreign Aided Projects are also included in this report.

The Auditees also collected revenue amounting to Rs 91,674.90 million against estimates of Rs 105,626.38 million. Audit coverage also included the assessment and collection of the revenue.

b. Recoveries at the instance of audit

The Directorate General Audit Works (Federal), Islamabad pointed out ‘overpayments’ and ‘recoverables’ amounting to Rs 11,979.71 million. The management accepted the stance of Audit to the extent of Rs 5,410.58 million. Recovery amounting to Rs 316.57 million was made by the auditees and verified by Audit till the finalization of this report. Out of total recoveries effected, an amount of Rs 313.73 million was not in the knowledge of the management before the audit was carried out.

In addition to the above stated recoveries, a sum of Rs 613.01 million was recovered by auditees in relation to Audit observations pertaining to previous years. Total recovery of Rs 929.58 million was verified by Audit during 2014-15 till the finalization of this report. The sum included Rs 360.13 million pertaining to overpayments and Rs 569.45 million on account of revenue receipt expedited.

c. Audit Methodology

Desk audit involving planning, documentation of findings and quality assurance was conducted. The desk audit also included in-house meetings of Field Audit Teams for experience-sharing and reviewing potential risk areas. A Risk Area Digest earmarking

potential risk areas was prepared for guidance of the Field Audit Teams. As a part of desk audit, permanent files, a requirement under Financial Audit Manual and Quality Management Framework, were updated. Audit methodology included:

- i. Updating the understanding of the business processes with respect to control mechanism
- ii. Identification of key controls on the basis of prior years' audit experience/special directions from the Auditor General's office
- iii. Prioritizing risk areas by determining significance and risks associated with the identified key controls
- iv. Design/update audit programmes for testing the identified risk conditions
- v. Selection of audit formations on the basis of:
 - a. Materiality/significance
 - b. Risk assessment
- vi. Selecting samples as per sampling criteria/High value items/key items
- vii. Execution of audit programmes
- viii. Identification of weaknesses in internal controls and development of audit observations and recommendations relating to non-compliance of laws, rules, regulations and prescribed procedures
- ix. Integrating the work with Financial Attest Audit, where possible
- x. Evaluating results
- xi. Reporting
- xii. Follow-up

d. Audit Impact

There has been a positive change in the responsiveness of auditee organizations towards audit due to continuous functioning of Public Accounts Committee in the recent years. The viewpoint of Audit on financial/technical issues is being acknowledged by DAC/PAC and administrative departments which is a healthy sign for the financial and regulatory discipline in the auditee organizations.

At the instance of Audit and as an outcome of deliberations in DAC meetings, the management agreed to undertaking following corrective measures and actions for addressing the systemic issues:

1. Capital Development Authority

- i. Conduct inquiries to fix responsibility for award of work without possession of site, allowing higher rates, non-accountal of equipment, non-functioning of tube wells, inefficient utilization of funds, etc (Paras 2.4.4, 2.4.13, 2.4.20, 2.4.25)

2. Civil Aviation Authority

- i. Take action against those who were responsible for frequent postings and transfers of Project Directors on a mega project and get regularized the payments allowed by the unauthorized Project Directors. (Para 3.4.3)
- ii. Take measures to control time and cost overruns, increase revenue stream through realization of billed amount, extension of commercial activities in a transparent and efficient manner, improve financial forecasting, strategic planning, project monitoring and explore other revenue generating sources to complete the mega project and other development and non-development activities. (Para 3.4.15)
- iii. Conduct inquiries to fix responsibility for unjustified provision of additional passenger boarding bridges at

airport, award of construction supervision services to design consultants, irregular appointment of chief Project Director, irregular lease of land etc (Paras 3.4.5, 3.4.6, 3.4.8, 3.4.10, 3.4.14)

- iv. Implement Air Navigation Order regarding clearance of dues before renewal of licences in all cases (Para 3.4.2).
- v. Penalize consultants for faulty design and increase in quantities. (Para 3.4.25)

3. National Highway Authority

- i. Devise a Standard Operating Procedure for the appointment of “The Engineer”. (Para 4.4.9)
- ii. Review delegation of powers regarding variations in approved scope of work and place the matter before NHA Executive Board regarding amendment in NHA Code for approval of the variations by the Authority that accorded technical sanction of the estimate. (Para 4.4.1)
- iii. Improve system of revenue to channelize all the opportunities to enhance the revenue generation (Para 4.4.2.6)
- iv. Conduct inquiries to fix responsibility for change in design/deviation from standard design, non-completion of works/non-imposition of liquidated damages, award of work at higher rates, unauthorized inclusion of price escalation clause in the contract agreement, etc (Paras 4.4.7, 4.4.11, 4.4.37)

4. Pakistan Public Works Department

- i. In Pak. PWD, PLA-I is maintained to place development budgetary grants. There was a common practice to transfer funds of PLA-I (lapsable) to PLA-III (non-lapsable) to avoid lapse. As a result of efforts by Audit, Budget and Accounts Directorate, Pak. PWD has issued direction that no budgetary grants would be kept in PLA-III and before placing funds in PLA-III, a certificate duly signed by Executive Engineer and Divisional Accounts Officer of the concerned division must be obtained to the effect that funds pertain to the non-budgetary grant. (DBA letter No. DBA/WAD/Circular/2014-15 dated 27th October, 2014).
- ii. During audit of accounts of Pak. PWD, Audit pointed out that expenditure against the cheques issued during the financial year from lapsable PLA, which could not be paid/encashed during the year was not being reversed back and resultantly expenditure was booked twice, once in the year of issuing of original cheque and secondly on issue of new cheques during the next year. To overcome the problem and set right the accounts, DBA has advised all the Executive Engineers that expenditure against cheques could not be paid in the respective year of issue, it must be reversed back in June Final account every year. (DBA letter No. DBA/C&A/Misc./2014-15 dated 16th December, 2014).
- iii. In another issue pointed out by Audit regarding payment of composite rate of item “excavation/cutting in soft rock including sorting and stacking of the excavated stuff despite the fact that component of sorting and stacking was not applicable in execution of the item Pak. PWD has notified a reduced rate of the item vide O.M. No. SE(S)/R&C/Schedule/R/2004 dated 25th June, 2014. The new rate will be applicable for all the works awarded on the basis of Schedule of Rates, 2004.

5. Federal Government Employees Housing Foundation

- i. Record detailed measurements of work done in the Measurement Books duly certified and test checked by the engineers (Para 6.4.2)

6. Higher Education Commission

- i. Transfer funds of development projects to Current Accounts to be maintained with National Bank of Pakistan in pursuance of instructions of Finance Division (DP. 19)

Annexure-2 provides Audit Impact Summary.

e. Comments on Internal Controls and Internal Audit Department

The management of auditees is generally not sensitized to the imperative of strengthening internal control environment within the organizations. The present Report has identified a range of irregularities, which have been recurring over the last many years. The recurrence of these irregularities indicates the systemic issues cropping up either due to inadequate oversight mechanism or ineffective implementation of internal controls. The pre-auditing, expected to apply internal control checks during processing of claims for payment, was weak mainly due to the influence of management.

The internal audit function exists in CDA, CAA, NHA and Pak. PWD only. The financial irregularities observed during the present audit reflect that this function was not exercised effectively. The efficient functioning of internal audit would have helped the management in effective implementation of internal controls and

strengthening the internal control environment in auditee organizations.

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

In case of other auditee organizations, which do not have internal audit function, Audit emphasizes the need for establishing an internal audit regime in these organizations, directly reporting to the Principal Accounting Officers through the Audit Committees.

Comments on internal controls, highlighting irregularities are given at Annexure-3.

f. Key audit findings of the report

- i. CAA leased out Fuel Farm for Rs 11,385.00 million at New Islamabad International Airport in violation of approved policy without receiving cost of land and development of fuel hydrant system.¹
- ii. Revenue of Rs 2,218.04 million on account of sale of plots, layout plan conversion fee/penalty, electricity charges, property tax, licence fee, lease premium, parking charges and rent was not realized/recovered by CDA, CAA and Estate Office in nine cases.²
- iii. Overpayment of Rs 2,770.37 million was made by CAA, NHA, Pak. PWD and PHAF to contractors due to incorrect calculation of price escalation and incorrect interpretation/application of price adjustment clause of the respective contract agreements in six cases.³

¹ Para 3.4.21

² Paras 2.4.15, 2.4.16, 2.4.17, 2.4.18, 2.4.30, 3.4.7, 3.4.8, 3.4.24, 5.4.17

³ Paras 1.1.3, 3.4.12, 4.4.13, 5.4.7, 8.4.5, 8.4.8

- iv. Procurement of works/services/material valuing Rs 10,078.64 million was made by CDA, NHA and Frontier Corps without calling open tenders in eight cases.⁴
- v. Payment of Rs 3,074.34 million was made by CDA, FGEHF, PHAF and HEC against the ‘work done’ without recording mandatory and certified measurements in the respective Measurement Books in four cases.⁵
- vi. Scope of works was enhanced beyond the permissible limit of 15% involving additional cost of Rs 10,659.03 million by CDA, CAA, NHA and HEC without getting the revised PC-I approved by the competent forum in four cases.⁶
- vii. Overpayment of Rs 1,244.37 million was made by CDA, NHA and Pak. PWD due to non-deduction of voids, execution of work below the prescribed specifications, excessive measurements, payment over and above the provision of contract, higher rates, etc.⁷
- viii. CDA land measuring 3,000 kanals valuing Rs 9,000 million, situated at Margallah hills at Sri Saral village in the National Park Area Islamabad was encroached due to negligence of CDA.⁸
- ix. Additional Mobilization Advance amounting to Rs 1,463.49 million was paid to a contractor by NHA beyond the provision of contract agreement.⁹
- x. Pak. PWD paid an amount of Rs 662.17 million on account of defective works and works which were not actually carried out at site.¹⁰

⁴ Paras 2.4.7, 2.4.9, 4.4.2, 4.4.4, 11.4.2, 11.4.3, 11.4.4, 11.4.5

⁵ Paras 2.4.2, 6.4.2, 8.4.1, 13.4.4

⁶ Paras 2.4.11, 3.4.5, 4.4.1, 13.4.2

⁷ Paras 2.4.32, 4.4.16, 4.4.17, 4.4.19, 4.4.23, 4.4.26, 4.4.31, 5.4.9

⁸ Para 2.4.12

⁹ Para 4.4.3

¹⁰ Para 5.4.1

- xi. Development funds amounting to Rs 378.85 million were placed in PLA-III by Pak. PWD to avoid lapse.¹¹
- xii. Sindh Workers Welfare Board, Karachi appointed 136 employees irregularly for Education Wing and posted them in the newly established non-operational schools. Salary of Rs 218.05 million was paid to the employees.¹²

A list, indicating number of audit observations, made during the Audit Year 2014-15, which are considered to be materially less significant for reporting to the PAC, is at Annexure-1 (MFDAC).

g. Recommendations

- i. Internal controls be strengthened to ensure that irregularities, as reported in this report, are preempted and fair value for money is obtained from public spending.
- ii. Fact finding inquiries and disciplinary actions be initiated to fix responsibility in respect of cases involving misappropriation, fraud, overpayments, losses and irregular expenditure.
- iii. All receipts be realized in time and deposited in the treasury/relevant account.
- iv. Public Procurement Rules, 2004 be adhered to in letter and spirit while making procurement of goods, services and works.
- v. Coordinated measures be put in place to remove encroachments on state lands and structures.
- vi. The Planning Commission's guidelines for approval and funding of projects (project management life cycle) be followed in letter and spirit.

¹¹ Para 5.4.3

¹² Para 14.4.5

- vii. The contractual obligations be monitored by the management at every stage of contract execution.
- viii. Advances to the contractors be granted strictly in line with contractual provisions and recovered accordingly.
- ix. Public money be kept in authorized accounts only and unspent balances be transferred to government.
- x. Reconciliation of expenditure/revenue be carried out regularly.
- xi. Timely convening of DAC meetings and compliance of the directives of DAC and PAC be ensured.
- xii. Internal controls be periodically reviewed and made capable of forestalling chances of pilferage and defalcation.
- xiii. The Internal Audit Wings in the auditee organizations be instituted/strengthened to act as facilitator in this regard.

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S. No.	Description	No.	Budget
1.	Total Entities (Ministries/PAOs) in Audit Jurisdiction	10	329,380.75*
2.	Total formations in audit jurisdiction	274	329,380.75*
3.	Total Entities (Ministries/PAOs) Audited	10	329,380.75*
4.	Total Formations Audited	146	200,071.12**
5.	Audit and Inspection Reports	146	200,071.12**
6.	Special Audit Reports	-	-
7.	Performance Audit Reports	-	-
8.	Other Reports		
	a. Financial Attest of Pak. PWD accounts***	01	4,543.66
	b. Foreign Aided Projects****	12	40,372.28

* This figure includes budget estimates of respective auditees (Rs 223,754.37 million) and their estimated revenue receipts (Rs 105,626.38 million) for the year 2013-14. Actual expenditure was Rs 141,096.28 million whereas actual receipts were Rs 91,674.90 million.

** This figure represents total budget allocation (Rs 146,547.18 million) and estimated receipts (Rs 53,523.94 million) of the formations audited. The actual expenditure of the formations audited was Rs 89,924.23 million and actual receipts were Rs 58,750.85 million.

*** Financial Attest Audit of Pak. PWD accounts was integrated with Compliance with authority audit.

**** Significant issues of regularity aspect relating to Foreign Aided Projects are also included in this report.

Table 2: Audit Observations classified by Categories

(Rs in million)

S. No.	Description	Monetary Value of Audit Observations
1.	Unsound asset management	416.69
2.	Weak financial management	4,597.87
3.	Weak internal controls relating to financial management	38,906.26
Total		43,920.82

Table 3: Outcome Statistics**(Rs in million)**

S. No.	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total current year	Total last year
1.	Outlays Audited	4,570.50	102,948.74	53,523.94	39,027.94	200,071.12	181,567.56
2.	Monetary Value of Audit Observations	468.36	37,446.67	3,881.10	2,124.69	43,920.82	57,363.54
3.	Recoveries pointed out at the instance of Audit	11.92	7,057.28	3,635.68	1,274.83	11,979.71	33,295.16
4.	Recoveries Accepted/ Established at the instance of Audit	-	4,048.01	362.57	1,000.00	5,410.58	28,714.66
5.	Recoveries Realized at the instance of Audit	-	360.13	569.45	-	929.58	5,407.06

Note: Recovery realized includes total recovery verified from 1st July, 2014 to 31st January, 2015.

Table 4: Irregularities pointed out**(Rs in million)**

S. No.	Description	Monetary Value of Audit Observations
1.	Violation of rules and regulations and violation of principle of propriety in public operations	24,805.36
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources	662.17
3.	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on financial statements	4.21
4.	Quantification of weaknesses of internal control systems	12,887.30
5.	Recoveries and overpayments, representing cases of established overpayment or misappropriation of public monies	5,410.58
6.	Non-production of record	813.37

Note: Amount appearing at S. No. 2 is also categorized as “Recovery established” against S. No. 5. Therefore, amount at S. No. 2 has not been carried to the total amount in order to avoid multiple reckoning.

Table 5: Cost-Benefit**(Rs in million)**

S. No.	Description	Current Year	Last Year
1.	Outlays audited	200,071.12	176,246.23
2.	Expenditure on Audit	112.18	118.54
3.	Recoveries realized at the instance of Audit	929.58	5,407.06
	Cost-Benefit Ratio	1:8.29	1:45.61

Note: Current year’s figures are upto 31st January, 2015 while previous year’s figures are for whole year from 1st July, 2013 to 30th June, 2014.

CHAPTER 1

PUBLIC FINANCIAL MANAGEMENT ISSUES (PAKISTAN PUBLIC WORKS DEPARTMENT)

Pakistan Public Works Department (Pak. PWD) maintains its accounts as a self-accounting entity. Directorate General Audit Works (Federal), Islamabad conducted Financial Attest Audit of the Pak. PWD accounts as per Section 7 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The results of Financial Attest Audit were reported to the Department through Management Report. Audit paras regarding irregularities in budget utilization and accounting procedures are as follows:

1.1 AUDIT PARAS

1.1.1 Unauthorized payment of consultancy fee out of departmental charges - Rs 3.71 million

As per Para 4.2.3.2 of Accounting Code for Self Accounting Entities, departmental charges are part of Consolidated Fund and no expenditure can be met from the Consolidated Fund unless specified in a duly approved "Schedule of Authorized Expenditure".

Audit observed that Pak. PWD paid consultancy charges of Rs 3.71 million out of departmental charges deducted against Public Sector Development Programme (PSDP) funds. This resulted in unauthorized expenditure of Rs 3.71 million.

Audit maintained that unauthorized payment occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2014. The department replied that payment of consultancy charges was made as per

provision in the PC-I and it had no effect on the gross expenditure shown in the Accounts. The reply was not accepted because departmental charges were part of Consolidated Fund and no expenditure could be met from the Consolidated Fund unless specified in the duly approved “Schedule of Authorized Expenditure” as per Para 4.2.3.2 of Accounting Code for Self Accounting Entities.

The issue was discussed in the DAC meeting held on 12th and 13th January, 2015, wherein the department explained that consultancy charges were paid as per provision in the PC-I. However, Audit contended that no expenditure can be incurred from the Federal Consolidated Fund without having specific provision in the Schedule of Authorized Expenditure in accordance with the accounting code for self-accounting entities as quoted above. DAC directed DG Pak. PWD to discontinue practice of incurring expenditure from departmental charges immediately and get the expenditure regularized from the Finance Division

Audit stresses upon early compliance of the DAC’s directive.

(Observation No. 01 of Comments on Appropriation Accounts)

1.1.2 Extra-contractual advance payment for material on behalf of the contractor - Rs 55.94 million

Rule 96 of General Financial Rules (Volume-I) provides that it is contrary to the interest of the State that money should be spent hastily or in an ill-considered manner merely because it is available or that the lapse of a Grant could be avoided. In the public interest, Grant that cannot be profitably utilized should be surrendered. The existence of likely saving should not be seized as an opportunity for introducing fresh items/ expenditure which might wait till next year. A rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity.

Audit noted that Executive Engineer, Central Civil Division No.II, Pak. PWD Islamabad made payments of Rs 55.94 million in the last week

of June 2014 to M/s Ittehad Steel and Bestway Cement directly on behalf of the contractor for procurement of steel and cement as detailed below:

Voucher No.	Date	Amount (Rs in million)	Item
17	24.06.2014	31.05	Steel
18	24.06.2014	5.88	Cement
26	27.06.2014	9.31	Cement
27	27.06.2014	9.70	Steel
Total		55.94	

Audit observed that payments were made in the closing days of the financial year to avoid lapse of funds against the rules and without provision in the contract agreement. This also extended undue financial benefit to the contractor as the contractor was paid secured advance and price escalation.

Audit pointed out the extra-contractual payments/undue financial benefit during November 2014. The department did not respond to the audit observation.

DAC meeting was convened on 12th and 13th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation into the matter and fixing of responsibility for violation of rules and contract provisions.

(Observation No. 02 of Management Report)

1.1.3 Inadmissible payment of price escalation - Rs 32.33 million

Appendix-C to the contract agreement of work “Construction of National Accountability Bureau Headquarters Office Building, G-5/1, Islamabad” was marked as “not used” and there was no weightage either for fixed portion or for the variable portion of specified material and their weightages were not given in the contract agreement.

Audit observed that the Executive Engineer, Central Civil Division No. II, Pak. PWD, Islamabad paid price escalation of Rs 32.33 million for the work “Construction of NAB HQ Office Building, G-5/1, Islamabad” in violation of contract provision. Further, the payment was made without approval of the consultant.

Audit maintained that non-adherence to the contract provision and lack of internal controls resulted in inadmissible payment of price escalation amounting to Rs 32.33 million.

Audit pointed out the inadmissible payment during November 2014. The department did not respond to the audit observation.

DAC meeting was convened on 12th and 13th January, 2015 but the para remained undiscussed.

Audit stresses upon recovery of overpaid amount.

(Observation No. 11 of Management Report)

1.1.4 Irregular charge of expenditure - Rs 0.50 million

Para 5 (b) of System of Financial Control and Budgeting, 2006, states that the Principal Accounting Officer shall ensure that the funds allotted to a Ministry/ Division, etc. are spent for the purpose for which these are allotted. He shall also ensure that the expenditure falls within the ambit of a Grant or an Appropriation duly authenticated.

Audit noted that Central Civil Division, Pak. PWD, Faisalabad incurred expenditure of Rs 0.50 million on account of rent of building and charged it to Development Grant-146 instead of Non-Development Grant-46. This resulted in misuse of development grant.

Audit maintained that the irregularity occurred due to weak financial controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregular charge of expenditure in November 2014. The department did not reply.

DAC meeting was convened on 12th and 13th January, 2015 but the para remained undiscussed.

Audit stresses upon fixing of responsibility against the responsables besides rectification of the accounts.

(Observation No.1 of the Management Report)

1.1.5 Non-preparation of Memorandum Account

Para 2.3.2 of the Accounting Policies and Procedures Manual describes key controls which are essential to the system of accounting at all levels in the Federal and Provincial Government. One of the important controls to ensure completeness of the accounts is that physical assets shall be recorded in a register disclosed in a memorandum account. The Memorandum Account is defined as an account maintained separately to the General Ledger but still operated within the internal control process. The information recorded in the Memorandum Account is used to provide supplementary information to the Financial Statements.

As per Para 9.5.6.1 of Accounting Policies and Procedures Manual, the details of fixed assets shall be recorded in a Fixed Asset Register (as detailed in Chapter 13) including assets such as property and equipment both purchased and constructed by the entity. As per Para 13.4.4 of the ibid Manual, a Memorandum Account for fixed assets shall be kept by the DAO/AG/AGPR to record transactions relating to fixed assets. As per Para 4.3.5.1 of Accounting Code for Self Accounting Entities all assets will be accounted for on a modified cash basis. Policies and procedures have been prescribed to meet with the requirements of the Auditor General in this regard for Centralized Accounting Entities and are set out in the Accounting Policies and Procedures Manual for Centralized Accounting Entities. Para 4.3.10.1 states that the modified basis of accounting, records transactions on a cash basis but also takes into account

the commitments, acquisition of fixed assets, and incurrence the incurring of liabilities during an accounting period.

Audit observed that Memorandum Account showing detail of fixed assets/statement of assets was not being prepared by the Directorate of Budget and Accounts, Pak. PWD to supplement the financial statements/accounts of Pak. PWD. This violates the prescribed Accounting Policies and Procedures.

Audit maintained that non-maintenance of mandatory Memorandum Account was due to inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-maintenance of Memorandum Account in December 2014. The department did not reply.

DAC meeting was convened on 12th and 13th January, 2015 but the para remained undiscussed.

Audit stresses upon maintenance of Memorandum Account as per requirement of the Accounting Policies and Procedure Manual. The presentation of accounts needs improvement.

(Para 5 of Comments on Appropriation Accounts)

CHAPTER 2

CAPITAL DEVELOPMENT AUTHORITY (CABINET DIVISION)

2.1 Introduction

Capital Development Authority (CDA), established under the CDA Ordinance promulgated on 27th June, 1960, is governed through an Executive Board, constituted by the Federal Government, under Section 6 of CDA Ordinance, 1960. The Secretary, Cabinet Division is the Principal Accounting Officer of CDA. The major objectives/services entrusted to CDA include:

- Municipal Services
- Allotment and transfer of plots
- Maintenance of Sectors
- Provision of health and medical services in Islamabad and Federal Capital Territory
- Traffic engineering and signals control
- Rescue Service 1122 in Islamabad

Member (Finance), CDA is the in-charge of Finance/Accounts Wing and is responsible for preparation of budget and allocation/distribution of funds to different Divisions/Formations.

Major resources of receipt of CDA include:

- Revenue generated from sale of plots, municipal receipts, sanitation receipts, environmental/horticulture receipts, property tax, toll tax, water charges, conservancy charges, interest/markup, commercial receipts (rent from shopping centres, bus stands), etc.,
- Grant-in-aid from federal government for development purpose through Public Sector Development Programme,

- Grant-in-aid from federal government for maintenance of specified government buildings (Maintenance Grant).

2.2 Comments on Budget and Accounts (Variance Analysis)

Comments on 'Receipt and Expenditure Account' of CDA for the year 2013-14, are as under:

(A) Expenditure:

Budget allocation and expenditure for the year 2013-14 is as under:

(Rs in million)

Type of Funds	Budget Allocation	Actual Receipt of funds	Actual Expenditure	Variation Excess/ (Saving)	Excess/ (Saving) in %
(A) Non-Development					
Maintenance Grant	1,854.93	1,563.76	1,934.50	370.74	23.71
Revenue Account	11,223.74	3,094.35	10,851.63	7,757.28	250.69
Sub-Total (A)	13,078.67	4,658.11	12,786.13	8,128.02	174.49
(B) Development					
PSDP	1,777.96	679.36	627.12	(52.24)	(7.69)
Self-Financing	19,127.70	13,642.08	3,341.50	(10,300.58)	(75.51)
Sub-Total (B)	20,905.66	14,321.44	3,968.62	(10,352.82)	(72.29)
Total (A) + (B)	33,984.33	18,979.55	16,754.75	(2,224.80)	(11.72)
(C) Non-Budget					
Other debts and deposits	-	2,318.10	1,857.44	(460.66)	(19.87)
Sub-Total (C)	-	2,318.10	1,857.44	(460.66)	(19.87)
Grand Total (A)+(B)+(C)	33,984.33	21,297.65	18,612.19	(2,685.46)	(12.61)

(Note: Figures are based on Consolidated Monthly Account for June 2014. June (Final) Account was not made available by CDA till the finalization of this report.) Actual receipt represents actual resources realized against estimated resources (budget allocation).

- Funds of Rs 11,223.74 million were allocated in Revenue Account (expenditure on establishment and maintenance from CDA's own generated revenues) against which Rs 3,094.35 million (27.57%) were received during 2013-14. Expenditure of Rs 10,851.63 million was incurred with an excess of Rs 7,757.28 million (250.69 %) over the actual revenue.
- Funds of Rs 1,777.96 million were allocated in the Public Sector Development Programme for the year 2013-14 against which Rs 679.36 million were released. This constituted only 38.21% of the allocation. Expenditure of Rs 627.12 million was incurred. There was a saving of Rs 52.24 million (7.69%) which showed that funds placed at the disposal of the Authority were not utilized fully.
- An allocation of Rs 19,127.70 million was earmarked for the development activities under the head 'Self Financing' against which, actual funds of Rs 13,642.08 million (71.32%) were realized but an expenditure of Rs 3,341.50 million was incurred. This indicated that CDA could only achieve 17.47% of planned targets/objectives of development activities.
- From above it was evident that the development funds were not fully utilized during 2013-14 and there was a saving of 72.29%. On the other hand, there was an excess of 174.49% in non-development budget. This indicated that non-development expenditure was on rise and development activities were not being given priority. In other words expenditure on non-developmental activities was incurred at the cost of development expenditure.

(B) Receipts:

Receipts of CDA from its own resources are as follows:

(Rs in million)

Description	2012-13	2013-14	Difference	Difference in %age
Self-Financing Sector				
Estimated Receipts	21,423.90	27,174.25	5,750.35	26.84
Actual Receipts	8,089.66	13,642.08	5,552.42	68.64
Shortfall	13,334.24	13,532.17		
Shortfall in %age	62.24	49.80		
Other Receipts				
Estimated Receipts	8,137.33	6,582.10	(1,555.23)	(19.11)
Actual Receipts	5,150.21	3,094.35	(2,055.86)	(39.92)
Shortfall	2,987.12	3,487.75		
Shortfall in %age	36.71	52.99		
Total Receipts				
Estimated Receipts	29,561.23	33,756.35	4,195.12	14.19
Actual Receipts	13,239.87	16,736.44	3,496.57	26.41
Shortfall	16,321.36	17,019.91		
Shortfall in %age	55.21	50.42		

As per CDA accounts for the year 2013-14, the estimated receipts under self-financing were Rs 27,174.25 million against which receipts of Rs 13,642.08 million were actually realized (50.20% of the estimates) and estimated 'other receipts' were Rs 6,582.10 million and against which receipts of Rs 3,094.35 million were realized (47.01% of the estimates). This showed that there was a shortfall of Rs 3,487.75 million (52.99%) in collection of 'other receipts'. Receipts of Rs 3,094.35 million during 2013-14 were decreased by Rs 2,055.86 million (39.91%) when compared with receipt of Rs 5,150.21 million during 2012-13 but shortfall in collection of estimated targets was increased from 36.71% to 52.99% during 2013-14.

There was a shortfall of Rs 17,019.91 million (50.42%) against overall estimated receipts of Rs 33,756.35 million as the Authority could generate a revenue of Rs 16,736.44 million during 2013-14. This indicated

that estimates of receipts were either overambitious/unrealistic or the Authority failed to exploit and derive benefits from the available resources. CDA should improve and rationalize mechanism of estimation and realization of revenues.

Comments on 'Receipt and Expenditure Account' of CDA for the year 2013-14 are as under:

2.2.1 Accounts not maintained in accordance with Section 44(1) of CDA Ordinance, 1960 and New Accounting Model (NAM)

Section 44(1) of CDA Ordinance, 1960, requires the CDA to prepare Balance Sheet. Further, the New Accounting Model requires double entry and specific coding to the Accounts items. The Accounts of CDA neither conform to the requirements of CDA Ordinance, 1960 nor to that of NAM (approved by the Auditor General of Pakistan).

2.2.2 Budget not submitted to Government for approval in accordance with Section 43 of CDA Ordinance, 1960

Section 43 of CDA Ordinance, 1960, requires the CDA to submit its budget to the Federal Government for approval. Further, specific approval of schemes costing over Rs 2.50 million is required from Federal Government. The CDA did not conform to the requirements of CDA Ordinance, 1960.

2.2.3 Negative balance appearing in Accounts since FY 2005-06 against Khanpur Dam (Capital Account item) - Rs 102.05 million

Opening balance of Rs 102.05 million is appearing in the accounts for the financial year 2013-14 under Capital Account (CDA Funds). This amount is appearing in the opening balance since financial year 2005-06 and is being carried forward. The amount is recoverable from Rawalpindi Cantonment Board as share of expenditure on Khanpur Dam.

2.2.4 Heavy closing balances with DDOs - Rs 737.24 million

According to CDA Procedure Manual, money realized, whether in cash or cheque, should be deposited by DDOs immediately in the bank account of the Authority. There was a balance with DDOs amounting to Rs 737.24 million as on 30th June, 2014. CDA should take measures to get the amount deposited by DDOs in the main account.

2.2.5 Non-preparation of Proforma Accounts

Para 389 (Chapter-VII) of CDA Procedure Manual Part-III provides that the Machinery Pool Organization (MPO) has been established for departmental purposes. Its accounts should therefore, be maintained in such a way as should enable the organization to prepare its Proforma Account annually. The accounts will facilitate review of financial results of the organization at the end of every year. Proforma Accounts of MPO and Central Engineering Laboratory have not been prepared.

2.2.6 Expenditure in excess of receipt in the head 'Grant-in-Aid Revenue'

There was negative opening balance of Rs 7,939.27 million on 1st July, 2013 under 'Grant-in-Aid'. CDA received Rs 1,563.75 million and incurred expenditure of Rs 1,934.50 million during the year 2013-14. Thus, excess expenditure of Rs 370.75 million was incurred during the year 2013-14. An overall excess was Rs 8,310.01 million upto 30th June, 2014.

2.2.7 Utilization of "Deposits" towards expenditure without authorization

Deposits of Rs 5,976.88 million were with CDA on 30th June, 2014 (security deposits of contractors - Rs 1,917.63 million, GPF of Employees - Rs 886.47 million, Pension Funds - Rs 454.47 million, Misc. deposits - Rs 629.65 million and deposits for execution works - Rs 2,088.66 million) but there was cash balance of Rs 3,864.08 million in

CDA Account. This indicated that deposits of Rs 2,112.80 million were utilized to meet its expenses without any authorization.

2.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to CDA is as under:

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	Percentage of compliance
1988-89	07	07	04	03	57.14
1989-90	04	04	04	-	100
1990-91	21	21	21	-	100
	SAR-9	9	8	1	88.89
1991-92	17	17	12	05	70.59
1992-93	37	37	37	-	100
1993-94	57	57	07	50	12.28
1994-95	15	15	09	06	60
1995-96	28	28	01	27	3.57
1996-97	32	32	23	9	71.87
	SAR	05	-	05	-
1997-98	312	312	214	98	68.58
1998-99	79	79	63	16	79.75
	2 SAR	2 SAR	1 SAR	1 SAR	50.00
1999-00	86	86	72	14	83.72
	1 SAR	1 SAR	1 SAR	-	100
	2 PAR	2 PAR	2 PAR	2 PAR	-
2000-01	73	73	58	15	79.45
	184-SAR	184	108	76	58.69
2001-02	45	45	42	03	93.33
2004-05	29	29	18	11	62.06
2005-06	57	57	44	13	77.19
2006-07	39	39	19	20	48.72
2010-11	27	27	9	18	33.33
2011-12	59	59	4	55	6.79
2012-13	78	78	1	77	1.28

Note: Audit Reports for 1985-86, 1987-88, 2002-03, 2003-04, 2007-08, 2009-10 and 2013-14 have not been discussed by PAC till the finalization of this report. SAR stands for Special Audit Report and PAR for Performance Audit Report. Other figures relate to Annual Regularity Audit Reports.

2.4 AUDIT PARAS

Non-Production of Record

2.4.1 Non-production of record

In terms of Section 14 (2) of Auditor General's Ordinance, 2001, non-production of record amounts to hindrance in the auditorial functions of the Auditor General of Pakistan. The Section 14(2) states 'the officer in-charge of any office or department shall afford all facilities to provide record for audit inspection and comply with requests for information in complete form as possible and with all reasonable expedition'.

Audit noted that the Project Management Office, CDA Islamabad did not provide the following record to Audit despite several requisitions.

- i. Case file of Installation of 60 Meter Linear Cybernetic Dancing Fountain
- ii. Case file of Renovation/Improvement of CDA Offices/ Blocks
- iii. Lease file of Metro Cash and Carry
- iv. Case file of Fiber Optic Duct.
- v. Case file of Cultural Complex Shakar Parian.
- vi. Case file of Teflon Structure/Bus Shelters
- vii. Case file of Café Lazeez Damn-e-Koh
- viii. Case file of Monal Restaurant
- ix. Case file of Rawal Lake Entertainment Zone
- x. Case file of Renovation of Simly Dam Rest House
- xi. Case file of Rapid Bus Transit
- xii. Lease file of Cineplex Cinema.
- xiii. Lease file of Centaurus.

- xiv. Case file of lease of land allotted to NLC (Blue Area).
- xv. Lease file of 5-star hotel behind Marriot.
- xvi. Lease file of Grand Hyatt.

In the absence of above mentioned record, the authenticity of expenditure and receipt of lease money could not be ascertained. The non-production of record creates doubts on the actual existence of any such record at all, which makes the public money/assets vulnerable to misuse.

Audit pointed out the non-production of record in November 2014. The Authority did not respond to the observation.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon production of the said record to Audit immediately and fixing of responsibility for violation of constitutional/legal requirement.

(DP. 291)

Irregularity and Non-Compliance

2.4.2 Irregular payment due to non-recording of detailed measurements of work done in Measurement Books - Rs 1,452.13 million

Paras 119 and 120 of CDA Procedure Manual Part-III (Accounting Procedure) provide that payments for all work done and all supplies are made on the basis of measurements recorded in the Measurement Books (MB). All measurements should be neatly taken down in a MB issued for the purpose and nowhere else. As all payments of work are based on the quantities recorded in the MB, it is incumbent upon the person taking measurements to record quantities clearly and accurately.

Audit observed that the Deputy Director, Works Division-I, CDA made payments of Rs 469.16 million on account of work done of the project “Construction of 104 Family suites, Parliament Lodges, Islamabad” but detailed measurements of work done were not carried out and recorded in the MB. Measurements submitted by the Contractor were checked by the Consultant and abstract thereof was recorded in MB and these measurement sheets of Interim Payment Certificates (IPCs) were termed as MB.

It was further observed that in the work “Improvement and widening of Kashmir Highway, Peshawar More to Golra More, South Carriageway (Section-I)” Pre-measurement forms/computer forms were used for making payments, without exercising test checks by the CDA Engineer/Project Engineer. Deputy Director Roads (North), CDA made payment of Rs 982.97 million to the contractor through twenty-eight (28) IPCs on the basis of abstract, without carrying out and recording detailed measurements in MB.

This resulted into irregular payment of Rs 1,452.13 million.

Audit maintained that the non-recording of detailed measurements was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularities in March 2014 and July 2014. The Authority replied that the consultant of the project was responsible for detailed supervision and measurement of the work done and the record entries/sheets were authenticated by the Project Consultant. All the contents of verified IPCs could not be entered/recorded in the conventional MB. The reply was not accepted because payments for all work done were required to be made on the basis of detailed measurements recorded in hand-written MB being a mandatory/permanent record.

The matter was discussed in the DAC meeting held on 15th January, 2015. CDA explained that technical construction supervision of

the project was assigned to the consultant and all the payments were made on the basis of IPCs verified by him. The Committee was not convinced and directed CDA to make record entries in the Measurement Books as per detailed work done at site and get it verified from Audit within fifteen (15) days. The compliance of DAC's directives was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 48, 90)

2.4.3 Non-conforming use of residential accommodations and non-recovery of fines - Rs 1,115.85 million

According to Section 2.17 of Zoning (Building Control) Regulations, 2005 (Ban on non-conforming uses), no land or building shall be put to a non-conforming use. A non-conforming use of a residential building may render the owner and occupant of the building liable on 1st conviction to pay a fine of Rs 0.50 million and in case of failure to discontinue the non-conforming use within fifteen (15) days of conviction to an additional fine Rs 5,000 for every day upto three (03) months, the owner or the occupant, as the case may be, shall be liable to be evicted from the building and the allotment deed of the plot be cancelled.

Deputy Commissioner, CDA is vested with power under Section 49-C of CDA Ordinance, 1960 to impose fine upto Rs 0.50 million plus Rs 5,000 per day for maximum of three months.

2.4.3.1 Audit noted that Building Control Directorate, CDA identified 2,191 cases of non-conforming use of residential buildings including 188 Guest Houses, 161 Hostels, 45 Show Rooms, 102 Clinics/Hospitals, 404 Schools/academies/ tuition centres, 824 offices, 106 gyms/beauty parlours, 35 general and miscellaneous business points, 322 shops/restaurants/hotels and certain diplomatic offices in the residential building of F, G, I Sectors and Model Villages.

Audit observed that 1,165 cases were referred to the Deputy Commissioner, CDA for penal action and for imposition of fine of Rs 0.50 million per building and further Rs 5,000 per day for three months but only 384 cases were decided and fine was imposed. There were 138 cases pending due to stay orders by various courts of law. Out of 2,191 cases, majority of the cases (1,013 cases) pertained to F Sector series, which is considered as the posh area of Islamabad. This resulted in loss of Rs 1,106.75 million (1,165 x Rs 0.95 million) to the Authority.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-conforming use in October 2014. The Authority replied that Deputy Commissioner CDA has the authority to impose the fines after trial/hearing. The order of fine is circulated to Director (Enforcement), CDA, Director (Estate Management) CDA and Senior Special Magistrate/Additional Collector (Recovery), CDA, for further action/recoveries. The Building Control Directorate has no jurisdiction over the cases of non-conforming use once they are referred to the Court of Deputy Commissioner CDA. The reply was not accepted because the Authority's writ as regulator stands compromised besides loss of revenue.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon taking appropriate action and streamlining the system to stop violation of Zoning (Building Control) Regulations.

(DP. 301)

2.4.3.2 Audit noted that in four cases building violations were not removed and fines were not recovered from the occupants/allottees of the premises. This resulted in non-removal of building violations and non-recovery of Rs 9.10 million on account of fine upto June 2014.

Audit maintained that these violations occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-removal of building violations/non-recovery of fine in July 2014. The Authority replied that fresh notices were issued to the allottees to remove the building violations. Action was initiated under the rules. However, some violators approached the courts and their decisions were pending.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon removal of building violations and recovery of fines for non-conforming use of residential accommodations.

(DP. 99)

2.4.4 Irregular award of work amounting to Rs 588.43 million without possession of land at site of work and wasteful expenditure of Rs 120.00 million

Para 1 (Chapter-I) of CDA Procedure Manual Part-III (Accounting Procedure) states that as far as possible, the financial rules and accounting procedures applicable to a particular class of transaction of Federal Government, have been applied for similar transactions in CDA. Public Works System of accounts has been mutatis mutandis prescribed for the accounting of transactions relating to execution of works of all classes. As such, CDA adopted Public Works Accounts and Department Codes in the light of provisions of Para 1 *ibid*.

Para 7.10 of Central Public Works Department Code (Pak. PWD), 1982 provides that with a view to avoiding delay in construction and obtaining economical results, a project shall not be taken over from a client department, unless the land has been acquired and is available for construction.

Deputy Director Road Division-II, CDA awarded the work “Road Construction of Margallah Avenue” without ensuring possession of site. The work was awarded in June 2012 to be completed in one year. The work at site was abandoned due to non-clearance/possession of site. Progress achieved up June 2014 was only 18% against scheduled progress of 100%. An expenditure of Rs 120.00 million was incurred upto June 2014. This resulted in irregular/unjustified award of work amounting to Rs 588.43 million without possession of site of work.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregular/unjustified award of work in July 2014. The Authority replied that according to statements of Planning Wing CDA, the area was available for work when the cost estimates were prepared for calling of tenders. The project was accordingly awarded to the contractor after tendering and completing due process. About 90% of the area was made available after removal of some encroachments to undertake the construction activities. The work was in progress and 50% physical progress was achieved. The reply was not accepted because work was to be awarded after ensuring clear possession of site. Planning Wing was also a part of CDA and there should have been a co-ordination between the two Wings of CDA. Award of work without clear possession of site was in violation of rules.

The matter was discussed in the DAC meeting held on 15th January, 2015. CDA explained that internal inquiry was underway. The Committee directed CDA to expedite finalization of the inquiry with enhanced Terms of Reference (ToR) regarding road alignment and possession of site. The Committee directed CDA to submit report to Cabinet Division and Audit within seven (7) days. The compliance of DAC’s directives was not conveyed till the finalization of this report.

Audit stresses upon compliance of the DAC’s directive in letter and spirit.

(DP. 94)

2.4.5 Non-imposition of penalty for non-observance of Fire Prevention and Life Safety Regulations - Rs 217.00 million

According to Regulation 9 of Islamabad Fire Prevention and Life Safety Regulations, 2010, “whoever contravene any provision of this regulation, shall without prejudice to any other action taken against him under the Regulation 6, will be fined with, which may extend to Rs 500,000 and where the offence is a continuing one, with a further fine, which may extend to three thousand rupees for every day after first during which such offences continues.

Audit noted that Directorate of Emergency and Disaster Management CDA, Islamabad did not recover fine amounting to Rs 217.00 million from the owners of 434 buildings at Islamabad because of non-observing of Building Standards for Fire Prevention and Life Safety Regulations, 2010. This resulted in non-imposition of fine and non-recovery of Rs 217.00 million.

Audit maintained that the violation of the regulations occurred due to weak internal controls and inadequate oversight mechanism for enforcing Islamabad Fire Prevention and Life Safety Regulations, 2010.

Audit pointed out the non-imposition of penalty in September 2014. The Authority did not reply.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon early imposition of the penalty besides disciplinary action against the inefficient person(s) for non-enforcing CDA regulations.

(DP. 171)

2.4.6 Irregular award of supply contracts for Rs 149.63 million and non-deduction/non-deposit of sales tax - Rs 11.92 million

As per Rule 2(2) of Sales Tax Special Procedure (Withholding) Rules, 2007, a withholding agent (purchaser), shall deduct an amount equal to one-fifth of the total sales tax shown in the sales tax invoice issued by a registered person and make payment of the balance amount to him. Rule 2(3-A) provides that the person making purchases from unregistered persons, shall deduct sales tax at the applicable rate of the value of taxable supplies made to him from the payment due to the supplier. As per rules, Government departments are required to make purchases from income tax/sales tax registered firms.

Audit noted that Director Parliament Lodges/MNA Hostel, CDA, awarded various works through supply orders to various contractors for Rs 149.63 million during the years 2011-12 and 2012-13 to the non-registered firms. Full amount of sales tax was required to be deducted from the payments for deposit in the designated branch of National Bank of Pakistan under relevant head of account as per Rule 2(5) of Sales Tax Special Procedure Rules. However, the deduction of sales tax and its deposit into the government account was not forthcoming in the accounts record. This resulted in irregular award of supply orders for purchase of furniture and other store items for Rs 149.63 million and non-deduction of mandatory sales tax amounting to Rs 11.92 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

The matter was discussed in the DAC meeting held on 15th January, 2015. CDA explained that one-fifth of total sales tax was deducted at source and the balance was deposited by the contractors directly with FBR. The Committee directed CDA to get the deposit of full amount of sales tax with FBR verified from Audit within fifteen (15) days. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early recovery/deposit besides fixing of responsibility for purchase from non-registered firms and non-deduction of full amount of sales tax.

(DP. 24)

2.4.7 Irregular award of works/consultancy services without calling tenders - Rs 75.38 million

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

2.4.7.1 Audit observed that Directors, Parks and Grounds (East and West), CDA Islamabad awarded two works, Clean and Green Islamabad and Refurbishing of Parks in March 2014 and June 2014 for Rs 33.15 million through quotations without open competitive bidding in violation of Public Procurement Rules, 2004. This resulted in irregular award of works.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in September 2014. The Authority replied that a campaign of “Clean and Green Islamabad” was launched on emergency basis through single tender basis because tendering process takes around ninety (90) days for completing all codal formalities and legal obligations. Therefore, it was not a viable and quick solution. The reply was not acceptable as painting of grills, tree guards and dustbins in parks, could not be treated as emergency works, hence were not covered under the relevant clause of the PPRA rules. Works were awarded through limited quotation only to provide undue benefit to the contractors by awarding works on higher rates.

2.4.7.2 Audit noted that Director Environment (East), CDA, Islamabad awarded a work “Beautification of Islamabad” to M/s More Green with

contract cost of Rs 2.23 million. Audit observed that the work was awarded without calling tenders and preparation of detailed estimate. This resulted in irregular/unjustified award of work.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in October 2014. The Authority replied that Chairman CDA had directed for beautification of Islamabad immediately to uplift green belts. Accordingly, the estimate was framed and further processed for soliciting the approval of the Chairman CDA for award of work on single tender basis under Financial Powers, 2007 (Clause-IV-a) to save the time. The reply was not accepted because beautification work could not be treated as emergency work.

2.4.7.3 Audit noted that Directorate of Traffic Engineering and Transportation Planning (Planning Wing), CDA made an agreement for consultancy services for Metro Bus Project with M/s NESPAK for Rs 40.00 million on equal sharing of 50% by CDA and Government of the Punjab.

Audit observed that three (3) firms, including NESPAK, participated in the bidding for consultancy services for Metro Bus Project. The evaluation committee evaluated the financial and technical capability of all firms in which all three firms could not secure the required points as required for award of consultancy services. Subsequently, a meeting was held on 24th January, 2014 in the office of Director Punjab Metrobus Authority, Lahore and M/s NESPAK was selected for consultancy services on priority basis. The selection of NESPAK having no capability as per evaluation committee resulted in irregular award of consultancy services.

The absence of open competition compromised the award, deprived the entity of the advantage of competitive rates and denied a fair

opportunity to other prospective bidders of participation in the bidding process.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregular award of consultancy services in October 2014. The Authority replied that the agreement was signed between CDA and Punjab Metrobus Authority to conduct feasibility study for Mass Transit System for Rawalpindi and Islamabad, by engaging a consultant on 50% sharing basis. The Punjab Metrobus Authority, being the lead agency awarded the consultancy to M/s NESPAK. The reply was not accepted because CDA being co-financer for this consultancy was a part of “Consultant Selection Committee” and award of consultancy contract in violation of PPRA rules was not objected by CDA and consultancy agreement was signed by CDA as co-partner.

DAC meetings were convened on 15th and 20th January, 2015 but the paras remained undiscussed.

Audit stresses upon investigation into the matter for fixing of responsibility against person(s) at fault.

(DP. 124, 262, 247)

2.4.8 Execution of below specification items through post-bid change - Rs 25.13 million

According to PC-I/Agreement, the contractor was required to provide Golf Carts/Club Car (Electric) Imported Malaysia made with toughened glass roof.

Audit noted that Director Environment (Regional), CDA entered into an agreement for purchase of Golf carts/Club cars (Electric) and its accessories from M/s Pelican Engineers at an agreed cost of Rs 25.95 million on 30th May, 2010 to be supplied by 30th June, 2010.

Audit observed that the contractor failed to provide the Golf Carts in the scheduled time and supply order was rescinded by the Member (Environment) CDA on 22nd March, 2011. Audit further observed that the supply order was revived by CDA and later on “make” and “roof” specification of the Golf carts were changed (“make” changed from Malaysia to China). During the process of pre-qualification, the design and make was mentioned by the each participant. Therefore, the change of make after award of work was not justified. Audit held that change of “make” and “roof design” in the contract agreement at later stage was an undue financial benefit to the contractor.

The post-bid changes resulted into execution of below specification work for Rs 25.13 million (Cost paid for 12 Golf carts/club cars).

Audit maintained that post-bid amendment in make and specifications was due to lack of internal controls.

Audit pointed out the below specification items in October 2014. The Authority did not reply.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses that matter be investigated and responsibility be fixed.

(DP. 192)

2.4.9 Mis-procurement of contracts without calling tenders - Rs 23.29 million

Rule 20 of Public Procurement Rules, 2004 provides that save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Audit noted that the Director, Aiwan-e-Sadr Maintenance Civil, executed four contracts on account of refurbishment/ maintenance works valuing Rs 23.29 million without inviting open tenders through press. These works were termed as deposit works as funds were provided by the Ministry of Foreign Affairs for furnishing of 4th, 5th and 7th Floor of Aiwan-e-Sadr in order to hold a Quadrilateral Summit at Islamabad. It was worth mentioning that said summit was not held and under cover of urgency the procurement was treated as emergency work by dispensing with all codal formalities and PPRA Rules i.e. invitation of tenders through wide publicity for achieving competitive rates.

Audit held that the summit meeting was scheduled well in advance and there was sufficient time for its preparation. CDA initiated refurbishment activity at belated stage and termed it as an emergency work. Non-adherence to rules caused mis-procurement of contracts valuing Rs 23.29 million.

Audit pointed out the irregularity in March 2014. The Authority replied that the Quadrilateral Summit was scheduled and directions to undertake minimum renovation/uplift work were communicated when the CDA was left with only three weeks. Under such specific circumstances, the PPRA Rules 2004 also permits direct contracting in case of emergency situation vide PPRA Rules-42(c)(ii), (42(c)(iii), 42(c)(v) and 42(c)(vi) as government had authorized the consultants M/s NESPAK to verify the bills. Further, there was no slackness at part of CDA rather it acted as per demand of the occasion. There was no sufficient time to finalize requirements/scopes and calling for tenders which required minimum fifteen (15) days, then evaluation and award of work may further take minimum three to four weeks before the work is undertaken.

In reply it was conceded that contracts were procured without calling tenders in violation of PPRA rules without getting the Emergency clause invoked with the approval of Principal Accounting Officer.

The matter was discussed in the DAC meeting held on 15th January, 2015. Audit contended that only PAO was authorized to invoke emergency under PPRA. The Committee decided that matter be referred to Cabinet Division for soliciting ex-post facto approval/condonation from PAO. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon compliance of DAC's directive at the earliest and disciplinary action against the delinquents.

(DP. 54)

2.4.10 Irregular award of work in violation of PC-I - Rs 19.32 million

Estimate for Archaeological excavation at Archaeological sites of Shah Allah Ditta and Ban Faqiran, conveyed vide Cabinet Secretariat letter dated 21st September, 2011 provides an amount of Rs 10.54 million for conservation/restoration of structural remains to be exposed after systematic archeological excavation.

Audit noted that Environment Directorate (Regional) CDA prepared and got approved PC-I for Rs 43.56 million from the CDA Development Working Party including construction of drain/retaining wall, sit out area, etc. beyond/away from the archaeology site instead of very purpose of the PC-I for Rs 10.54 million provided for conservation/restoration of structural remains of historical sites. Against provision of PC-I a contract of Rs 19.32 million was awarded for construction of retaining wall, drain and sit out area etc. far away from the historical site (Sadu da Bagh at Shah Allah Ditta) not relevant to the estimate provided by the Archeological department. During site visit, it was observed that RCC drain already existed on site and functioning properly. Cost of new drain was just wastage of resources. Therefore, award of work for Rs 19.32 million was not meant for the purpose spelled out under PC-I.

Audit maintained that the irregularities occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in September 2014. The Authority replied that the main purpose for execution of work was the preservation of Archeology Historical Site and old tree in ICT Islamabad. The reply was not accepted because the PC-I was approved keeping in view the proposal of the Archeology Department but CDA got executed the work at the site that was not proposed by Archeology Department. New drain was not required in presence of existing functional drain.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation in the matter for fixing responsibility for wasteful expenditure.

(DP. 131)

2.4.11 Irregular enhancement of work beyond the original scope - Rs 10.21 million

Rule 42 (c) (iv) of Public Procurement Rules, 2004 provides that a procuring agency shall only engage in direct contracting if the repeat orders do not exceed fifteen percent (15%) of the original agreement. According to Rule 50 of ibid Rules, any violation of these Rules constitutes mis-procurement.

The Inter-Departmental Committee (IDC) of the Public Accounts Committee (PAC) in its meeting dated 17th July, 2001 decided that the management is not empowered to award a new work as additional work to an existing contractor without calling open tenders. It only allows minor adjustments in the already awarded work so as to complete it in all respect.

Audit noted that Deputy Director, Maintenance Division, Parliament Lodges, CDA, Islamabad awarded a work for supply of furniture in Parliament Lodges suites Block 'E', Islamabad, to M/s General Furniture Company on 28th January, 2011 for Rs 23.57 million.

Audit observed that the scope of work was enhanced by Rs 10.21 million which constituted an excess of 43.31% on the original scope of work without calling open tenders.

In the absence of open competition, CDA compromised the transparency, depriving the entity of the advantage of competitive rates, and denied a fair opportunity to other prospective bidders of participation in the bidding process. Audit maintained that the violation occurred due to inadequate oversight mechanism for ensuring effective exercise of the relevant internal controls.

Audit pointed out the irregularity in September 2014. The Authority did not reply.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon fixing of responsibility for the irregularity.

(DP. 204)

Performance

2.4.12 Loss due to non-removal of encroachment - Rs 9,000.00 million

Section 5 (2) of Federal Government Land and Building (Recovery and Possession) Ordinance, 1965 provides that if any person refuse or fails to vacate any land or building, any officer authorized in this behalf by Federal Government may, notwithstanding anything contained any other law for the time being in force, enter upon such land and recover possession of the same by evicting such person and may also demolish and remove the structure, if any, erected or built by that person. Further for the purpose of recovering possession of any land under the provision, an officer authorized by the Federal Government in this behalf may use or cause to be used such force as may be necessary as provided in Para 6.

Audit noted that CDA land measuring 3,000 kanals situated on the Margallah foot hills at Sri Saral village in the National Park Area Islamabad had been encroached by the different encroachers since long.

Audit observed that Director Environment (Regional), CDA, Islamabad failed to get the encroached CDA land vacated from the adverse possession. This resulted into non-removal of encroachment of CDA land valuing Rs 9,000.00 million @ Rs 3.00 million per kanal (approximately).

Audit pointed out the non-retrieval of land/loss in October 2014. The Authority did not respond to the observation.

Audit maintained that irregularity occurred due to lack of oversight mechanism for implementation of internal controls.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation and initiating appropriate action for the removal of encroachment and retrieval of land besides disciplinary actions against person(s) responsible.

(DP. 197)

2.4.13 Wasteful expenditure of Rs 7.16 million

As per Technical Sanctioned Estimates of the works of installation of tube wells at H-9 Weekly Bazar, Islamabad and Shahzad Town, Islamabad, the works were required to be completed within six (6) months. The works were awarded on 14th July, 2008 and 16th January, 2009, respectively.

Audit noted that Directorate of Water and Sewerage (Development) made payments to the contractors for Rs 7.16 million for both the works. It was observed that neither the accounts of the contractors

were finalized nor the tube wells could be made functional despite lapse of five to six years.

Audit maintained that the wasteful expenditure occurred due to weak internal controls and negligence on the part of management.

Audit pointed out the wasteful expenditure in August 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 15th January, 2015. CDA explained that works were completed in accordance with design issued by the Geology and Hydrology Lab CDA. The Committee was not convinced and directed CDA to hold an inquiry for fixing responsibility for non-functioning of tube wells and submit report within fifteen (15) days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon compliance of the DAC's directive to fix responsibility and action against the responsible(s) besides recovery of the loss.

(DP. 108, 109)

Internal Control Weaknesses

2.4.14 Non-imposition of liquidated damages Rs 272.84 million and non-utilization of funds - Rs 752.48 million

As per Contract Clause-47.1, if the contractor fails to comply with time for completion of the works, then the contractor shall pay to the Employer relevant sum stated in the Appendix to Tender as liquidated damages for such default and not as a penalty (which sum shall be the amount due from the contractor for such default) for every day. In Appendix-A, maximum liquidated damages are 10% of the contract cost.

Audit noted that the Director Works, CDA, Islamabad awarded a work "Construction of additional (104) family suites for members of the

Parliament including servant quarters block for 500 persons beside existing Parliament Lodges at Sector G-5/2, Islamabad” at an agreed cost of Rs 2,728.45 million to M/s Habib Rafiq Ltd. The work was to be started on 23rd November, 2011 and completed upto 22nd November, 2013.

Audit observed that the contractor did not execute any work during the year 2013-14 and overall achievement/physical progress was 19% only. Expenditure was only incurred on consultancy services as well as payment to the contractor on account of price adjustment for Rs 16.07 million. It was further observed that a huge amount of budget of Rs 752.48 million was not utilized during the year 2013-14 and lapsed. This resulted into non-utilization of allocated funds and non-imposition of liquidated damages of Rs 272.85 million @ 10% of the contract cost.

Audit maintained that the non-utilization of funds and non-imposition of liquidated damages occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-imposition of liquidated damages and non-utilization of funds in September 2014. The Authority replied that site clearance could not be made due to possession of security agencies and non-vacation of servant quarters. However, after three notices, liquidated damages in advance @ 10% were imposed on the contractor. The consultant of the project recorded the progress for first interval and issued his reprise of the slow progress of work but later due to processions and sit-ins in the red zone the site remained closed from 8th August, 2014 till date. The reply was not accepted because contractor did not complete the work as per contract schedule. Moreover, the work was required to be completed in November 2013 whereas the sit in was started in August 2014.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses that matter be investigated and responsibility be fixed for the lapse besides imposition of liquidated damages.

(DP. 259)

2.4.15 Non-recovery of premium, delayed payment charges, licence fee and other outstanding charges - Rs 764.91 million

Rule-26 of General Financial Rules (Vol-I) provides that it is duty of the departmental officer to see that all sums due to government are promptly assessed, realized and credited into public account.

2.4.15.1 Audit noted that M/s Al Safa Golden Co. (Pvt.) Limited submitted a bid against Plot No. 5 (DHS), F-7, Islamabad for Rs 1,212.67 million. The bidder paid a total amount of Rs 951.18 million till 19th July, 2012.

Audit observed that an amount of Rs 454.79 million was calculated by the Finance Wing as outstanding against the bidder on 30th July, 2013 which included balance premium and delayed payment charges. M/s Al Safa Golden Co. (Pvt.), Limited did not deposit the balance amount upto 24th February, 2014 and the amount of Rs 454.79 million remained outstanding. This resulted into non-recovery of premium and delayed charges of Rs 454.79 million.

Audit pointed out the non-recovery in September 2014. The Authority replied that show cause notice dated 2nd February, 2013 was issued to the allottee for payment of outstanding premium and delayed charges amounting to Rs 454.79 million against which allottee got stay order from Civil Court on 19th March, 2013 which was still pending.

2.4.15.2 Audit noted that tax and water and allied charges of Rs 205.60 million were outstanding against various private, commercial/industrial, government/semi government buildings in Islamabad upto June 2013.

Audit observed that the Authority did not realize/recover the outstanding amount from the owners of various buildings in Islamabad.

This resulted into non-recovery of outstanding property tax and water and allied charges for Rs 205.60 million.

Audit pointed the non-recovery in April 2014. The Authority did not reply.

2.4.15.3 Audit noted that Directorate of Municipal Administration, CDA, allotted thirty-two (32) licences of billboards at different locations.

Audit observed that allottees did not pay their bid price/rent regularly from the date of allotment and action towards cancellation of these allotments after forfeiture of security was not initiated. These spots were not taken back and re-auctioned. The act of negligence deprived off CDA from revenue of Rs 104.52 million which resulted in loss to the Authority.

Audit pointed out non-recovery in July 2014. The Authority did not reply.

Audit maintained that recovery of lease money, delayed payment charges, property tax, allied charges, licence fee, rent and utility charges was not made due to deficient revenue-recognition policies, disregard to the rules/regulations and weak internal controls.

DAC meetings were convened on 15th and 20th January, 2015 but the paras remained undiscussed.

Audit stresses upon strengthening of internal controls and early recovery of outstanding dues from the defaulters besides disciplinary action against the responsables for the negligence.

(DP. 158 , 05, 142)

2.4.16 Non-recovery of installments from allottees of plot - Rs 514.80 million

As per revised payment schedule issued by the Authority, installments of the plot for Park Enclave were required to be deposited as under:

Installment	Due date	Payable Amount
1 st	28.02.2014	Rs 1.8 million
2 nd	30.04.2014	Rs 1.8 million
3 rd	30.06.2014	Rs 1.8 million

Audit noted that 143 plots of allottees did not deposit the 2nd and 3rd installments of the cost of plots and Authority failed to recover the said installments from the allottees as per contract condition of allotments. This resulted into non-recovery of Rs 514.80 million.

Audit maintained that recovery was not upto the mark due to mismanagement which resulted in lack of development activities at site that compromised the confidence of the allottees.

Audit pointed out the non-recovery in July 2014. The Authority replied that notices were issued to the allottees to deposit the balance payment. The reply was not acceptable as the progress of the work in Park Enclave was very slow due to which many allottees applied for refund of installments already paid to CDA.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon early completion of the project and recovery of dues from allottees as per agreed schedule.

(DP. 100)

2.4.17 Non-recovery of land conversion fee/penalty for change in layout plan and start of construction without approval of building plan - Rs 360.99 million

According to CDA Board Decision dated 31st December, 2004, NOC for construction of multi-storey apartments (Khudadad Heights) was granted subject to payment of land use conversion fee to be determined by Finance Wing, CDA. Fee of Rs 3,089 per square yard was approved by the F.A/Member on 28th July, 2005.

Audit noted that the Director (Housing Societies) Planning Wing CDA issued NOC for construction of Khudadad Heights in Sector E-11 on 22nd February, 2006 for construction of apartments on land measuring forty-seven kanals and two marlas. The management of Khudadad Heights did not deposit land use conversion fee despite lapse of eight years. Further, as per drawing submitted to CDA, plot area of the building was enhanced to 91.7 kanals. This resulted into non-recovery of land conversion fee, penalty for change in layout plan and start of construction without approval of building plan for Rs 360.99 million.

Audit maintained that the recovery was not effected due to deficient revenue recognition policies, disregard to the rules, regulations and weak internal controls.

Audit pointed out the non-recovery in February 2014. The Authority did not reply.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon early recovery of fee/penalty from the allottee.

(DP. 01)

2.4.18 Non-recovery of Rs 270.72 million

According to Rule 10 of GFR (Vol-I), every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

As per Demand Notice issued by IESCO to Pak Gulf Construction (Pvt) Ltd on 16th September, 2010, for construction of 132 KVA Air Insulated Grid Station at Fatima Jinnah Park, F-9, Islamabad along with its feeding transmission line for Centaurus Tower on Cost-Deposit Basis, M/s Pak Gulf Construction (Pvt), Ltd was required to deposit a sum of Rs 270.72 million.

A meeting was held between Chairman Board of Investment and Chairman CDA on 25th September, 2012 to discuss issues relating to provision of electricity to Centaurus Project, Blue Area, Islamabad wherein it was decided that M/s Pak. Gulf Construction will pay a sum of Rs 200.00 million to CDA as 1st installment for the construction of Grid Station prior to the payment to M/s IESCO by CDA.

Audit noted that the Director (Electrical and Mechanical) CDA paid Rs 270.72 million to M/s IESCO for construction of 132 KVA Grid Station at Sector F-9, Islamabad upto 5th March, 2014. The payment was recoverable from M/s Pak. Gulf Construction (Pvt) Ltd. Audit observed that the amount was not re-imbursed by M/s Pak. Gulf Construction (Pvt) Ltd. This resulted in non-recovery of Rs 270.72 million.

Audit maintained that the payment on behalf of the Centaurus Project management from CDA own source and non-recovery was due to weak financial controls.

Audit pointed out the non-recovery in October 2014. The Authority did not reply.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon early recovery besides disciplinary action against the person(s) at fault.

(DP. 244)

2.4.19 Loss due to illegal occupation of green belts for business activities - Rs 254.22 million

As per Section 5 (2) of Federal Government Land and Building (Recovery and Possession) Ordinance 1965, if any person refuses or fails to vacate any land or building, any officer authorized in this behalf by Federal Government may, notwithstanding anything contained in any other law for the time being in force, enter upon such land and recover possession of the same by evicting such person and may also demolish and remove the structure, if any, erected or built by that person. Further, for the purpose of recovering possession of any land under the provision, an officer authorized by the Federal Government in this behalf may use or cause to be used such force as may be necessary as provided in Para 6.

Audit conducted a survey of the sites on sample basis and found that twenty-three open spaces were being used illegally as marriage halls, car parking, food stalls and kiosks of different trades on the green belt of CDA's land in various Sectors of Islamabad. Authority was responsible for safeguarding of its land and retrieving the possession from encroachers but no action was initiated to retrieve the encroached land. This resulted into a loss of Rs 254.22 million approximately on account of rent for one year on minimum estimated basis.

Audit maintained that loss occurred due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out the loss in October 2014. The Authority replied that it was sole responsibilities of Enforcement Directorate to take action

against the encroachers. The reply was not accepted because the green belts were being maintained by the Directorate of Environment (West).

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation into the matter besides fixing responsibility on the person(s) concerned for illegal use of open spaces in green belt having adverse impact on environment.

(DP. 249)

2.4.20 Non-accountal of equipment, air-conditioners and light poles - Rs 204.07 million

Rules 151-153 of GFR (Vol-I) provide that the head of an office or any other officer entrusted with stores of any kind should take special care for arranging for their safe custody, for keeping them in good and efficient condition and for protecting them from loss, damage. Suitable accommodation should be provided more particularly for valuable and combustible stores. He should maintain suitable accounts and inventories and prepare correct returns in respect of the stores in his charge with a view to preventing losses through theft, accident, fraud or otherwise and to making it possible at any time to check the actual balances with the book balances and the payment to suppliers, etc.

2.4.20.1 Audit noted that the Director Parliament Lodges, CDA, Islamabad purchased electrical and mechanical equipment worth Rs 187.03 million but these items were not taken on stock. Form-8 (Tool and Plant Register) showing accountal of material was not maintained. Moreover, 113 air-conditioners worth Rs 7.15 million, removed from Parliament Lodges Building, Islamabad were also not taken on the stock.

Audit maintained that the non-accountal occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-accountal in October 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 15th January, 2015. CDA explained that accountal of the items was made directly on the Measurement Books instead of taking on Stock Register. As regard accountal of 113 air-conditioners, Audit contended that in the physical verification report of Deputy Director, Maintenance Division-I, some discrepancies in stock were observed. Deputy Director, Maintenance Division-I, CDA also confirmed the same during DAC meeting. The Committee directed the Authority to share the findings of the physical verification report and inquiry with Audit within fifteen (15) days. The Committee further directed Director General (Services), CDA to prepare inventory of new equipment, hold inquiry, conduct physical inspection and submit report within thirty (30) days. The compliance of DAC's directives was not conveyed till the finalization of this report.

Audit stresses upon compliance of the DAC's directives to fix responsibility and action against the responsible(s).

(DP. 22, 23)

2.4.20.2 Audit noted that the Director Electrical and Mechanical (Development), CDA, Islamabad awarded a work "Rehabilitation/Up-gradation of road lights at dual carriageway, Islamabad" to a contractor at an agreement cost of Rs 24.15 million on 17th December, 2007. The contract was rescinded due to imposition of unnecessary conditions by the contractor after award of work.

Audit observed that before rescission of the work, street lights and fixtures dismantled by the contractor were not taken back on stock of the Authority. Form-8 (Tool and Plant Register) showing accountal of material was not maintained. Thus, chances of misappropriation of the electric poles/fixtures amounting to Rs 9.89 million cannot be ruled out.

Audit maintained that the non-accountal occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-accountal in March 2014. The Authority did not reply.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation into the matter and disciplinary action against the person(s) responsible.

(DP. 43)

2.4.21 Loss due to non-maintenance of proper record of plantation - Rs 93.19 million

Rule 145 of GFR (Vol-I) provides that purchases must be made in the most economical manner in accordance with the definite requirements of the public service. Stores should not be purchased in small quantities. Periodical indents should be prepared and as many articles as possible obtained by means of such indents. At the same time, care should be taken not to purchase stores much in advance of actual requirements, if such purchase is likely to prove unprofitable to government.

Audit noted that Directors Environment (East) and (Regional) CDA, Islamabad incurred an expenditure of Rs 83.45 million and Rs 9.74 million, respectively on account of Tree and Flower Plantation, etc. during the period 2009-10 to 2013-14.

Audit observed that no detailed record regarding inventory, location of plantation and up-keeping of the plants was maintained. Due to non-accountal and improper inventory chances of mis-appropriation of plants cannot be ruled out. It was further noted that CDA was maintaining its own Nursery over thirty-five acres of land to meet the requirement of plants for Islamabad since 1962 but in the presence of full-fledged CDA

Nursery, procurement of plant from open market through contract was not justified.

Audit maintained that irregularity occurred due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out the non-maintenance of record in October 2014. The Authority replied that CDA Nursery was regularly growing tree plants and seasonal flowers. Every year CDA Nursery was growing about ten million seasonal flowers and one million trees/shrubs. It was worth mentioning that Environment Directorate had been purchasing those plants from other sources which could not be grown in CDA Nursery. All record was being maintained properly, where only purchasing was involved the said plants were properly taken on stock register and where the providing and planting the trees/plants and shrubs etc. were involved the said plants were properly recorded in Measurement Book. The reply was not accepted because no record of trees and plants was maintained showing inventory, marking and plantation sites.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation in the matter and disciplinary actions against the person(s) responsible.

(DP. 199, 264)

2.4.22 Non-removal of kiosks/sale counters and non-recovery of rent - Rs 81.72 million

Para-3(i) (Chapter-III) of CDA Policy regarding location of Cabin Shops, Kiosks, Tea Stalls and Temporary Structures in Islamabad states that in developing sectors, there is always a time lag between the

development of houses and opening up of shops. While houses keep coming up “a few here and a few there” the shops come into being only when sufficient clientele is ensured. To bridge the lag an interim arrangement needs to be made to facilitate shopping to the community where Bazars (Class-III Shopping Centres) are expected to take some time to develop. Location of two or three cabin shops (8' x 8') and a tea stall (12' x 14') in the area of Bazar could serve this purpose.

Audit noted that Directorate Municipal Administration, CDA allotted 454 licenses of Kiosks and counter cabins in different sectors/locations of Islamabad before the year 1992. These temporary allotments should have been cancelled after construction of permanent markets and structure as per policy. These kiosks were shown cancelled on papers but actually were not removed by DMA as evident from survey conducted by Audit.

Audit observed that neither the kiosks were removed nor commercial rent of Rs 81.72 million (approximately) was charged to the beneficiaries/allottees.

Audit maintained that non-removal of kiosks and non-recovery of commercial rent occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-removal of kiosks and non-recovery of rent in July 2014 but no reply was furnished by the Authority.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation and action against the responsible(s) besides imposition of penalty/recovery from the beneficiaries based on fresh survey.

(DP. 140)

2.4.23 Non-auction of available spots - Rs 73.25 million

As per Rule 23 of General Financial Rules (Vol-I), every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence at his part.

Audit noted that Directorate of Art and Craft Village (Operation and Maintenance), CDA Islamabad was maintaining thirty-one (31) spots since 25th January, 2010. The spots were put to auction during the year 2012 but no further progress towards the disposal of spots through auction was found on record. This negligence caused a loss of Rs 73.25 million to the Authority from January 2010 to June 2014 (excluding regular increases).

Audit maintained that negligence occurred due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out the loss/non-auction in September 2014. The Authority replied that the project could not be finalized due to scarcity of funds and handing/taking over of the site was still in process. The reply was not accepted because as per CDA record the project was completed in June 2010. Non-auction of sites was an act of negligence on the part of CDA which caused a loss of Rs 73.25 million.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation in the matter and action against the person(s) at fault.

(DP. 222)

2.4.24 Non-recovery on account of risk and cost - Rs 61.52 million

According to Clause 27.2 (c) of agreement, if the Employer terminates the contract, he shall be entitled to recover from the contractor any loss he has suffered upto the maximum amount stated in the Preamble. If no maximum amount is stated, the Employer shall not be entitled to recover more than that part of the Contract Price which is attributable to that part of the works which cannot by reason of the contractor's failure be put to the intended use.

Audit noted that Director Electrical and Mechanical (Development), CDA, Islamabad awarded a work "Providing/installation of road/street lights in Sector G-13, Islamabad" to M/s Shaheen Enterprises at an agreement cost of Rs 90.41 million on 20th April, 2011. The work was required to be completed by 19th October, 2011.

Audit noted that the contractor could not complete the work and the work was rescinded under clause 27.2(c) of the contract agreement due to slow progress. The original contractor was paid for Rs 20.92 million leaving balance work of Rs 69.19 million. Balance work was awarded for Rs 130.71 million at the risk and cost of the original contractor but the risk and cost amount of Rs 61.52 million was not recovered from the defaulting contractor.

Audit maintained that the non-recovery of risk and cost charges occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-recovery in March 2014. The Authority replied that the case was in court of law and recovery would be calculated after court decision. The reply was not accepted because the work was rescinded in 2011 but no efforts were made for recovery till the contractor went to the court. Moreover, the case was also not pursued actively in the court of law.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon recovery of risk and cost amount from the defaulting contractor at the earliest.

(DP. 41)

2.4.25 In-efficient utilization of funds amounting to Rs 50.67 million and overpayment due to incorrect application of rates - Rs 3.04 million

Para 2.1 of Guidelines for Project Management provides that policy of the Government of Pakistan is to utilize natural and economic resources of the country efficiently for socio-economic welfare of the people. Para 3.6 of Guidelines for Project Management provides that the rationale behind the project appraisal is to provide the decision-makers financial and economic yardsticks for the selection/rejection of projects amongst competing alternative proposals for investment. If the project is found technically sound, financially and economically viable and socially desirable only then project is approved.

2.4.25.1 Audit noted during review of the estimate/BOQ/contract of the work “Dualization of service road (North), Sector I-10 to I-11, Islamabad” that an additional carriageway was to be constructed in order to dualize the service road North alongwith box culvert and a small bridge in order to facilitate the industrial zone of I-10 Sector.

Audit observed that work was to be completed within eight (8) months from its commencement. However, despite expiry of twenty-eight (28) months after lapse of the original completion period and incurring of expenditure of Rs 50.67 million for laying of sub-base, the work was abandoned. Only earth work and sub-base were got executed leaving Triple Surface Treatment, exposing the work to the damage from heavy rains. Thus, the entire expenditure was likely to be gone wasted.

Audit maintained that weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations resulted in infructuous expenditure of Rs 50.67 million without any achievement of public utility.

Audit pointed out the wasteful expenditure in August 2014. The Authority replied that the work was incomplete due to financial crisis, non-shifting of 63 electric poles which were falling in the approved alignment of the road, and court case filed in Islamabad High Court for reconsideration of the road design. In reply it was conceded that project/work was initiated without proper planning as feasibility for any project cannot be approved without ensuring availability of financial resources and physical surveys of the site.

(DP. 110)

2.4.25.2 Clause 52.1 of the contract “Dualization of Service Road (North) Sector I-10 to I-11, Islamabad” provides that all variations shall be valued at the rates and prices set out in the contract if, in the opinion of the Engineer, the same shall be applicable.

Audit noted that estimate of the work was prepared on the basis of NHA Composite Schedule of Rates (CSR), 2009 and the work was put to tender where M/s Arshad and Co. stood lowest by quoting bid @ 16% below the CSR. During execution of the work certain extra items were cropped up and rates of these items were derived from the market instead of NHA CSR despite the fact that rates for these items were available in NHA CSR. Non-adherence to contract provision and application of higher rates resulted in overpayment of Rs 3.04 million to the contractor.

Audit maintained that mismanagement of the project and the overpayment occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in August 2014. The Authority replied that the rates of item as evaluated on market were not available in the priced BOQ of contract and accordingly new rates were worked out

duly approved by the competent authority. There was no deviation from the agreement and no higher rates were applied. The reply was not accepted because as per contract varied work shall be valued at rates and prices set out in the contract. The contract prices were set out 16% below the NHA CSR, therefore, additional work was required to be priced as per said provision instead of market price.

(DP. 111)

The paras were discussed in the DAC meeting held on 15th January, 2015, wherein the Committee directed Member (Planning) CDA to hold an inquiry for fixing responsibility for mismanagement in the execution of work and submit report to Cabinet Division and Audit within one month. The Committee further directed to recover overpayment made to the contractor by allowing market rate instead of NHA CSR. The compliance of DAC's directives was not conveyed till the finalization of this report.

Audit stresses upon compliance of the DAC's directives regarding fixing responsibility, recovery of overpaid amount and action against the responsible(s).

2.4.26 Non-recovery of mark-up - Rs 40.55 million

According to Para 2-B of the sale agreement with owner of the Centaurus, M/s Pak Gulf Construction Pvt. Ltd., 75% of the consideration amounting to Rs 4,568.22 million shall be paid by the purchaser in twelve equal quarterly installments with a mark-up based on six month Karachi Interbank Offered Rate (KIBOR) for the previous three (3) months. The rate for the period upto the payment of the 1st quarter shall be calculated on the date of the signing of this agreement on the basis of six month KIBOR or the State Bank of Pakistan (SBP) average discount rate, as the case may be for the three months preceding to signing of this agreement and applicable rate for each subsequent quarter shall be calculated on the basis of six (6) months KIBOR and for if any reason KIBOR is no longer valid or applicable the SBP average discount rate shall apply for the respective quarter.

Audit observed that the owner of Centaurus was not paying mark up as agreed under the above clause of the sale agreement and a sum of Rs 40.55 million was outstanding against M/s Pak Gulf Construction (Pvt.) Ltd upto 30th June, 2014. This resulted into non-recovery of Rs 40.55 million.

Audit maintained that the recovery was not effected due to deficient revenue recognition policies, disregard to the rules, regulations and weak internal controls.

Audit pointed out the non-recovery in September 2014. The Authority replied that notices were issued to M/s Pak Gulf Construction (Pvt) Ltd. to pay the markup amounting to Rs 40.55 million but no response received.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon early recovery of markup besides disciplinary action against the person (s) responsible.

(DP. 164)

2.4.27 Non-recovery of rent - Rs 32.35 million

Clause (c) of terms and conditions of standing lease agreement between CDA and companies provides that rent of the plot shall be Rs 120,000 per acre per annum subject to 15% increase after every five years. In addition, 5% annual profit shall be charged as rent.

Audit noted that Director Parks and Ground CDA Islamabad did not recover due rent from ten (10) companies/lessees of plots/sites in Lake View Park, as per terms and conditions of the lease agreement for the period from July 2011 to September 2014. Moreover, 5% annual net profit was also not charged/ recovered. This resulted into non-recovery of rent of Rs 32.35 million.

Audit maintained that the recovery of rent was not made due to weak financial controls.

Audit pointed out the non-recovery in September 2014. The Authority replied that all the defaulters were directed to deposit the outstanding amount along with 5% normal net profit. However, record showing recovery was not produced to Audit for verification.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon recovery of outstanding rent alongwith 5% normal net profit, besides investigating the matter for non-obtaining of audited accounts of the lessees regularly for ascertaining 5% share of net profit.

(DP. 123)

2.4.28 Non-imposition/recovery of penalty for unauthorized construction of apartments - Rs 30.60 million

According to Annexure-B(5)(iii) of Islamabad Residential Sectors Zoning (Building Control) Regulations 2005, penalty for construction without approval of building plan is chargeable @ Rs 50 per sft.

Audit noted that the Director (Housing Societies) Planning Wing, CDA issued approval of Layout plan of medium rise apartments named as “Shahia River View Apartments” (G + 8 storeys) over an area of 41.95 kanals in mouza Lohi Bher Zone-5 Islamabad on 14th April, 2009. The management of the scheme did not obtain NOC due to non-fulfillment of requirements given in approval of layout plan. Therefore, approval of layout plan and provisional permission for marketing and sale of apartments was withdrawn vide letter dated 13th November, 2013. The construction work was started at site without approval of building plan. Thus, the management of the scheme was liable to pay penalty for unauthorized construction but no such penalty was imposed/recovered.

This resulted into non-imposition/recovery of penalty of Rs 30.60 million (612 apartments x1,000 sft @ Rs 50 per sft).

Audit maintained that recovery was not made due to lack of implementation of internal controls ensuring timely recovery of penalties and disregard to the relevant rules and regulations.

Audit pointed out the non-recovery in February 2014. The Authority replied that layout plan of Shahia River View Apartments was approved by CDA on 14th April, 2009 which was subsequently cancelled on 13th November, 2013 due to failure to abide by the terms and conditions of the layout plan. However, start of construction without approval of building plan falls under purview of Directorate of Building Control. The reply was not accepted because after withdrawal of approval of layout plan, penalty for violations was to be imposed by Directorate of Housing Societies.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation in the matter for fixing responsibility and action against the responsible(s).

(DP. 03)

2.4.29 Loss due to award of work at higher rates - Rs 22.45 million

As per agreement/BOQ of the work, 'Addition/replacement of children playing gadgets in different parks in Directorate of Parks (West) CDA Islamabad' an item of work, '1st coat of painting on new or old work such as iron guard bars, iron bars gates, railing and similar open work with synthetic enamel paint and 2nd and subsequent coat, was provided in NIT @ Rs 57.21 per sq. m and contractor quoted its rates 20.99% below on scheduled items.

Audit noted that Director Ground and Parks CDA, Islamabad awarded two works, "Clean and Green Islamabad" and "Refurbishing of

Parks in Environment Directorate” in March 2014 and June 2014, respectively for Rs 33.15 million through quotations without open competition.

Audit observed that both works consisted of only one item i.e. painting on old iron /fiber and wood work of any shape with enamel paint of approved make/shade with two coats at any height @ Rs 177.24 per sq. m without open tendering on quotation basis instead of awarding the work on MES Schedule of Rates @ Rs 57.21 per sq. m. This resulted into loss of Rs 22.45 million as calculated below:

Rate at which work was awarded	= Rs 177.24 per sq. m
Applicable rate of MES-CSR	= Rs 57.21 per sq. m
Excess rate	= Rs 120.03 per sq. m
Quantity of both works (122,050 + 65,000)	= 187,050 sq. m
Loss (187,050 sq. m x Rs 120.03 per sq. m)	= Rs 22.45 million

Audit maintained that the loss occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the loss in September 2014. The Authority replied that the two items could not be compared with scheduled items. In the work “Refurbishing of parks” and “Clean and Green Islamabad” under Parks Directorate the quantity to be executed was 187,050 sq. m which was far more than 1,607.57 sq. m of the work awarded through open tenders. The reply was not accepted because in another work, awarded through open competition, the rate received was 20.99% below the rate of Rs 57.21 per sq. m and rate were accepted at Rs 45.20 per sq. m. Audit is constrained to conclude that award of work in violation of Public Procurement Rules resulted in irregular award and loss to the Authority.

DAC meeting was convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation in the matter for making the loss good from the source at fault.

(DP. 127)

2.4.30 Non-recovery of property tax - Rs 16.53 million

According to Section 49-A of CDA Ordinance, 1960, any sum due to the Authority from or any sum wrongly paid to any person under this Ordinance shall be recoverable as arrears of land revenue.

Audit noted that Silver Oaks Apartments were completed in April 2010 but an amount of Rs 16.53 million was outstanding against the owner on account of property tax since April 2010.

Audit observed that Revenue Directorate, CDA neither recovered the outstanding dues from the owner nor taken any actions in this regard including legal proceedings and disconnection of water supply and other municipal services. This resulted into non-recovery of outstanding dues of Rs 16.53 million on account of property tax from Silver Oaks Apartments.

Audit maintained that recovery was not made due to lack of implementation of internal controls ensuring timely recovery of dues and disregard to the relevant rules and regulations.

Audit pointed out the non-recovery in April 2014. The Authority did not reply.

DAC meeting was convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon early recovery of the outstanding dues besides fixing responsibility against the person(s) responsible.

(DP. 04)

2.4.31 Loss due to negligence in award of Kiosks/sale counters - Rs 7.39 million

Rules 20 to 23 of General Financial Rules (Volume-I) provide that every government officer should realize fully that he will be held responsible for any loss sustained by government through fraud or negligence on his part or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action. It is of significant importance to avoid delay in the investigation of any loss due to fraud, negligence financial irregularity.

Audit noted that Director (Zoo), CDA issued six (6) licences of Kiosks and counter cabins during 2008 in different locations of Zoo. Audit observed that these spots were allotted at obligatory rent of Rs 2,700 to Rs 3,000 per month on their applications since 2008 instead of open auction. These acts of negligence deprived CDA of legitimate revenue due to application of lesser rent. Had these shops/Kiosks allotted on commercial basis through open auction, CDA could have earned fair amount of revenue. Due to negligence, the Authority sustained a loss of Rs 7.39 million (approximately).

Audit maintained that the loss occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the loss in October 2014. The Authority did not reply.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon open auction of commercial spots of the Zoo.

(DP. 295)

2.4.32 Overpayment due to non-deduction of voids - Rs 6.89 million

Item 28.1.11 of Pak. PWD Specifications (Building and Roads), 1973 provides that actual number per hundred cubic feet quarry excavation acceptable performed and /or compacted shall be measured. The material obtained from blasting and rock cutting, will be closed stacked. The stacks will be measured and the gross measurement reduced by 33% percent to allow for voids to arrive at the quantity payable under these items.

Audit noted that Deputy Director Road Division-III, CDA Islamabad, during execution of work “Construction of Khyaban-e-Margallah from G.T Road to D-12 Islamabad” measured and paid an item of work roadway excavation. Measurements taken in MB for rock excavation and embankment filling shown that quantities of both items were taken through tape measurement duly test checked by the Engineers.

Audit observed that quantities of both items of excavation and filling were shown measured in stacks for which 33% deduction on account of voids was to be made to arrive at actual payable quantity. Deduction on account of void was not made. Non-deduction of voids from loose quantities of excavated earth/rock @ 33% resulted into overpayment.

Audit maintained that the overpayment occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in July 2014. The Authority replied that tape measurement was carried out for release of interim payments. Final measurement would be carried out as per x-sections and overpaid quantities would be adjusted accordingly.

The matter was discussed in the DAC meeting held on 15th January, 2015. The Authority admitted recovery of Rs 6.89 million. The Committee directed the Authority to effect the recovery and get it verified

from Audit within fifteen (15) days. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon compliance of the DAC's directive at the earliest.

(DP. 89)

2.4.33 Provision of defective explosive detectors - Rs 9.55 million

Rule 148 of GFR (Vol-I) states that all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

Audit noted that the Director Maintenance Aiwan-e-Sadr CDA awarded the work "Security arrangements at Supreme Court of Pakistan building" to M/s Riaz and Sons. The contract included provision of three Explosive Detectors Model E-3500 Chemilux (Canada). The detectors that were supplied were found defective at the time of supply. The contractor was asked to withdraw the equipment but he refused to take back the defective equipment. Audit further noted that it was decided to recover the amount of defective detectors from the contractor but recovery was not made.

Audit maintained that recovery was not made due to lack of implementation of internal controls ensuring timely recovery of defective detectors and disregard to the relevant rules and regulations.

Audit pointed the non-recovery in March 2014. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 15th January, 2015. The Authority explained that recovery of Rs 8.50 million

had been made from the contractor. Audit informed the Committee that the contractor was paid Rs 9.55 million against which recovery of Rs 8.45 million had been made and verified. Balance recovery of Rs 1.10 million was yet to be made. Audit further contended that after removal of explosive detectors the utility of allied items like walk-through gates, baggage scanners, delta barriers and vehicle scanning system was questionable. The Committee directed the Authority to recover the balance amount of Rs 1.10 million. The Committee further directed Member (Engineering), CDA to submit detailed report on the issue within fifteen (15) days. The compliance of DAC's directives was not conveyed till the finalization of this report.

Audit stresses upon compliance of the DAC's directives besides fixing of responsibility against the person(s) responsible.

(DP. 39)

2.4.34 Non-recovery on account of shifting of plants and non-taking of environmental mitigating measures - Rs 4.11 million

During a meeting between Chairman CDA and Commissioner Rawalpindi (Project Director of Metro Bus System) held on 16th April, 2014, it was decided to shift trees and other services falling en route the Metro Bus for smooth execution of the project.

CDA prepared an estimate of Rs 4.11 million for shifting of plants at the route of Metro Bus but no amount was recovered on this account from Metro Bus Project Authority.

Audit was of the opinion that during execution of Metro Bus Project, not only the trees/plants were uprooted, the service roads and green belts around the area were also badly affected. The estimate prepared by CDA did not include the cost of damaged trees, reconstruction of green belt and rehabilitation of damaged service roads. Alternate routes were required to be prepared well in time before the start of the project but no such arrangements were made. Resultantly, the load of heavy traffic was shifted to the service roads and other alternate routes which were

badly affected and caused additional loss to the Authority as those roads now require major repair/rehabilitation.

Although Metro Bus Project was being executed by the Government of Punjab, as a civic Agency and municipal body it was an obligation of CDA to implement measures such as:

- i. Alternative routes for ensuring smooth flow of traffic.
- ii. Protection of Green belt from destruction or total elimination during the construction.
- iii. Protection from dust and air pollution due to heavy construction work.

CDA failed miserably to take necessary measures before commencement of the mega project. Most of the green belts falling in the route of Metro Bus stand totally destroyed. Environment of Islamabad has become heavily polluted due to non-implementation of requisite safety and protection measures such as sprinkling of water, etc. Due to massive digging and frequent transportation of excavated earth, Islamabad has been engulfed in clouds of dust.

Audit pointed out the non-recovery and environmental hazards in October 2014. The Authority replied that said plants were shifted departmentally without involving any cost. In fact the provision was made for shifting of trees/plants through other sources, whereas the Authority shifted the plants at its own. The Metro Project administration would pay the rehabilitation cost after completion of Project. In reply it was admitted that CDA used its own resources for shifting of trees and rehabilitation work and would be charged to Metro Project later on. The cost of manpower as estimated under the referred estimate should also be recovered.

Audit maintained that the mismanagement and non-recovery occurred due to negligence of the Authority and lack of oversight mechanism for implementation of internal controls.

DAC meetings were convened on 15th and 20th January, 2015 but the para remained undiscussed.

Audit stresses upon recovery of tree shifting charges and rehabilitation cost and fixing responsibility for mismanagement and lack of initiative in such a mega project.

(DP. 251)

2.4.35 Overpayment due to higher rates - Rs 3.26 million

According to Rule 10 of GFR (Vol-I), every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that Aiwan-e-Sadr Directorate, CDA made payment of an item of work “Providing/laying white/light coloured glazed non-skid tiles exceeding 400 sq.cm but not exceeding 900 sq.cm” for a quantity of 1,971.80 sq. m @ Rs 925.25 per sq. m and 199.50% premium (Rs 2,771.12 per sq. m) taken from MES Schedule of Rates, 2000. Audit observed that the same item was available in MES Schedule of Rates 2009 @ Rs 1,119.03 per sq. m. By allowing higher rate of Rs 1,652.09 per sq. m the contractor was overpaid Rs 3.26 million.

Audit maintained that the overpayment occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in March 2014. Authority replied that the offered rates were evaluated in consideration of the various factors such as necessity for execution of the essential works, scattered nature of various items of works. The Variation Order was got approved from the Member (Engineering) CDA. The reply was not accepted because higher rates were paid to the contractor which resulted in overpayment.

The matter was discussed in the DAC meeting held on 15th January, 2015, wherein the Committee directed the Authority to apply the MES Schedule of Rates, 2009 and effect the recovery. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon compliance of the DAC's directive at the earliest.

(DP. 56)

CHAPTER 3

CIVIL AVIATION AUTHORITY (AVIATION DIVISION)

3.1 Introduction

Civil Aviation Authority was established under the Pakistan Civil Aviation Authority Ordinance, 1982. The Authority is controlled and managed by the Government of Pakistan through Aviation Division (Cabinet Secretariat). A high-powered Civil Aviation Authority Board, headed by the Secretary, Aviation Division, is vested with the powers to run and control the affairs of the Authority. An Executive Committee headed by the Director General reports to the Board. The Chief Financial Officer controls the budget and enforces the internal financial controls/checks. The Headquarters of the Civil Aviation Authority are situated at Karachi.

The mandate of the Authority is to provide, promote and regulate civil aviation activities and development of infrastructure for civil air transport services in Pakistan. The Authority also develops, maintains and manages the airports throughout Pakistan.

3.2 Comments on Budget and Accounts (Variance Analysis)

a. Budget and Expenditure

The Financial Statements for the financial year 2013-14 disclosed the figures of budget and expenditure as under:

(Rs in million)

Description	Budget	Expenditure	Excess/ (Saving)	Excess/ (Saving) %
Non-Development				
Establishment and Administrative Expenditure	21,277.24	20,120.17	(1,157.07)	5.4%
Repair and Maintenance	1,804.41	646.86	(1,157.55)	64.1%
Depreciation	3,906.05	3,254.27	(651.78)	16.6%
Financial Charges	962.73	2.37	(960.36)	99.5%
Sub-Total	27,950.43	24,023.67	(3,926.76)	14.0%
Development				
Annual Development Programme	39,940.64	9,655.66	(30,284.98)	(75.8%)
Total	67,891.07	33,679.33	(34,211.74)	(50.3%)

The total budget allocation for the year 2013-14 in non-development and Annual Development Programme (ADP) was Rs 67,891.07 million against which an expenditure of Rs 33,679.33 million was incurred. This resulted in a saving of Rs 34,211.74 million representing 50.3% of total budget allocation.

Audit noted that:

- The non-development expenditure of the Authority was within the approved budget representing 14% saving. However, the non-development expenditure increased from the last year's expenditure (Rs 20,734.18 million) which was mainly due to increase in salaries of the staff.
- In development budget (ADP), there was a saving of Rs 30,284.98 million representing 75.8% of the budget allocation. This suggests that the Authority was not able to

fully utilize its allocated budget for development resulting in delays of various infrastructure programmes.

b. Revenue

CAA derives its revenue from two sources i.e., Aeronautical and Non-Aeronautical.

Aeronautical revenue consists of:

- i. Landing and Parking
- ii. Aerobridge Charges
- iii. Aircraft Power Supply System
- iv. Route Navigation (en-route charges)
- v. Passenger Services (Embarkation fee)

Major Non-Aeronautical revenue generating areas are:

- i. Commercial Licenses
- ii. Land Leases
- iii. Space Rentals
- iv. Ground Handling
- v. Royalties on Meal Uplift
- vi. Advertisement
- vii. Cargo Throughput

Revenue target and actual amount realized during 2013-14 is as follows:

(Rs in million)

Description	Target	Amount Realized	Excess/ (Shortfall)	Excess/ (Shortfall) %
Aeronautical	40,427.84	41,246.74	818.90	2.0%
Non-Aeronautical	6,085.01	6,337.08	252.07	4.1%
Total	46,512.85	47,583.82	1,070.97	2.3%

The aeronautical revenue realized was 2% higher than the target due to charging processing fee on non-scheduled flight permissions whereas; non-aeronautical revenue was 4.1% more than the targeted revenue due to increased commercial activities. The overall revenue realized was Rs 47,583.82 million, for the financial year 2013-14 representing 2.3% more than the targeted revenue. Revenue realized during the year was higher than the revenue realized for the previous year which was Rs 39,653.12 million.

c. Balance Sheet

Accounting ratios and trend analysis (along with comments) have been used to measure the strengths and weaknesses of the Authority's financial position for the year ended 30th June, 2014.

(i) Liquidity Position

Liquidity ratios (Current Ratio, Quick Ratio and Net Working Capital) are used to measure the Authority's ability to meet the short term obligations.

(Rs in million)

Ratios		Formulae	2013-14	2012-13
A	Current Ratio	<u>Current Assets</u>	32,978	13,537
		Current Liabilities	6,839	5,011
			4.80 : 1	2.70 : 1
B	Quick Ratio	<u>Cash + Bank + Short Term</u>	15,234	8,526
		<u>Investments</u>	6,839	5,011
		Current Liabilities	2.22: 1	1.70: 1
C	Net Working Capital	(Current Assets – Current Liabilities)	32,978- 6,839 =26,139	13,537- 5,011 =8,526

A. Current Ratio

A widely used thumb rule is that a Current Ratio of 2:1 was satisfactory. By this standard, the Authority's current ratio of 4.80:1 for the financial year 2013-14 was satisfactory, and increased from 2.71:1 (FY 2012-13).

B. Quick Ratio

As per generally accepted guidelines, the ratio of 1:1 was considered satisfactory. By this standard, the Authority's Quick Ratio 2.22:1 was also satisfactory. As compared to the previous financial year 2012-13, this ratio had increased from 1.70:1.

C. Net Working Capital

Positive Working Capital of Rs 26,139 million shows that the Authority is in a position to meet out its current Working Capital needs.

Overall Liquidity Position of Authority is satisfactory.

ii. Profitability Ratios

These ratios are used to measure the efficiency of the organization and optimal utilization of assets towards achievement of organizational goals.

	Ratio	Formulae	2013- 14	2012-13
A	Net Profit Margin	$\frac{\text{Net Profit after Taxes}}{\text{Net Revenue}}$	$\frac{18,481}{47,584}$ = 38.83 %	$\frac{13,539}{39,653}$ = 34.14 %
B	Return on Investment	$\frac{\text{Net Profit after Taxes}}{\text{Total Assets}}$	$\frac{18,481}{283,921}$ = 6.51%	$\frac{13,539}{257,728}$ = 5.25%
C	Total Assets Turnover	$\frac{\text{Revenue}}{\text{Total Assets}}$	$\frac{47,584}{283,921}$ = 16.76%	$\frac{39,653}{257,728}$ = 15.38%

It is noted that during financial year 2013-14, the Authority's revenue increased by Rs 7,931 million and the net profit increased by Rs 4,942 million as compared to the previous year, which showed good financial operations during the year. Net Profit Margin ratio increased to 38.83 % (financial year 2012-13: 34.14 %)

Return on Investment for the year increased to 6.51 % (financial year 2012-13: 5.25 %), Total Asset Turnover increased to 16.76 % (financial year 2012-13: 15.38 %).

Authority's overall 'Profitability Position' and 'Liquidity Position' is satisfactory and it has increased in comparison to the last financial year and depicts a good financial performance.

3.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to Civil Aviation Authority is as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
1989-90	01	01	01	-	100.0
1990-91	09 CAA + 3 Ex- ADA + 1 PAR (10)	12	09	3 Ex ADA+ 1 PAR	75.0
1991-92	26	26	05	21	19.23
1992-93	33 CAA + 5 Ex- ADA + 1PAR(14)	38	26	07 + Ex- ADA+01 PAR	68.42
1993-94	49	49	15	34	30.61
1994-95	08	08	05	03	62.50

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
1995-96	14	14	07	07	50.0
1996-97	15	15	09	06	60.0
1997-98	91	91	75	16	82.41
	2SAR	2 SAR	-	2 SAR	-
1998-99	46	46	10	36	21.74
1999-00	63	63	32	31	51.00
2000-01	83	83	60	23	72.00
2001-02	14	14	10	04	71.42
2004-05	10	10	07	03	70.0
2005-06	13	13	10	03	76.92
2006-07	09	09	05	04	55.55
2008-09	17	17	09	08	52.94

Note: Audit Reports for 2002-03, 2003-04, 2007-08, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 have not been discussed by PAC till the finalization of this report.

3.4 AUDIT PARAS

Irregularity and Non-Compliance

3.4.1 Non-realization of outstanding aeronautical charges due to inadequate monitoring - Rs 25,840.48 million

Para 1.12 of CAA Internal Control Manual (Revenue Generating Activity) regarding billing to the operators/airlines provides that in case the operator's/airline's office is in Pakistan, ten (10) days credit period shall be extended, otherwise, fifteen (15) days credit period shall be allowed. Para 1.13.8 of the ibid Manual also provides that the Revenue and Recovery Branch HQ shall submit the outstanding balance report to Air Transport Directorate for recovery of outstanding dues. The Directorate shall be authorized to take punitive action against the defaulting operators/airlines in continuous default and is responsible to submit status of recovery to the Revenue and Recovery Branch within ten (10) working days of receipt of the outstanding balance position.

Audit noted from the aging report of outstanding dues for the year ended on 30th June, 2014 that aeronautical revenue amounting to Rs 25,840.48 million was outstanding against 294 operators/airlines. It is worth mentioning that out of total outstanding amount, a sum of Rs 16,037.80 million was outstanding for a period of more than 360 days in 182 cases.

Audit observed that there was no mechanism in place to monitor the recovery and to take timely action under the Revenue Generating Activity (Internal Control Manual) of the Civil Aviation Authority. Due to delay in timely action towards realization, the outstanding aeronautical charges accumulated to Rs 25,840.48 million which might become irrecoverable with the passage of time.

Audit held that non-realization of outstanding dues was owing to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out non-realization of outstanding aeronautical charges in October 2014. The Authority replied that recovery of Rs 2,208.00 million had been effected and efforts are being made to effect the remaining recovery.

The matter was discussed in the DAC meeting held on 14th January, 2015, wherein CAA apprised DAC that recovery of Rs 2,208.04 million out of Rs 25,840.48 million had been effected. Outstanding amount of Rs 22,250.34 million related to PIA and the matter had been referred to Aviation Division for taking up the case to the Prime Minister of Pakistan for decision. Balance recoveries relating to M/s Shaheen Air International, NATO flights are being pursued. Cases of old parties of Rs 354.25 million are being cleared through provision of bad debts every year as per standard accounting practice with the approval of CAA Board.

Audit contended that the Authority was at the verge of bankruptcy due to non-payments by PIA to CAA. The CAA did not plead the matter well despite financial constraints. The Authority was making provision of bad debts instead of making concrete efforts to trace out the old parties and recovery under Land Revenue Act. The Committee directed the Authority to pursue the recovery actively. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon implementation of the DAC's directive at the earliest.

(DP.127)

3.4.2 Irregular renewal of Air Transport Licences of defaulting airlines - Rs 23,922.00 million

Para D.5.1.2 of Air Navigation Order (ANO) regarding renewal of different categories of licences provides that the applicants before making

application shall ensure that they have cleared all CAA outstanding dues unless CAA has agreed to an extension.

Audit noted that an amount of Rs 23,922.00 million was outstanding against Pakistan International Airlines (PIA) and Shaheen Air on account of aeronautical charges and surcharge.

Audit observed that Aviation Division renewed the Regular Public Transport, Charter Air Transport Services and Aerial Work Licences of PIA and Shaheen Air for one year w.e.f. 1st April, 2014 and 1st January, 2014, respectively, despite a huge outstanding amount of Rs 23,922.00 million.

Audit maintained that renewal of licences without clearance of dues was a violation of policy due to weak internal controls.

Audit pointed out the irregular renewal of licences in August 2014. The Authority admitted the non-recovery of dues before renewal of licences.

The matter was discussed in the DAC meeting held on 4th December, 2014, wherein CAA explained that PIA was not paying its dues. The matter had already been taken up with the Prime Minister of Pakistan through Aviation Division. In case of Shaheen Air, the Authority apprised the Committee that recovery of Rs 288.00 million had been made, leaving a balance of Rs 290.00 million upto 31st August, 2014. The Committee observed that Regular Public Transport (RPT) licences were renewed without clearance of outstanding dues in violation of the rules. The Committee directed that implementation of Para D 5.1.2 of Air Navigation Order be ensured before renewal of RPT in all cases and efforts be made for recovery of balance amount. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon implementation of the DAC's directive at the earliest.

(DP. 7, 8, 9)

3.4.3 Irregular appointment of Project Director and payments of Rs 1,578.28 million

Para 3.17 of Guidelines for Project Management published by Planning Commission refers to ECNEC decision dated 18th February, 2004, stating that an independent (full time) Project Director should be appointed for the project costing Rs 100 million and above.

As per Para 2(iv) and (v) of Planning Commission D.O. No. 2 (263) /PW/PD/2003 dated 3rd November, 2006, the appointment of Project Director will be made through advertisement in the Press in a transparent manner. The educational qualifications of the Project Director will be broad based i.e. B.Sc. Engineering, MBA, MBBS/ MPH (Master of Public Health), MA (Economics) or equivalent depending upon the nature of the project.

Audit observed that the Authority appointed an officer as Project Director for different tenures for the Project “Construction of New Islamabad International Airport”. The officer did not possess the prescribed qualification and experience for the post of Project Director. The officer allowed payments of Rs 1,578.28 million during his incumbency to different contractors as Project Director.

Audit held that appointment of the Project Director and payments allowed by him were irregular as the same were in violation of above cited ECNEC instructions.

Audit pointed out the irregularity in November 2014. The Authority replied that the appointment was made on Additional Charge basis till appointment of a suitable replacement. The reply was not tenable because as per guidelines, an independent (full time) Project Director, with qualification in the required field, was to be appointed for the project having cost of Rs 100.00 million and above. The appointment on additional charge basis could only be made, if cost of the project was below Rs 100.00 million.

The matter was discussed in the DAC meeting held on 14th January, 2015, wherein CAA explained that posting and transfers of Project Directors was made with the approval of the competent authority. Audit contended that nine Project Directors have so far been posted on the project in violation of project management guidelines issued by the Planning Division. Some of them were appointed without advertisement and without having relevant education or experience. Resultantly, the Project Directors could not resolve design, interface issues between different packages, irregular claims of contracts etc. Audit further informed the Committee that the Project Directors have not so far been made accountable for the lapses in execution of the project. DAC directed CAA to take action against those who were responsible for frequent postings and transfers of Project Directors. The Committee further directed CAA to get regularized the payments allowed by the unauthorized Project Directors. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon action against the responsible of irregular payments and appointment of non-qualified Project Director.

(DP.164, 168)

3.4.4 Non-refund of CAA funds - Rs 1,000.00 million

According to the directions of the Aviation Division dated 7th July 2014 and subsequent CAA Board decision in its 151st meeting dated 10th July 2014, an amount of Rs 1,000.00 million was to be released by the CAA to M/s Heavy Industries Taxila (HIT) and M/s National Engineering and Scientific Commission (NESCOM) (Rs 500.00 million each) as bridge financing for up-gradation of security infrastructure by Airport Security Force (ASF) at the airports. The said amount was to be refunded by Aviation Division to the CAA within ninety (90) days.

Audit noted the CAA released an amount of Rs 1,000.00 million on 14th July, 2014 in compliance to the directions.

Audit observed that the said amount was not refunded by the Aviation Division despite the expiry of the specified period of ninety (90) days. Resultantly, the CAA was facing difficulties in completion of mega projects and was also deprived of the benefit of earning profit of Rs 26.50 million (approximate) in the wake of financial constraints.

Audit maintained that funds were paid in absence of Policy and were not received back due to ineffective pursuance of the matter.

Audit pointed out non-receipt of CAA funds in October 2014. The Authority replied that the amount had been released on the instruction of Aviation Division with the approval of CAA Board. CAA was constantly requesting the Federal Government for the refund. The reply was not tenable because the payment of CAA funds was made without any such provision in the Policy/Act of CAA. The funds had not been received back despite lapse of stipulated period of ninety (90) days.

The matter was discussed in the DAC meeting held on 14th January, 2015, wherein CAA explained that the amount was released to M/s HIT and M/s NESCOM on the instructions of Aviation Division with the approval of CAA Board. The Committee observed that the payment was made in violation of CAA rules as there was no provision for bridge financing in CAA ordinance/rules. The Committee directed CAA to pursue for refund of the amount. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon active pursuance for recovery and fixing responsibility for release of CAA funds for bridge financing without any provision in CAA rules.

(DP.133)

3.4.5 Provision of additional Passenger Boarding Bridges without approval of PC-I - Rs 386.85 million

As per instructions of the Planning Commission, PC-I proforma is to be provided for determining the capital cost of the project. It includes

market survey, schedule of rates, estimation on the basis of previous work done, etc.

Audit noted that as per approved PC-I of “Up-gradation of Multan International Airport”, there was provision of two (2) Passenger Boarding Bridges (PBB) and the work was started on 27th July, 2010 to be completed upto 31st December, 2012. An extension of time was granted upto 31st December, 2013 and the work was substantially completed accordingly.

Audit observed that after substantial completion of the Passenger Terminal Building and installation of two PBB, provision of two additional PBB was made and tenders for pre-qualification of contractors were invited in May 2014. Audit further observed the following irregularities:

- (a) The works were advertised without preparation/approval of the PC-I from competent forum.
- (b) Non-inclusion of necessary components in the original PC-I is considered bad planning.
- (c) The project was originally designed to cater for passengers/aircrafts for fifteen to twenty years. In the PC-I, two Passenger Boarding Bridges were provided to cater movement of 416,281 passengers in 2013-14 and 769,287 passengers during 2024-25. However, during 2013-14, only 171,334 passengers were handled as per Passenger Data provided by CAA. This trend indicated that there was no need of additional two Passenger Boarding Bridges for which pre-qualification was initiated in May 2014. The cost of the additional bridges and allied works was estimated to Rs 386.85 million.
- (d) Provision of two additional PBB would result in loss due to dismantling of existing structures as additional provisioning was to be made in the Terminal Building.

- (e) Provision of additional PBB at this belated stage would result in extra cost due to inflation and delay in operation of the Airport.

Audit maintained that imprudent decision of provision of additional boarding bridges was made due to disregard to the canons of financial propriety and absence of oversight mechanism.

Audit pointed out the flawed planning in September 2014. The Authority replied that master plan of Terminal Building was designed for four Passenger Boarding Bridges. Two additional PBBs were planned in continuation of the on-going works to achieve the objective of economy in terms of cost and time. The reply was not tenable because all the construction/up-gradation work was completed as per approved design with two passenger boarding bridges, hence tender process for additional two bridges was started without approval of PC-I. This might result in delay in completion of the project and infructuous expenditure.

The matter was discussed in the DAC meeting held on 14th January, 2015, wherein CAA explained that master plan of terminal building was designed for four passenger boarding bridges. However, implementation of the plan was curtailed to construction of two PBB due to financial constraints. The Authority further explained that due to expected increase of air traffic, construction of additional two PBB was decided. Audit contended that the new airport was designed to cater for passengers/aircraft for fifteen to twenty years. Traffic data for the year 2013-14 also prove that the existing two boarding bridges would be sufficient for air traffic for more than thirty years. The Committee directed CAA to investigate the matter and report be shared with Aviation Division and Audit. The compliance of DAC's directive was not reported till the finalization of this report.

The matter needs investigation for fixing responsibility of unnecessary provision of two additional Passenger Boarding Bridges, splitting and inefficient planning.

(DP.118)

3.4.6 Irregular award of consultancy contracts - Rs 168.00 million

Para 1.8 of General Provisions (Part–II) of consultancy agreement denotes that in case the consultants with joint venture, the Consultant shall provide the client with a copy of the Joint Venture form of Agreement. Notwithstanding the allocation of responsibilities between entities of the Joint Venture, the Consultants shall be jointly and individually liable for fulfillment of the terms of the Contract to the client. Moreover, they shall also designate a Member to act as leader of the Joint Venture, for the purpose of receiving instructions/payments from the client.

Audit noted that CAA executed a contract for Design and Review of New Gwadar International Airport with M/s NESPAK in association with M/s Aeroports de Paris Ingenierie (ADPi) on 14th September, 2008 at a fee of Rs 168.00 million (2.8% of project cost). Supervision of the work was also assigned to M/s NESPAK @ 2.5% of contract cost for the Package-A (site protection) of the project. Audit further noted that M/s NESPAK-ADPi (JV) were shortlisted among pre-qualified consultant firms who submitted their technical and financial bids as joint venture.

Audit observed the following irregularities:

- i. No Joint Venture agreement and enlistment with Pakistan Engineering Council as Joint Venture were submitted with the bid. The bid was evaluated and the consultancy contract for Rs 168.00 million was awarded to the Joint Venture despite these shortcomings.
- ii. The design and review contract was awarded to JV firm; therefore, award of construction supervision to the same consultants (NESPAK) is against the best engineering practices constitutes conflict of interest under FIDIC.

Audit held that the award of consultancy contract for Rs 168.00 million was against the instructions and guidelines of Pakistan Engineering Council as well as FIDIC.

Audit maintained that the irregularity occurred due to negligence of the project management and undue favour to the consultant, which compromised Authority's interest and resulted in financial impropriety.

Audit pointed out the irregular award of the contract in August 2014. CAA replied that the consultancy contract was awarded in a proper manner after completion of required process. There was no conflict of interest in Design Review and supervision by the same Consultants. The reply was not acceptable as NESPAK prepared design and subsequent supervision of execution was also entrusted to them which was a clear conflict of interest.

The matter was discussed in the DAC meeting held on 4th December, 2014, wherein CAA explained that the consultancy contract was awarded in a proper manner after completion of required process. There was no conflict of interest in Design Review and supervision by the same Consultants. The DAC was not convinced with the explanation. The Committee observed that award of construction supervision to the same Consultant was against the best engineering practices. The Committee directed the Authority to hold Board of Inquiry (BOI) and submit report within one month to Audit and the Committee. The compliance of DAC's directive was not made by the Authority till the finalization of this report.

Audit stresses upon early finalization of BOI.

(DP.73)

3.4.7 Non-recovery of space charges on revised rates - Rs 60.29 million

As per clarification issued by the Civil Aviation Authority Headquarters vide No. HQCAA/2839/2508/Com dated 21st March, 2007, after expiry of license agreement, the superstructure shall vest in favor of CAA. Any construction on open space during the license period and hard standing made by the licensee shall also be charged after the expiry of existing license agreement as per rate applicable'.

Audit noted that Chief Commercial and Marketing Officer Civil Aviation Authority Karachi awarded an open space measuring 45,000 sq. ft. in General Aviation Area JIAP, Karachi to M/s Schon Air Ltd on CAA's prescribed space charges for the period 1st August, 1998 to 30th June, 1999.

Audit observed that since 1998, the said space was in the possession of M/s Schon Air and license was renewed from time to time. Even after the completion of five years, the space charges were recovered for open space instead of covered space, against the policy, whereas, the said space was in possession of the licensee for more than ten years. This resulted in non-recovery of Rs 60.29 million.

Audit held that non-revision of space charges showed the slackness on the part of management and weak internal controls.

Audit pointed out the non-recovery on revised rates in December 2014. The Authority replied that the space was allotted to M/s Schon Air at 50% rate of open space to support flying school for training and development of pilots for Pakistan Aviation industry. The reply was not acceptable. As per CAA Policy, after expiry of existing licence period, any construction on open space, or any hard standing made by the licensee shall be charged as per rates applicable.

The matter was discussed in the DAC meeting held on 14th January, 2015, wherein the Committee directed the Authority to effect recovery of space charges at the rate of covered space after expiry of initial period of licence. The compliance of DAC's directive was not made by the Authority till the finalization of this report.

Audit stresses upon early recovery of space charges.

(DP.157)

3.4.8 Irregular award of lease of land - Rs 87.12 million and non-recovery of Rs 28.07 million

Rule 2 (1) (f) of Public Procurement Rules, 2004 provides that “corrupt and fraudulent practices” includes the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official or the supplier or contractor in the procurement process or in contract execution to the detriment of the procuring agencies; or misrepresentation of facts in order to influence a procurement process or the execution of a contract, collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the procuring agencies of the benefits of free and open competition.

CAA leased out land measuring 4,840 square yards on 12th January, 2011 for a period of thirty (30) years on premium @ Rs 18,000 per square yard for Rs 87.12 million for construction of Petrol Pump at Allama Iqbal International Airport, Lahore.

Audit observed that two bidders M/s Mulberry Enterprises and M/s Adpro Enterprises submitted their bids and offered Rs 18,000 and Rs 17,000 per square yard, respectively against reserve price of Rs 17,500 per square yard. Both the firms M/s Adpro and M/s Mulberry were owned by one and the same person as evident from record which indicated that Mr. Ahmed Saud Khan (Director) and Mr. Ahmed M. Ijaz Khan were partners of M/s Adpro Enterprises while as per Dealership license agreement of M/s Mulberry with M/s PSO, Mr. Ahmed Saud Khan was the sole proprietor of the firm. This transpired that M/s Adpro was a dummy covering bidder in the tendering process. Despite the above facts the license was awarded to M/s Mulberry which was merely based on misrepresentation of facts and deprived the Authority of competitive bidding. This resulted in irregular award of lease for Rs 87.12 million.

Audit further observed that the lessee deposited an amount of Rs 9.68 million on account of lease premium as 1st installment plus annual ground rent of Rs 2.90 million and land was handed over to contractor on

13th December, 2010. Later on, the lessee could not obtain NOC regarding establishment of filling station from District Coordination Officer (DCO), Lahore and consequently went into litigation against CAA and DCO in the court of Civil Judge, Lahore. The court disposed of the case on request of the both parties with the direction to seek arbitration under clause 10 of the lease agreement and to resolve the matter within a period of one month from the date of i.e 17th October, 2012. It is worth mentioning that the contractor did not pay an amount of Rs 28.07 million on account of premium and annual rent.

Audit pointed out the irregular award of lease in August 2011. The Authority replied that Mr. Mansoor Feroze Khan, Sole Proprietor of M/s Mulberry Enterprises had sold the company. The new partners of the company are Mr. Ahmed Saud Khan, Mr. Muhammad Faisal Hamid Khan and Mrs. Roofia Ejaz Khan. The bid of M/s Adpro was less than the bid of M/s Mulberry Enterprises. Moreover, the party did not provide the all requisite documents. As regards the arbitration, CAA replied that the party was asked to appear for Arbitration but it did not respond. The reply was not accepted because CAA could not ensure fair competition.

The matter was discussed in the DAC meeting held on 8th December, 2011 wherein the Committee directed to conduct a fact finding inquiry for concealment of facts by the tender committee and fix responsibility. DAC further directed to provide a copy of lease agreement, measurement of land and demarcation map of land, to Audit for verification and also directed to ensure that there was no deviation from lease agreement/change of infrastructure on leased out area by the lessee, exact measurement/location of area may be recorded. In future the ownership of the companies competing the bids must be checked before bidding.

The matter was again discussed in the DAC meeting held on 14th Janury, 2015 wherein the Committee upheld previous DAC's directive dated 8th December, 2011 to conduct fact finding inquiry and fix responsibility. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.17/2011-12, DP.177/2014-15)

3.4.9 Overpayment due to separate payment of inbuilt component of steel - Rs 20.48 million

Paras 1.0 and 5.1 of Section 2450 (Fencing) of Specification, denote that the work consists of furnishing all material, plant, labour, equipment, appliances and of performing all operations in connection with supply and installation of chain link fence, barbed wire, reinforced concrete posts and foundations complete, in accordance with this section of specification and applicable drawing and/or as directed by the Engineer. No separate measurement and payment will be made for the work "all pre-cast and cast-in-place concrete". The cost thereof shall be deemed to have been included in the quoted unit rate of the respective items of the Bill of Quantities.

Audit noted that Project Manager, New Gwadar International Airport Project paid a sum of Rs 20.48 million on account of an extra item of steel (Line post, Bracing and Strip Beams) for a quantity of 265.975 metric tons.

Audit observed that the cost of line post, bracing and strip beams was included in composite item rate of the BOQ but during execution, cost of the components was paid through extra items on the plea that reinforcement details for pre-cast concrete post were not shown in the initial design/drawings.

Audit held that quoted price of the item of work, covered cost of steel as per applicable drawings, therefore, no extra payment was admissible under the specification and mode of payment. Separate payment of inbuilt item resulted into an overpayment of Rs 20.48 million.

Audit pointed out the overpayment in August 2014. The Authority replied that all reinforcement details for pre-cast posts were not shown in

the drawing/design provided with bidding documents. In the absence of the details for concrete posts, the contractor, for computing the rate, had assumed that main steel bar would be of 3/8" dia and strip bar as 1/4 " dia. In the revised detailed drawing, dia of main steel was provided as 3/4 " and strip bar dia as 3/8" dia with increased number of bars. As a result, additional reinforcement was used in the precast concrete posts. The reply was not acceptable because the contractor was bound to execute the work on the quoted rates as agreed while signing tender documents which contained the said specification and mode of payment.

The matter was discussed in the DAC meeting held on 4th December, 2014, wherein the Authority explained that generally, the reinforcement details are provided at the detailed design stage. All details of Chain Link Fence were provided in the bidding documents but reinforcement details for pre-cast posts were not shown in the drawing/design. After detailed deliberations, the Committee directed the Authority to provide original as well as revised approved design of pre-cast posts to Audit for verification alongwith revised reply within fifteen (15) days. The compliance of DAC's directive was not made by the Authority till the finalization of this report.

Audit stresses upon recovery of overpaid amount and fixing of responsibility.

(DP.68)

3.4.10 Unjustified grant of Secured Advance on steel without actual requirement/consumption - Rs 8.10 million

Para 60.11 (a-5) Part-II Particular Conditions of contract denotes that ownership of such materials (for which secured advance was granted) shall be deemed to vest in the Employer and these materials shall not be removed from the site or otherwise disposed of without written permission of the Employer.

Audit noted that Project Manager, Construction of Thar Airport paid Secured Advance on steel for a quantity of 238 metric tons to the

contractor upto IPC-09 involving Rs 10.71 million. Audit further noted that a quantity of 58 metric tons was shown consumed upto IPC-08.

Audit observed that cost of balance quantity of 180 metric tons of steel was recovered in IPC-09 without actual consumption on the work after the lapse of more than two years from the date of grant of Secured Advance. Audit maintained that either Secured advance on steel was granted without actual requirement or the steel was not actually supplied by the Contractor at site. This resulted in grant of advance without the requirement of the work and undue favour to the contractor of Rs 8.10 million.

Audit maintained that undue financial aid to the contractor in the form of secured advance was extended due to weak internal controls and inadequate oversight mechanism for enforcing contractual provisions.

Audit pointed out undue favour to the contractor in July 2014. The Authority replied that the contractor brought steel at site to expedite the pace of work. The steel got rusted due to rain effects and was removed from site by the contractor. After the removal of steel, the secured advance had been recovered. The reply validated the audit contention that secured advance was granted just to favour the contractor as the steel remained unutilized for two years.

The matter was discussed in the DAC meeting held on 4th December, 2014, wherein the Authority explained that steel was brought by the Contractor to expedite the work but due to rains, the steel got rusted. The contractor removed the rotten steel and recovery was effected. The DAC observed that secured advance against 180 metric ton steel was allowed to the Contractor without any steel requirement at site. Neither, the steel was used on the work nor its recovery was effected for two years. Taking serious note of the irregularity the Committee directed Director (Finance) to hold BOI and submit report within forty-five (45) days. The compliance of DAC's directive was not conveyed by the Authority till the finalization of this report.

Audit stresses upon fixing of responsibility for undue financial aid to the contractor.

(DP.38)

3.4.11 Failure to recover risk and cost charges - Rs 4.70 million

Clause 25 of the contract provides that if in the opinion of the Senior Works Engineer, the progress of the works is so slow that it cannot be completed within the prescribed period, the Senior Works Engineer shall give a notice, in writing, to the contractor calling upon him to speed up the work. In case the contractor fails to comply with the requirements of the notice within ten (10) days from its issue, the Senior Works Engineer shall have the power to have the works completed through any other agency at the risk and cost of the contractor. All the due payments to the contractor shall be withheld till the completion of the work and any loss suffered by the Civil Aviation Authority or expenditure incurred in getting the works executed, shall be recovered from the contractor.

Audit noted that CAA awarded a work “Renovation of offices for Airports Services Wing at first floor at HQ CAA, Karachi” to a contractor at contract cost of Rs 11.32 million. The work was required to be completed by 30th September, 2011. The contractor could not complete the work within stipulated period and extension was granted upto 29th February, 2012 but the contractor could only complete the work of Rs 3.95 million leaving the balance work of Rs 7.37 million. His contract was rescinded under the risk and cost clause. The remaining work was re-tendered on 9th July, 2013. The lowest bid of Rs 12.07 million was accepted, which was 52.364% above the NIT cost of balance work.

Audit observed that differential cost of Rs 4.70 million was not recovered from the original contractor. This resulted in non-recovery of risk and cost charges of Rs 4.70 million.

Audit maintained that recovery of risk and cost charges was not made due to non-adherence to the contract clause and weak internal controls.

Audit pointed out the non-recovery in September 2014. The Authority admitted the Audit Observation.

The matter was discussed in the DAC meeting held on 4th December, 2014, wherein the Authority apprised DAC that the work was rescinded under risk and cost clause. The differential cost would be recovered/adjusted from the available funds of contractor. After detailed deliberations, the Committee directed to effect actual recovery of extra cost of the balance work from the original contractor on completion of work. The compliance of DAC's directive was not reported by the Authority till the finalization of this report.

Audit stresses upon forfeiture of available funds of the defaulting contractor and adjustment against risk and cost charges.

(DP.108)

3.4.12 Payment of escalation without consumption of specified material - Rs 3.55 million

Para C-5 of PEC Standard Procedure and Formula for price adjustment of March 2009 states that if any adjustable item(s), except labour and POL, is/are not used in a particular billing period, the ratio of current date price and base date price for that particular adjustable item(s) shall be considered as one.

Audit noted that Project Director, Package-A "Site Protection Works" New Gwadar International Airport awarded a contract on 16th October, 2008 at a bid cost of Rs 680.00 million for a period of nine (9) months.

Audit observed that price escalation was paid on bitumen in EPC-4 and EPC-5 based on IPC-8 and IPC-9 whereas the bituminous item was not executed during the particular billing period. This resulted into an overpayment of Rs 3.55 million.

Audit maintained that overpayment on account of escalation was due to negligence and undue favour to the contractor, which compromised Authority's interest.

Audit pointed out the overpayment in August 2014. The Authority replied that as per PEC, the escalation is calculated from total contract value based on Engineer's Estimates. The reply was not tenable. As per PEC, ratio of base price and current price was to be kept one for component not used in the respective billing period, whereas CAA applied current rate of Rs 80,890 per metric ton and base rate of Rs 48,614 per metric ton keeping the ratio more than one, which violated the PEC guidelines.

The matter was discussed in the DAC meeting held on 4th December 2014, wherein, the Authority replied that the contract does not specifically prohibit to any price adjustment against specified materials not used in the works in any month. Audit contended that Standard Procedure and Formula for Price Adjustment, 2009 provided that if any adjustable item, except labour and POL, was not used in a particular billing period, the ratio of current date price and base date price for that particular adjustable item would be considered as one. Hence, no price adjustment was admissible. After detailed discussion, the Committee directed CAA to recover the overpaid amount from the contractor within fifteen (15) days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early recovery of overpaid amount.

(DP.74)

3.4.13 Irregular appointment of The Engineer, Advisor to Project Director and other technical staff on daily wage basis without advertisement - Rs 54.04 million

According to Para 3.30 of Guidelines for Project Management, issued by Planning Commission, Government of Pakistan in August 2008, the appointment of project staff under the project should be made through

open competition and in transparent manner. In this connection, a recruitment committee for the selection of Project Director chaired by the Principal Accounting Officer along with members from Planning Division, Finance Division and Establishment Division already notified by the Planning Commission should be constituted. Approval for the recruitment of project staff was the responsibility of Project Director. No approval was required from any forum if the Terms of Reference were provided in the approved PC-I.

Audit noted that Civil Aviation Authority awarded the work “Construction of New Islamabad International Airport” in different packages to different contractors. The project was being implemented through nineteen packages and three consultancy contracts. The project was originally approved at a Capital Cost of Rs 36,865.00 million in March 2008. PC-I cost of the project was revised to Rs 81,171.00 million.

Audit observed that appointment of Mr. Arshad Arrain and Mr. Tahir Sharif has been made as “The Engineer” and Advisor to Project Director on daily wages at monthly salary of Rs 300,000 and Rs 400,000 respectively. Audit further observed that the appointments were made without advertisement in press in violation of rules. Similarly, 30 numbers of LBG employees (the former Project Management Consultants) were also hired at monthly pay ranging from Rs 11,000 to Rs 250,000 without following the due process. This resulted in irregular appointments at the project. A sum of Rs 54.04 million would have to be incurred on account of salary till revised completion date of the project i.e. June 2016.

Audit maintained that the irregular appointments were made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregular appointments in November 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 14th January, 2015 wherein CAA explained that services of M/s Louis Berger

Group (LBG) working as PMC were terminated due to unsatisfactory performance. The Engineer and other staff were appointed as stop-gap arrangement. Audit contended that The Engineer and Advisor to Project Director were appointed without advertisement in the press while Advisor to Project Director was appointed without provision in the PC-I. Audit further informed the Committee that 30 No. employees of defaulting firm M/s LBG were also appointed on the project without completion of due codal procedures and advertisement. The Committee directed that the Authority had to follow the prescribed procedure for the appointment of project staff strictly in accordance with CAA Recruitment Procedure and Project Management Guidelines issued by Planning Commission. The Committee also directed that induction of staff on daily wage basis be discontinued forthwith. The compliance of DAC's directive was not conveyed by the Authority till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.184)

3.4.14 Irregular appointment of Chief Project Director

Rule 3.14 of CAA Service Regulations provides that save in the cases of Ex-cadre appointments on contract, relaxation in age permissible in these Regulations shall be regulated in a manner that no person above the age of fifty-five (55) years becomes eligible for employment in CAA. Moreover, as per Establishment Division O.M. No. F.No.4/I/93-R-I dated 20th June, 2013, Federal Government imposed ban on all recruitments in Federal Ministries/Divisions/Autonomous Bodies/Corporations.

Audit noted that Chief Human Resources, CAA, Karachi, advertised "Situation Vacant Notice" in newspapers on 26th January, 2014 for the posts of Chief Project Director (PG-11), Chief of Security (PG-11), General Manager Licensing (PG-10) and General Manager, General Aviation (PG-10) on contract basis for two years (extendable).

Audit observed that at the time of floating advertisements in the press, age criteria of fifty-five (55) years was included as per CAA Service

Regulations except for the post of Chief Project Director. No age limit was prescribed for the post of Chief Project Director. After shortlisting of the applications, seven applicants were selected for interview against the post of Chief Project Director and merit list was prepared. Aviation Division approved the selection of candidate at S. No. 04 as Chief Project Director.

Audit observed following irregularities in appointment/selection of Chief Project Director:

- (a) Age of the selected candidate was fifty-six (56) years and ten (10) months which was against the selection criteria of CAA Service Regulation.
- (b) Candidate at No. 4 on Merit List was appointed by superseding top three candidates.
- (c) Neither the post was available in the approved CAA establishment strength nor there was any temporary post created by the competent authority.
- (d) The appointment was made during ban period without approval of the Prime Minister of Pakistan in terms of Establishment Division (Cabinet Secretariat) O.M. No. F.4/1/93-R-I dated 20th June, 2013

Audit held that appointment was made in violation of Prime Minister's directives and CAA Service Regulations.

Audit pointed out the irregular appointment in December 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 14th January, 2015 wherein CAA explained that post of Chief Projects Director (PG-11) was created with the approval of CAA Board after relaxation of age limit by the appointing authority. However, during extended period of assessment, the post was abolished by the Prime Minister of Pakistan and the incumbent relinquished the charge. Audit contended that in fact summary for creation of the post was rejected by the Prime Minister.

Audit further informed the Committee that CAA appointed Chief Project Director and paid salary and other perks to the officer without having the requisite post approved/created by the competent forum. The Committee directed the Authority to investigate the matter of irregular appointment and share the report with Aviation Division and Audit. The compliance of DAC's directive was not conveyed by the Authority till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.185)

Performance

3.4.15 CAA heading towards bankruptcy due to financial mismanagement

Benazir Bhutto International Airport (old), Islamabad was not meeting requirements of international standards. Passengers were facing discomfort within the airport premises and outside areas owing to traffic congestions on the airport connecting roads, delays in aircraft movements and cargo handling at the existing airport.

Accordingly, to achieve the objectives, PC-I of Rs 37.00 billion was approved in 2008 on self-financing basis. The new airport was planned to be developed as a Greenfield airport and all major components of an airport facility were to be developed as part of this project. The airport was to be equipped with state of the art facilities for maximum passenger comfort and convenience incorporating international standard construction reflecting the cultural heritage of Pakistan and serve as major hub for all aviation activities in the region. The airport was envisaged to meet the requirements of air traffic and passenger flow of the twenty first century. The first phase (stage 1) was planned to be completed in 2010-11 to serve the traffic requirement upto year 2020.

Audit observed mis-management in financial, planning and execution phases as under:

- (a) An examination of the record relating to the project revealed that original PC-I of the Project was approved in March 2008 at a cost of Rs 37 billion with completion period of thirty (30) months. Appendix-E of the PC-I contained financial and sensitivity analysis report which showed that project was financially viable in term of Net Present Value (NPV) and benefit cost ratio. The financial viability was based on the assumption that new airport would be yielding revenue (aeronautical and non-aeronautical) during 2011-12 and project would be completed within the approved cost and time. The project was still incomplete. Revised PC-I of Islamabad International Airport Project amounting to Rs 81,171.00 million excluding variations, claims and escalation was approved in CAA Board's 148th meeting on 15th April, 2014. Additional cost of Rs 14,000.00 million was estimated on account of variations, claims and escalations. As per revised PC-I, new date of completion has been fixed as June 2016. This shows that the financial and sensitivity analysis report was not based on facts and mis-leading.
- (b) The financial viability was based on assumptions of yielding aeronautical and non-aeronautical revenue during 2011-12 but cost of Rs 24,480.00 million of the necessary components required for completion and operation for yielding revenue was not included in the PC-I. Resultantly, the project was made financially and technically un-viable. The PC-I was prepared by PMC who were responsible of its completeness and planning the entire work to ensure completion by 2011 but they had not been penalized.
- (c) Tendering process of various packages was initiated in utter disregard to the physical phasing planned in PC-I. Resultantly, the Project was extra-ordinarily delayed. Overall physical progress of 75.75 % and 63 % payment

status had been shown in the Monthly Progress Report for June, 2014. Still the PMC and contractors were unable to give final assessment of completion of work. Now all the assumptions for financial analysis based on capital cost, operating expenses and revenue generation had been rendered irrelevant and financial analysis was emerging into a negative position. Revised PC-I of Rs 81,171.00 million including Foreign Exchange Component of Rs 19,828.00 million had been approved which was Rs 44,306.00 million more than the original PC-I approved for Rs 36,865.00 million which proved that the estimates were poor and defective.

- (d) Works approved in revised PC-I having vital importance for operation of the airport have not so far been awarded which may also effect the progress of the project and completion cost after bidding:
- Baggage handling and special airport systems
 - Furniture and signage
 - Passenger Boarding Bridges
 - State Lounge
 - Customs, Immigration and Anti Narcotics Force offices
 - Rain Water Dam
 - Link Road
- (e) In the Revised PC-I, foreign component had been provided of Rs 19,828.00 million which was 24.247 % of revised PC-I cost of Rs 81,171.00 million. This also showed that the foreign component was kept below the upper limit of 25% to avoid approval of the ECNEC.
- (f) In the original PC-I, 100 % cost was to be financed by CAA while as per Financial Plan (Revised PC-I), 70 % (Rs 56,820.00 million) of the project cost was being

financed by Civil Aviation Authority from its own resources while the remaining 30 % (Rs. 24,351 million) would be financed through loan. This showed that CAA does not have sufficient sources to finance the ill planned project as per approved financial phasing.

- (g) CAA income during the year 2012-13 was Rs 39,724.34 million against which expenditure of Rs 26,721.78 million was incurred. There was surplus balance of Rs 13,002.61 million after tax expense. Income during the year 2013-14 was Rs 47,583.83 million and expense for the year was Rs 29,102.50 million leaving surplus balance of Rs 18,481.33 million. The present income could not meet the revenue requirement of CAA in the present scenario. The CAA has therefore, to explore other revenue generating sources for completion of this mega project and other development and non-development activities.
- (h) Out of total revised PC-I cost of Rs 81,171.00 million, CAA released a sum of Rs 42,530.00 million upto September 2014. As per financial phasing/demand of the project management, the CAA has estimated an expense of Rs 16,000 million during the year 2014-15 as per work schedules of awarded contracts while CAA has total surplus balance of Rs 18,481.00 million as on 30th June, 2014. After payment of Rs 16,000.00 million, there would only be available balance of Rs 2,481.00 million for all other development or non-development budgets. Moreover, CAA required more than Rs 20 billion for the works which were yet to be awarded and completed. CAA had to finance Rs 52,641.00 million upto June 2017 for which the Authority had to upgrade its revenue stream. The Authority had only bank balance of Rs 16,726.00 million including Term Deposits of Rs 8,200.00 million as on 27th October, 2014.

- (i) Completion cost of IIAP has been estimated Rs 95,000.00 million for which borrowing from external sources would be Rs 25,400.00 million plus borrowing cost of Rs 12,000.00 million. Due to financial mismanagement, CAA planned fund management in coordination with Banks which would lead the CAA to bankruptcy in the present scenario.
- (j) The project cost in real sense had crossed Rs 100.00 billion. On the basis of prevalent inflation rate of 12 % per annum, it could be assumed that each month of delay is going to jack up the cost of the project by Rs 1.00 billion (approximately). This dismal state of affairs indicates total failure of CAA in financial forecasting, strategic planning, and project monitoring.
- (k) CAA has also plans for financing/constructing the Islamabad International Airport on Public Private Partnership basis. The projects executed on Public Private Partnership in various organizations ended up in abject failure. Hiring of a consulting firm and execution on Public Private Partnership would result in getting into another quagmire.
- (l) PIA has to pay Rs 27,000.00 million to CAA upto 30th June, 2014. Every year, CAA was paying Income Tax on the amounts receivable from PIA and opportunity cost which should have to be resolved at proper forum to level up the revenue stream of CAA.
- (m) Audit has already pointed out discrepancies between actual and billed flights (overfly) having financial impact of more than Rs 9.00 billion in Audit Report for the year 2013-14 which showed huge gap between revenue potential of the Authority and realization of revenue in actual terms. This

was a serious matter and huge grey area towards which, the Authority had not given any attention so far.

- (n) The completion date of June 2016 requires CAA to complete the Project within eighteen (18) months. On the basis of the unrealistic projections and assumptions, the CAA was required to process and finalize claims and liabilities of Rs 3.33 billion on monthly basis (approximate). Unfortunately, the track record of CAA did not support these assumptions.

Audit pointed out the financial mis-management in November 2014. The Authority did not reply.

CAA management was not only required to critically review pace of project implementation, put in place measures to control time and cost overruns but also plug the gaping holes in identification, translation of digitally captured data into billing and realization of billed revenue in a transparent and efficient manner. The Authority was also required to review its policy to improve realization of non-commercial revenue. Failure to address the indicated lapses may take CAA on route to bankruptcy.

The matter was discussed in the DAC meeting held on 14th January, 2015, wherein the Committee directed the Authority to take measures to control time and cost overruns, increase revenue stream through realization of billed amount, extension of commercial activities in a transparent and efficient manner. The Committee further directed the Authority to improve financial forecasting, strategic planning, project monitoring and explore other revenue generating sources to complete the mega projects and other development and non-development activities. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon compliance of the DAC's directive.

(DP.174)

3.4.16 CAA's persistent negligence causing irreparable damage to AIAP, Lahore - Rs 10.00 billion

The new terminal of AIAP Lahore was constructed by CAA at cost of Rs 10.23 billion and was made operational in March 2003. Within a span of few years after its operation the Pavement Quality Concrete (PQC) slabs started movement toward Terminal Building (TB). After failure of some quick fix solutions, consultancy contract was given to M/s Pakistan Consulting Associates (PCA) for Rs 192.56 million. The Terms of Reference of the consultant contained:

- a) **Taxiways:** Outwards movement of Qubic and Sera at the rate of 16 millimeter (mm) per year and cracks movement through multiple slabs.
- b) **Apron:** Cracks progress with minor width through multiple slabs.
- c) **Status of repaired joints:** Repair and maintenance of over 50,000 feet joints was carried out in 2010-2011.
- d) **AVO Bridge:** Pax Loading Bridge 6 and 8 have developed bulging up of the construction joints between the boarding bridges. The PQC of Apron Slab is moving towards the Terminal Building.
- e) **PSO Fuel Hydrants:** The fuel hydrants were damaged and have to be repaired and adjusted to avoid immediate damage from slab movement.

M/s PCA right from the onset of this report placed the blame on original design consultants Flughafen AG and ADP-NESPAK. They further held that (a) no projection of the aircraft traffic was made for 20 years (b) field design team did not follow FAA guidelines for field QA/QC of the design process and (c) sliding is taking place due to presence of two layers of polythene sheets below the PQC slabs and non-presence of thickened edges. While concluding its report M/s PCA has proposed replacement of all cracked sections with reinforced slabs and thickened edges (anchored).

While examining the consultant report and other related documents the Audit noted that no attention was paid by M/s PCA (a) towards most critical issues of land reclamation for building such a large scale project (b) accurate assessment of rate of settlement based on the results of site investigation and laboratory report and relocation and diversion of natural water courses and drains. In case timely corrective measures were not taken, huge volume of moving slabs may hit foundation of Terminal Building, like collision of tectonic plates, resulting in partial damage, collapse of certain portions or collapse of whole structure.

On the basis of above facts Audit is constrained to conclude that flagrant violation of best international practices by the consultants and contractors during design and construction and criminal negligence and failure of CAA's project officials has created a situation that could result in irreparable damage to the Airport and loss of billions of rupees to the Authority. Moreover, CAA has followed the same flawed design, consultancy and execution methodology for New Islamabad International Airport Project and Gwadar International Airport Project which are likely to meet the same fate in case CAA continues to persist with tunneled vision approach.

Audit pointed out the issue in November 2014. The Authority did not reply.

The para could not be discussed in the DAC meeting.

Audit stresses upon investigation and appropriate corrective action by the PAO.

(DP. 194)

3.4.17 Loss due to poor performance of the Consultants - Rs 243.15 million

Clause 3.1.1, "Standard of Performance" of the agreement between ECIL (Pvt) and CAA for Consultancy services of Up-gradation and Rehabilitation of Multan International Airport provides that the Consultant

shall perform the services and carry out its obligations with all due diligence, efficiency and economy in accordance with Generally Accepted Professional Techniques and Practices.

Audit noted that contract for “Consultancy services for Planning, Designing and Construction Management of Multan International Airport, Multan” was awarded at agreement cost of Rs 67.79 million for fifty (50) months from 2nd May, 2007. The time and cost was revised upto eighty (80) months by June 2015 including Defect Liability Period and Rs 63.29 million for Design and Rs 123.07 million for construction supervision through Addendum No. 1 to 3. Audit observed that:

- i. A sum of Rs 19.00 million was agreed for Design phase for six (6) months in 2007 which was enhanced to Rs 63.29 million through Addendum No. 03 in August 2014. The enhancement was not justified as the Design phase has since been completed. Enhancement of Design fee resulted in overpayment of Rs 44.29 million.
- ii. The deployment of Consultant’s Supervisory Personnel was required to be controlled in such a manner that the project should be completed within agreement period but the personnel had not been adjusted as per requirement and remuneration had been allowed in excess of the work schedule/ programme of the Contractor. This would result in excess payment of Rs 11.95 million due to excess deployment of staff.
- iii. Consultancy for completion of the Project was stipulated as fifty (50) months including twelve (12) months of Defect Liability Period. Timeframe had been revised to eighty (80) months, which enhanced the supervision fee by Rs 22.80 million during the year 2013-14.
- iv. Poor Performance of the Consultants resulted in delay of the project and loss due to payment of escalations to the Contractor of Rs 164.10 during 2013-14.

- v. Package 2, 6 and 7 had been shown substantially completed but the building had not been handed over to CAA and the consultants were still charging supervision fee.
- vi. No provision regarding penalizing the Consultants in case of default in performing their duties had been made in the agreement. Thus, the agreement was considered defective.

Audit maintained that payment to the consultants in excess of agreed period and amount in violation of cited rules was due to weak internal control.

Audit pointed out the loss in September 2014. The Authority replied that displeasure on the performance of consultants had been issued. The Consultants had also been blacklisted for future projects of the CAA. The Authority admitted poor performance of the Consultants but no responsibility of delay and cost overrun due to mis-management was fixed.

The matter was discussed in the DAC meeting held on 14th January, 2015, wherein CAA explained that principle decision regarding non-engagement of M/s ECIL for future works of CAA had been taken. As a result thereof, the consultants were not pre-qualified for rehabilitation of runways at Karachi and Quetta airports. However, matter regarding debarring the firm PEC would be taken up with PWC after completion of the project. The Committee directed the Authority not to release withheld payments of the Consultants and expedite process of blacklisting of the firm with PEC. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon compliance of the DAC's directive at the earliest.

(DP.119)

3.4.18 Appointment of Quality Control Specialist in addition to Project Consultants - Rs 3.24 million

As per general conditions of Consultancy contract (Standard of Performance) the Consultants shall perform the services and carry out its obligations with all due diligence, efficiency and economy in accordance with Generally Accepted Professional Techniques and Practices. The service shall be professionally sound, objective oriented, economical, and skillful advice, holding Client's interests paramount to avoid conflicts.

Audit noted that Civil Aviation Authority hired the services of Consultant (M/s ECIL) in March 2011 for Construction of Thar Airport. The Consultant was responsible for design, construction supervision and quality assurance of the project as per specifications and standards.

Audit observed that the Authority appointed a Quality Control Specialist for third party check in 2014 in addition to the Project Consultants without any justification and provision in the PC-I. This resulted in undue financial burden on the public exchequer of Rs 3.24 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the matter in July 2014. The Authority replied that appointment was made for third party monitoring of the quality, which would be regularized through Revised PC-I. The reply was not accepted because the Consultants of the project were responsible for quality assurance and there was no need of third party quality control specialist.

The matter was discussed in the DAC meeting held on 4th December, 2014, wherein the Authority explained that third party Quality Control Specialist was appointed to monitor the quality of the work independently, which would be regularized through revised PC-I. The

DAC was not convinced with the reply of the CAA and observed that there was overlapping of services of Quality Specialist with the Consultants (M/s ECIL) and directed CAA to discontinue the services of Quality Specialist forthwith. The Committee directed to issue a warning to M/s ECIL for their poor performance. The Committee further directed to provide contribution by Quality Control Specialist to Audit and Aviation Division. The compliance of DAC's directives was not conveyed to Audit till the finalization of this report.

Audit stresses upon early compliance of the DAC's directives.

(DP.40)

Internal Control Weaknesses

3.4.19 Non-mutation of land valuing Rs 41,019.00 million

Under Article 173 of the Constitution of Pakistan 1973, when land belonging to a private party has to be acquired on behalf of the Federal Government, the acquisition shall be at the expense of that Government/Authority. Clause C-2 of CAA Land Lease Policy provides that the Estate Management Wing of CAA shall be responsible for carrying out the mutation of the acquired land in the name of the Authority.

Audit noted that CAA had acquired 3,144 acres of land from 1925 to 1989 for Jinnah International Airport, Karachi which was required to be mutated in the name of CAA.

Audit observed that despite expiry of twenty-five years, 339 acres of land was not mutated in the name of the CAA. Due to non-mutation, several claimants/grabbers of the land appeared. Consequently, CAA got entangled in litigation.

Audit maintained that the non-mutation of land was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the matter in October 2014. The Authority replied that the case was being vigorously pursued since 1985 with Revenue Department (Government of Sindh) for mutations. The reply was not satisfactory as a period of more than thirty-four years had lapsed but CAA failed to secure its interest by getting the mutation of land finalized.

The matter was discussed in the DAC meeting held on 14th January, 2015, wherein CAA explained that the matter was being pursued vigorously with Revenue Department, Sindh for mutation of CAA acquired land at Jinnah International Airport, but the Revenue Department had not so far constructed record of rights and mutated the land in the name of CAA. The Authority also intimated that Supreme Court of Pakistan had issued a status quo in this regard. DAC took serious notice of non-mutation of land of 339 acres despite lapse of twenty-five (25) years due to ineffective pursuance and directed the Authority for early mutation of the land in the name of CAA. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.144)

3.4.20 Encroachment on CAA land by Provincial Government - Rs 11,616.00 million

Para C-3 of CAA Land Lease Policy provides that Airport Manager shall be responsible to ensure security and peaceful possession of CAA land. Senior Estate Officer of concerned airport shall be responsible to coordinate with the local authorities of Land Revenue and to complete the handing/taking over of the land.

Audit noted during review of the monthly return for encroachment of Jinnah International Airport Karachi that 120 acres CAA land located in Deh Safooran under Survey No. 171 was unlawfully encroached by Government of Sindh and allotted to Police Department, Sindh. Audit

further noted that the land was in possession of the police and houses had been constructed thereon.

Audit observed that CAA could not maintain peaceful possession in order to safeguard the CAA property, which constituted negligence/inefficiency on the part of the airport management. Failure of CAA to protect and safeguard its property resulted in encroachment and illegal allotment thereafter by Government of Sindh having value of Rs 11,616.00 million.

Audit maintained that encroachment took place due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the encroachment in October 2014. The Authority admitted the encroachment.

The matter was discussed in the DAC meeting held on 14th January, 2015, wherein CAA explained that the land could not be mutated in the name of CAA because of non-cooperation by the Sindh Revenue Department. Resultantly, the land was encroached upon by Government of Sindh and further allotted to Sindh Police. Audit contended that valuable land at Shakra-e-Faisal could not be safeguarded due to negligence and inefficiency of CAA. The Committee directed the Authority to take action against the persons responsible for negligence, early retrieval and mutation of land in the name of CAA. The compliance of DAC's directive was not conveyed by the Authority till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.145)

3.4.21 Mismanagement in award of Fuel Farm at New Islamabad International Airport involving revenue of Rs 11,385.00 million

Para D.3, read with D.4, D.5 and D.6, of CAA Land Lease Policy provides that the market value of land (to be leased) shall be assessed by

local revenue authorities, which shall be used as baseline. The valuation of land shall be obtained from three State Bank approved valuers and select the highest estimate. The lessee shall pay premium @ 30% of land value and annual rent equal to 1/30th of the value of land. The annual rent shall be enhanced at annual cumulative enhancement of 8% per annum.

Audit noted that M/s Infrastructure Project Development Facility (IPDF) in collaboration with CAA invited Request for Qualification (RFQ) for establishment of Fuel Farm having capacity of 10,000 to 21,000 metric tons at New Islamabad International Airport on Design, Build, Finance, Operate and Transfer (DBFOT) basis on 25th April, 2011. Seven parties participated in the RFQ out of which three parties were qualified. The pre-qualified parties were subsequently issued Request for Proposals (RFP) on 14th December, 2011, only two parties submitted their bids as:-

- i. M/s Attock Petroleum Limited, @ 40 Paisa per liter + 3% of throughput charges (estimated revenue Rs 4,509.00 million)
- ii. M/s Pakistan State Oil, @ 101 Paisa per liter (estimated revenue Rs 11,385.00 million)

CAA Monitoring Committee scrapped the tender proceedings and directed to call bids by CAA (Chief Commercial and Marketing Officer) at reserve price of Rs 1.01 per liter instead of processing tenders through IPDF. Audit further noted that the CAA invited bids again on 4th April, 2013 at reserve price of Rs 1.01 per liter for thirty years. M/s PSO-Attock Petroleum (JV) stood the highest with their bid @ Rs 1.3102 per liter. Letter of Acceptance was issued to the JV.

Audit observed following irregularities:

- i. CAA had no policy for provision of land free of cost for commercial purpose, whereas, as per condition 4.1 of Tender Documents, land measuring seven (7) acres was proposed to be handed over to the successful bidder at no cost. After

award of Concession, land measuring twelve (12) acres was handed over to the bidder on their request which was irregular and a post-bid change.

- ii. Initially proposed fuel storage capacity was 10,000-21,000 metric ton which was reduced to 7,000-15,000 metric ton without any formal approval.
- iii. CAA incurred an expenditure of Rs 1.60 billion (approximately) on construction of Hydrant Refueling System. The Concession was given for thirty (30) years on merely sharing of per liter cost basis. Lease premium and annual ground rent to offset the cost incurred on development of the fuel system were not factored in.
- iv. Fuel system installed at the airport was not suitable for various aircraft types because this has refueling point on port side only. This was inconsistent with the best international practices adopted by aircraft manufacturers who provide option for refueling from both sides. For this reason, M/s PSO has requested for allotment of additional space measuring 5,000 sq. yards near to Aircraft parking area for Into Plane Facility. This flaw in the refueling system design would result in allotment of additional land worth millions of Rupees to concessionaire.

Audit maintained that award of loop sided concession resulted due to deficient revenue recognition policies, disregard to the rules, regulations and weak internal controls.

Audit pointed out the mis-management in December 2014. The Authority replied that land was allotted as per tender documents with the approval of competent forum. Fuel storage capacity would be increased with increase in traffic volume. The reply was not tenable because there was no policy in CAA to allot land without realizing cost of land. Further, originally seven (7) acres of land was provided in the tender documents, which was enhanced to twelve (12) acres through a post-bid change.

Instead of increasing fuel capacity proportionate to additional allotment of land, was decreased.

The matter was discussed in the DAC meeting held on 14th January, 2015, wherein CAA explained that as per CAA Land Lease Policy, the land is allotted on prevailing market rates to the successful party for a period of thirty (30) years. The Lessee pays premium as well as annual ground rent. In this case, CAA awarded concession on fuel throughput charges where, as per analysis, CAA would generate twenty-five (25) times higher revenue than lease. The Authority further explained that seven (7) acres land was mentioned in tender documents with word “approximately.” Twelve (12) acres land was allotted to the JV to meet the requirement of installation of equipment with the approval of Aviation Division. The Committee observed that increase of land from seven (7) acres to twelve (12) acres and decrease in capacity from 10,000-21,000 metric ton to 7,000-15,000 metric tons was made through post-bid changes on the request of the bidders. It was further observed that CAA had been in the habit of making financial forecasting without any economic fundamentals. All their assumptions with regard to recent mega projects have been proven wrong. This was another classic case of presumptive financial forecasting which may further dent CAA’s capacity to generate revenue. The Committee directed the Authority to probe the matter of post-bid changes and provide detailed justification of award of Fuel Farm at Licence instead of Lease without considering cost impact of Rs 1,600 million incurred by CAA on Fuel Hydrant System and cost of land. The compliance of DAC’s directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC’s directive.

(DP.154, 165)

3.4.22 Mis-management in award of work - Rs 5,055.00 million

As per clause 3.1.1 of consultancy contract with M/s Louise Berger Group (LBG) relating to Construction of New Islamabad International

Airport, Project Management Consultants (PMC) shall ensure timely, due and proper completion of the project.

Audit noted that original Package-3 of Terminal Building was split into Package-3 and 4. Package-4 included Passenger Terminal Building Special Systems including Baggage Handling System, Flight Information System, CCTV, Telecom, Security Equipment, Building Management etc. Advertisement for pre-qualification of firms to execute Package 4 was given in the press in May 2008. No details about material, equipment and evaluation criteria were given hence no firm could be pre-qualified due to unclear pre-qualification criteria. CAA invited fresh applications for pre-qualification through newspapers on 9th January, 2011, after lapse of three years. Seventeen (17) firms submitted their applications for pre-qualification. Out of seventeen (17) firms, five (5) firms/JVs were pre-qualified. Interestingly, designs were not finalized by the consultants by this time. Even Foreign Exchange Component was missing in the bidding documents. CAA had to scrap all the process once again on 21st April, 2013. Tenders were once again floated on two-envelop basis on 23rd April, 2013. This time only two bidders submitted their bids. M/s Thales-Selex-GE JV was evaluated as the only technically responsive bidder.

Audit observed that CAA management wasted more than seven (7) years in the process of bidding/evaluation for award of Package-4 but the award has not so far been finalized. The balance work of Package-3 (Passenger Terminal Building) had also been stalled due to nil progress on Package-4 being inter-related. It was pertinent to mention here that the present bid of M/s Thales-Selex-GE JV was also a conditional bid requiring upfront payment of complete foreign currency component with an enhancement of the component from 50% to 86%. This state of affairs spoke volumes about the failure of CAA and project management which would not only result in additional costs of delay in Package 3 but would also delay the project much beyond the revised target date of opening in June 2016 provided in revised PC-I.

Audit maintained that extraordinary delay in finalization of award of Package-4 was due to mismanagement and lack of internal controls for

implementing oversight mechanism to ensure efficient project management.

Audit pointed out the mismanagement in November 2014. The Authority replied that award of works to the only technically qualified bidder was being pursued actively under the guidance of the Aviation Division. The reply was not tenable because more than seven (7) years have been lapsed but the package could not be awarded despite the fact that CAA officials and consultants have visited different countries several times at the cost of project without any avail.

The matter was discussed in the DAC meeting held on 14th January, 2015 wherein CAA explained that it had no experience of handling such a sophisticated and equipment intensive project. Further, Package-4 was not the only reasons of the delay in completion of the project. CAA also replied that delay in award of Package-4 occurred due to unforeseen circumstances and delays finalization of award of the package was being pursued with due diligence. Audit contended that the CAA wasted seven (07) years in process of pre-qualification of bidders due to negligence and the delays are going to cost CAA billions of rupees. The Authority had now declared M/s Thales-Selex-GE JV, the only technically responsive bidder. The Committee directed the Authority to ensure rate reasonability in a transparent manner before award of Package-04 on single bid basis as per PPRA rules and provide rate analysis to Aviation Division and Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.161)

3.4.23 Delay in development of sustainable rain water resources/dams for Rs 756.69 million

According to revised PC-I of New Islamabad International Airport, the project is to be completed by June 2016 while as per Prime Minister's directions, the Airport is to be made operational in March 2015.

Audit noted that “Feasibility Study on Development of Sustainable Rain Water Resources at NIIAP” was awarded to M/s AAB Private Limited-Mega Engineering JV on 28th April, 2014 at agreement cost of Rs 44.07 million. The Consultants submitted Feasibility Study of three Dams at different locations alongwith Drawing, Design, PC-I and other documents in September 2014. Out of these, Rama Dam was considered to be the most suitable source of water by the Consultants.

Audit observed that despite submission of documents by the Consultants in September 2014, neither PC-I of the project had been approved nor the tenders have been called for award of Contract for construction of the Dam. Moreover, additional 373 acres land required for the construction of dam had not yet been acquired. This would result in delay in operation of the Airport as per revised timelines and in cost overrun.

Audit maintained that arrangement of basic necessity of water had been delayed due to mismanagement and slackness on the part of the Project Management.

Audit pointed out the delay in award of work in November 2014. The Authority replied that CAA had been proactively working on the permanent solution to Bulk water supply problem, despite the fact that this was the responsibility of Government of the Punjab.

The matter was discussed in the DAC meeting held on 14th January, 2015, wherein the Committee directed the Authority to expedite efforts for construction of dam. The compliance of DAC’s directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC’s directive.

(DP.169)

3.4.24 Non-recovery of parking charges - Rs 181.36 million

As per Para 2.4 of CAA Revenue and Charges (Aeronautical Information Publication), parking charges levied at daily rates are payable at the time of using the aerodromes or in the case of approved regular users they shall be billed fortnightly. Moreover, as per Rule 8(4) of CAA Rules, 1994, any transfer of ownership of an aircraft registered in Pakistan shall be notified to the Director-General by the person or persons acquiring ownership within fourteen (14) days of the transfer.

Audit noted that an aircraft of M/s Gemini Aviation Inc. had been parked at Jinnah International Airport since 2009.

Audit observed that the Operator sold the aircraft on 14th June, 2011 without informing CAA and paying parking charges. The Operator refused to pay the parking charges of Rs 181.36 million stating that they had no concern with the aircraft. Audit further observed that the same operator approached CAA for registration of another airline with new trade name M/s Jet Green and issuance of Regular Public Transport License (RPTL). The request of the company was accepted without recovering parking charges or taking any action.

Audit maintained that registration of new airline and issuance of RPT licence was entertained without clearance of outstanding charges which indicated failure of system of internal controls.

Audit pointed out the non-recovery in August 2014. The Authority replied that there was no link between two companies. The issue of parking fee of the aircraft was to be dealt separately. The reply was not acceptable as the documents submitted by the Operator for registration of new airline clearly showed that the operator of the both the companies was the same.

The matter was discussed in the DAC meeting held on 4th December, 2014, wherein the Authority replied that the case regarding ownership of the aircraft is in the Court of Law. The aircraft would be

auctioned by CAA to recover CAA dues against the Operator. The Committee took a serious note of non-billing of CAA dues timely and directed to fix responsibility for non-adherence to the prescribed procedure of billing. The Committee directed CAA to finalize the case on priority to recover CAA dues. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon departmental inquiry to fix responsibility for negligence and continued favour besides recovery of parking charges.

(DP.4)

3.4.25 Excess expenditure due to poor estimation - Rs 109.88 million

As per general conditions of Consultancy contract (Standard of Performance) the Consultants shall perform the services and carry out its obligations with all due diligence, efficiency and economy in accordance with Generally Accepted Professional Techniques and Practices. The service shall be professionally sound, objective oriented, economical, and skillful advice, holding Client's interests paramount to avoid conflicts.

Audit noted that Project Manager, Construction of Thar Airport measured and paid quantities of some items of work in excess of those provided in the Technical Sanctioned estimate/BOQ/PC-I of the contract.

Audit observed that the Consultants designed the Passenger Terminal Building without soil test. Audit further observed that the work was awarded on the basis of defective drawing/design. After award of the work, soil test was carried out. Resultantly, the main scope of the work/BOQ was varied and enhanced abnormally. This resulted in execution of excess quantities valuing Rs 109.88 million.

Audit maintained that the work was awarded without feasibility study, soil testing and proper planning due to lack of technical controls, poor estimation and inadequate internal control mechanism.

Audit pointed out the poor estimation in July 2014. The Authority admitted redesigning of the Terminal Building after award of work/soil testing.

The matter was discussed in the DAC meeting held on 4th December, 2014, wherein CAA informed the Committee that after soil testing, the design of the Terminal Building foundation was re-designed and as such split foundation was changed to raft foundation which ultimately resulted in excess quantities. The excess had been taken in the revised PC-I for approval. The Committee observed that soil testing was pre-requisite of designing the building whereas the soil test was done after designing the building. The Committee directed that the Consultants be penalized for faulty design and increase in quantities due to design fault, be recovered from the Consultants (M/s ECIL). The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.41)

CHAPTER 4

NATIONAL HIGHWAY AUTHORITY (MINISTRY OF COMMUNICATIONS)

4.1 Introduction

National Highway Authority (NHA) was established in 1991, through an Act of Parliament. The purpose and functions of the Authority are to plan, promote, organize and implement programmes for construction, development, operation, repair and maintenance of National Highways and strategic roads specially entrusted to it by the Federal Government or by a Provincial Government or any other Authority.

NHA has its Headquarters at Islamabad with Regional Offices at Peshawar, Abbottabad, Burhan, Gilgit, Balkasar, Lahore, Multan, Karachi, Sukkur, Quetta and Khuzdar. NHA is currently custodian of 12,131 kilometers of highways, motorways, expressways and strategic roads.

4.1.1 Duties and Responsibilities

NHA is entrusted with the following functions and duties:

- i. To advise Federal Government on matters relating to national highways and strategic roads.
- ii. To frame scheme(s) for construction, expansion, operation and development of national highways and strategic roads and undertake work on such scheme(s).
- iii. To acquire any land in accordance with legal procedure and obtain and dispose of moveable and immovable property and interests therein.
- iv. To do research and development in the field of highways.
- v. To procure plant, machinery, instruments and materials required for its use.

- vi. To enter into and perform all such contracts as it may consider necessary.
- vii. To levy, collect or cause to be collected tolls on national highways, strategic roads and such other roads as may be entrusted to it and bridges thereon.
- viii. To extend licence facilities on roads under its control on such terms as it deems fit.
- ix. To maintain legal enforcement in Right of Way.

4.1.2 Organizational Structure

NHA is under the administrative control of Ministry of Communications and is headed by a Chairman. The affairs of the Authority are regulated through National Highway Council (NHC) and National Highway Executive Board (NHEB).

Organizational set up of the Authority comprises six core Wings, i.e. Motorways, Construction, Planning, Operations, Finance and Administration.

4.1.3 Funding/Income sources and positions

Grants

- Federal Government

Loans

- Cash Development Loan (loans obtained from Federal Government including foreign loans through PSDP)

Operating Income

- Toll collection at toll plazas
- Right of Way (ROW) charges of Petrol Pumps, CNG stations, restaurants, etc.
- Sale of tender, sale proceeds of assets, land and vehicles
- Bonds, shares and other means

Operating income for the year 2013-14 is as under:

(Rs in million)

S. No.	Description	Gross Revenue	Operational Charges	Net Revenue
1.	Toll Collection	13,990.00	959.00	13,031.00
2.	Weigh Stations Income	108.00	286.00	(178.00)
3.	Right of Way/Rental Income	470.00	0	470.00
4.	Police Fine (N-5)	2,196.00	484.00	1,712.00
5.	Other Miscellaneous	796.00	0	796.00
Total		17,560.00	1,729.00	15,831.00
Less Police Fine Share				856.00
Net				14,975.00
Estimated Receipts				16,390.00

4.2 Comments on Budget and Accounts (Variance Analysis)

Table below shows the position of budget allocation and actual expenditure for the financial year 2013-14:

(Rs in million)

Type of Funds	Allocation	Releases	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development					
Maintenance	1,553.55	1,503.55	1,503.55	-	-
Establishment	117.52	117.52	117.52	-	-
Purchase of durable goods	-	-	-	-	-
Transfer payments	-	-	-	-	-
Sub-Total	1,671.07	1,621.07	1,621.07	-	-
Development Funds					
PSDP (Local)	57,622.26	52,280.97	25,146.42	(27,134.55)	51.90%
PSDP(Foreign)	30,916.36	35,656.47	35,656.47	-	-
Sub-Total	88,538.62	87,937.44	60,802.89	(27,134.55)	30.85%
Grand Total	90,209.69	89,558.51	62,423.96	(27,134.55)	30.29%

Following issues were found during examination of the budget, expenditure and revenue statements:

- i. Against the estimated receipts of Rs 16,390.00 million, the Authority was able to actualize receipt of Rs 14,975.00 million resulting in short fall of receipts/revenue for Rs 1,415.00 million (8.64 %). (DP. 274).
- ii. Under the receipt head “Weigh Stations Income” the expenditure on Operation and Maintenance was Rs 178.00 million more than the income of Rs 108.00 million.
- iii. Saving of Rs 27,134.55 million i.e. 51.90% of total releases under PSDP/Development budget was observed which showed that the development targets set for the year 2013-14 were not achieved by NHA. Main reason of saving was non-utilization of funds of Rs 25,500.00 million released on account of land acquisition of Karachi-Lahore Motorway.
- iv. NHA incurred expenditure of Rs 618.00 million against those PSDP projects for which no allocation was made in the federal PSDP. The expenditure was incurred through re-appropriation without approval from the competent forum i.e. Planning and Development Division, Government of Pakistan. (DP.82)

4.3 Brief comments on the status of compliance with PAC’s directives

Compliance position of PAC’s directives on Audit Reports relating to NHA is as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of compliance
1987-88	10	10	8	2	80.00
1989-90	3	3	2	1	66.67
1990-91	9	9	8	1	88.89

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of compliance
1991-92	31	31	25	6	80.65
1992-93	88	88	83	5	94.32
1993-94	117	117	26	91	22.22
1994-95	38	38	34	4	89.47
1995-96	25	25	23	2	92.00
1996-97	45	45	42	03	93.33
1997-98	468	300	358	110	76.50
1998-99	177	177	154	23	87.01
1999-00	185	185	130	55	70.27
2000-01	244	244	213	31	86.58
	2 PAR	2 PAR	-	2 PAR	-
2001-02	70	70	43	27	61.43
2004-05	27	27	19	08	70.37
2005-06	30	30	24	06	80.00
2006-07	65	65	49	16	75.38
2008-09	SAR-120	4	-	-	-

Note: Audit Reports for 2002-03, 2003-04, 2007-08, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 have not been discussed by PAC till the finalization of this report. Audit Report for 1997-98 and Special Audit Report 2008-09 (FY 2005-08) were partially discussed.

4.4 AUDIT PARAS

Irregularity and Non-Compliance

4.4.1 Irregular/unauthorized amendment in the approved scope of work without approval of the competent forum - Rs 10,202.89 million

As per Planning and Development Division, Government of Pakistan O.M No. 20 (1)DA/PC/79-Vol.XIV dated 22nd June, 1980, ‘if the total estimated cost, as sanctioned increases by a margin of 15% or more, or if any significant variation in the nature or scope of the project was made, irrespective of whether or not it involves an increased outlay, the approval of the ECNEC/competent authority shall be obtained in the same manner as in the case of the original scheme without delay.’

Para 50 (Chapter Two) of NHA Code, 2005 provides that in case of variation, if the cost exceeds by more than 15% of the original project cost revised administrative approval shall be obtained from the competent authority and PC-I shall also be revised accordingly. Para 71 (Chapter Two) of NHA Code provides that in a case where such excess has the effect of exceeding the maximum monetary limit of the original sanctioning authority, the variation order shall be submitted for the approval of the authority within whose powers the project as amended falls. No work shall be carried out and no expenditure shall be incurred until fresh approval from the concerned authority has been obtained for the revised cost.

Para 97 (Chapter Three) of NHA Code, 2005 provides that normally the designs, specifications, estimates and the bills of quantities shall be prepared on such a realistic basis and so accurately that necessity for issuance of variation/change orders at a later stage does not arise. Variation/change orders shall, as far as possible, be avoided as a matter of policy. As per para 99 of the *ibid* Code, any change in the scope of work, however, small, as well as variations in cost of contract beyond the

prescribed limit, either due to change in specifications or variation in quantities, shall require issuance of formal amendment to the contract in question with the approval of the competent authority within whose powers the value of contract as amended falls.

4.4.1.1 Audit observed that Lyari Expressway Project was awarded in 2002 at an agreed cost of Rs 4,892.33 million and was required to be completed on 8th November, 2004. During execution, eleven (11) Variation Orders were got prepared and approved by NHA without approval of the competent forum i.e. ECNEC, which resulted in an enhancement in cost of the project to Rs 9,940.66 million (103.19% over and above the original contract cost). This resulted in irregular/unauthorized enhancement in scope of the work of Rs 5,048.33 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregular/unauthorized enhancement in scope of the work in November 2014. The Authority replied that all variation orders were prepared as per Para 102 (Chapter Three) of NHA Code which describes that if it was felt that issuance of variation orders/changes was essential due to change in alignment, design, specification etc. the same would be issued with the approval of competent authority. The reply was not accepted because material changes were made by NHA itself after award of work during execution which were required to be got approved by ECNEC as the project was originally approved by ECNEC.

The matter was discussed in the DAC meeting held on 7th January, 2015, wherein NHA informed that the PC-I of the project was under revision. The Committee expressed its concern for incurring of expenditure over and above the approved PC-I by NHA management itself without prior approval of the competent forum and directed the Authority to expedite the approval of deviations from ECNEC and get it verified from Audit. The compliance of the DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 504)

4.4.1.2 NHA incurred an expenditure of Rs 1,840.75 million in seven (7) cases without approval of the competent forum i.e. ECNEC/CDWP and without revision of PC-I (**Annexure-A**).

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity during July-November 2013. The Authority replied that the Variation Orders were under process. The reply was not accepted because expenditure beyond permissible limits was incurred without approval of the competent forum i.e. ECNEC/CDWP.

The matter was discussed in the DAC meetings held on 20th - 21st November, 2014 and 7th January, 2015 wherein the Committee directed NHA to obtain the approval of the competent authority through Revised PC-I. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

4.4.1.3 PC-I of Peshawar Northern Bypass was originally approved by ECNEC on 4th August, 2005 at a cost of Rs 3,078.08 million including Rs 500.00 million for land acquisition and relocation of utilities. The PC-I was revised by ECNEC in its meeting held on 21st January, 2010 for Rs 9,002.75 million including the cost of Rs 1,990.00 million for land acquisition of 3,430 kanals.

Audit observed that an expenditure of Rs 3,322.55 million was incurred by NHA upto April 2014 for acquiring land measuring 1,197 kanals against revised PC-I provision of Rs 1,990.00 million for acquiring 3,430 kanals. This resulted in irregular expenditure of Rs 1,332.55 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregular expenditure in August-September 2014. The Authority did not reply.

The irregularity was discussed in the DAC meeting held on 20th and 21st November, 2014. NHA explained that matter is under consideration by the Planning Commission. The Committee directed NHA to probe the matter and furnish report to Audit within a month. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon investigation into the matter for delay in land acquisition which caused increase in land acquisition cost.

(DP. 132)

4.4.1.4 The PC-I of the project "Islamabad-Peshawar Motorway (M-1)" was approved for Rs 26.86 billion on 25th March, 1999 by National Highway Council. Environmental Impact Assessment Report (EIAR) was part of approved PC-I as Appendix-E. As per EIAR vegetation being the most effective and economically preferred alternative was adopted and specified in the approved PC-I. It was proposed and approved that either side of the Motorway within the right of way trees be planted while on the embankment grass cover and tiny bushes be maintained. The median was to be covered with grass or bushes. As per approved PC-I, an area of 52,865 sq. m was provided for grassing in level and slope areas @ Rs 38 per sq. m for Rs 2.01 million. Against this provision payment to M/s PMC-JV was made for a quantity of 319,071.960 sq. m @ Rs 19.54 per sq. m for Rs 6.23 million.

Audit observed that against the approval of ECNEC and after incurring expenditure of Rs 6.23 million on grassing, NHA decided to replace vegetation with the costly method of protection of slopes with

stone pitching. An expenditure of Rs 825.01 million was incurred on stone protection works (**Annexure-B**).

Audit maintained that the expenditure incurred on grassing of slopes for Rs 6.23 million and subsequent maintenance was gone wasted and the expenditure on stone pitching of Rs 825.01 million was not only unauthorized being without approval of ECNEC but also infructuous.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the matter in August 2014. The Authority replied that throughout embankment of Motorway (M-1) was full of tiny bushes and grass along with small plants but in spite of grass and tiny bushes on the embankments of Motorway a lot of severe rain cuts developed in which some extended upto shoulders of Motorway. Therefore, the project Management decided to protect the same with stone pitching in order to strengthen and prolong the life of motorway embankment. The reply was not accepted because stone protection work was not approved by the competent forum ECNEC. Costly method of protection of slopes of embankment was adopted and expenditure on grassing already done in the main contract was wasted.

The matter was discussed in the DAC meetings held on 20th and 21st November, 2014, wherein the Committee observed that huge expenditure on slope protection with stone was incurred by NHA without provision in the PC-I of the M-1 Project in place of planted grass and vegetation. NHA informed that the expenditure incurred was incorporated in the revised PC-I of the Project which is pending for approval due to litigation with the Contractor for main Project. Audit contended that the expenditure was incurred through piece meal contracts by keeping the expenditure within the financial powers of the Member Construction NHA who was not competent without approval of ECNEC who approved PC-I of the Project. The decision to replace grass and vegetation with stone would result in abnormal increase in annual recurring maintenance cost of

M-1. The Committee directed NHA to get the process of approvals with justifications verified from Audit. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses upon investigation at an appropriate level for fixing responsibility for unauthorized expenditure.

(DP.89)

4.4.1.5 Audit noted that the General Manager Larkana Package NHA, got executed the works through variation order No.1 and 2 in deviation of approved estimate, beyond the permissible limit of 15% of approved PC-I/ Engineers estimate without revision of PC-I from the competent authority as under:

(Rs in million)

Name of Project	Original Cost	Varied Cost	Excess	%age
Larkana-Moenjodaro	1,931.05	2,654.25	723.20	37.45 % above
Kamber-Shahdaskot	833.49	1,043.00	209.51	25.14 % above
Larkana-Naseerabad	1,363.61	1,587.15	223.54	16.38 % above
Total	4,128.15	5,284.40	1,156.25	

This resulted in irregular expenditure beyond permissible limits without revision in PC-I for Rs 1,156.25 million due to weak financial controls.

Audit maintained that the irregular expenditure without revision in PC-I was incurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2014. The Authority replied in one case that Variation Order No. 1, which was 14.29% (below 15%) was approved vide letter dated 2nd July, 2011 and Variation Order No. 2 which was 2.09% of Original Contract Cost and

cumulative at 16.38% over Original Cost was approved in April, 2013. Keeping in view the contract requirement revision of PC-I was initiated by the Project Director on 12th September, 2013. The reply was not accepted because the amount of variation orders exceeded the permissible limit of 15%. Material deviations/design deviations were required to be got approved from the competent forum i.e. ECNEC through revised PC-I.

The matter was discussed in the DAC meeting held on 7th January, 2015, wherein DAC observed that huge expenditure was incurred by NHA without provision in the PC-I of the Projects. NHA informed that the expenditure incurred was incorporated in the revised PC-Is of the Projects which were pending for approval. Audit contended that the expenditure was incurred without approval of ECNEC who approved PC-Is of the Projects. The Committee directed NHA to get the revised PC-Is approved from the competent forum/ECNEC and get it verified from Audit. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.447)

4.4.2 Irregular award of additional works/consultancy beyond original scope without open competition - Rs 9,176.87 million

Rules 20 and 21 of Public Procurement Rules, 2004 provide that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Rule 12(2) of ibid rules also provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and other in Urdu. Rule 42 (c) (iv) provides under the circumstances of direct contracting, the repeat orders should not exceed fifteen percent (15%) of the original agreement. According to Rule 50 of ibid Rules, any violation of these Rules constitutes mis-procurement.

As per Engineering Council Bye-laws, *Consulting Engineer* means any person, partnership, corporate body or any other legal entity which independently performs study, prepares reports, makes design, supervises construction or similar advisory activities in the engineering disciplines and is registered or licensed as such by the Council. Any person who practices the profession of consulting engineering in Pakistan without valid registration by the Council and any person who abets or helps such unauthorized practice or any person or organization who infringes or helps in the infringement of these bye-laws shall be liable to be punished in accordance with the provision of the Act.

As per MoC letter No.12 (10)/98-Roads dated 13th September, 2007, no work should be awarded to NLC on any NHA's project till the inquiry regarding collapse of Shershah Bridge on Karachi Northern Bypass is finalized.

As per Section 4 of NHA Act 2001, the purpose and functions of the Authority shall be to plan, promote, organize and implement programs for construction, development operation, repairs and maintenance of National Highways and Strategic Roads specially entrusted to it by the Federal Government, or by a Provincial Government or other authority concerned. As per Section 2 (g) and (m) "National Highway" means a road specified in Part 1 of the Schedule and includes a road declared by the Federal Government, by notification in the Official Gazette, to be a National Highway. "Strategic Road" means a road specified in Part-II of the Schedule and includes a road declared by the Federal Government by notification in the Official Gazette, to be a strategic road.

4.4.2.1 Audit observed that General Manager (NHIP) NHA got executed a number of additional works through various variation orders in the National Rehabilitation Projects and Rehabilitation and Reconstruction of Earthquake Damaged Roads projects through the original contractors without open advertisement in the National press as required under Public Procurement Rules. This resulted in irregular execution of additional

works/new works through variation orders for Rs 6,427.28 million (Annexure-C).

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2014. The Authority did not respond to the audit observation.

DAC meetings were convened on 20th - 21st November, 2014, 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation into the matter and fixing of responsibility for flagrant violation of Public Procurement Rules.

(DP.421)

4.4.2.2 Audit observed that General Manager (Design), NHA, Islamabad awarded various services, detailed below, valuing Rs 41.05 million without advertisement on the website of the Public Procurement Regulatory Authority and in national press for open bidding to achieve competitive rates in the following four cases.

Para No.	Name of work/description	Name of firm	Contract cost (Rs in million)
07	Feasibility Study of 'M-4 Extension from Khanewal to Multan (57 km)'	M/s Nespak Pvt Limited	23.40
09	Supply of Stereo Satellite Imageries of geo eye for the area from Chitral to Eskhkesham and Monitoring of Development Projects through Satellite Imageries	M/s Business System International and M/s Dynamic Engineering	6.83

Para No.	Name of work/description	Name of firm	Contract cost (Rs in million)
10	Feasibility Study and Detailed Design	M/s NESPAK Pvt Limited	6.16
11	Feasibility Study of Athmuqam-Sharda-Khel Section	M/s Asif Ali and Associates	4.66
Total			41.05

The absence of open competition compromised the award, deprived the entity of the advantage of competitive rates and denied a fair opportunity to other prospective bidders of participation in the bidding process.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregular award of services in August 2014. The Authority did not respond to the audit observation.

DAC meetings were convened on 20th - 21st November, 2014, 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation into the matter and fixing of responsibility for flagrant violation of Public Procurement Rules.

(DP.103)

4.4.2.3 Audit noted that contract for “Consultancy services for Design Review and Construction Supervision of Additional Carriageway on Sehwan-Ratodero Section (200 km) was awarded to M/s NIPPON KOEI Co. Ltd in 2008. The contract expired in December 2013 but was extended upto December 2014. Audit further noted that the Consultants stopped their work due to (i) safety risk (ii) contractor’s rejection of its site

instructions and (iii) NHA's request to the Consultants to the lower project standards. However, their contract was extended upto 30th April, 2014.

Audit observed that Contract for the remaining period was assigned to JV-M/s EA Consulting Pvt Ltd, REC, Tech Consultants International and Technique Engineering Consultancy at an agreement cost of Rs 97.34 million from 1st May, 2014 to 31st December, 2014 without calling open tenders and advertisement in the press.

Audit maintained that violation of rules deprived the Authority of the advantage of competitive rates. Further it compromised on the imperatives of fair play and transparency owing to weak implementation of internal controls.

Audit pointed out the irregularity in August 2014. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014, wherein NHA explained that the original consultant left the work incomplete. Hence, Consultancy contract was assigned to M/s EA as Assignment Contract. Audit contended that Consultants stopped their services due to: (i) safety risk (ii) contractor's rejection of its site instructions and (iii) NHA's request to the Consultants to lower project standards below the contracted levels. The Committee expressed its displeasure and directed the Authority to submit revised reply and hold fact finding inquiry. General Manager (M and I) was nominated to conduct the Inquiry. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.163)

4.4.2.4 Scrutiny of accounts record of project "Rehabilitation of Jacobabad to Dera Allah Yar Bypass from KM 83 to KM 95 and Jacobabad city to Dera Allah Yar from KM 75 to KM 80" awarded at a cost of Rs 566.11 million, disclosed that after award of the work the location of the work

was changed from KM 83-95 and 75-80 to KM 90-95 and 84-94+700. The design of the road was also revised. Twenty three (23) structures (Two bridges + twenty one culverts) in the city section and seventeen (17) structures (i.e. culverts) for bypass road were added in the project.

Following additional works of Rs 331.19 million were awarded to the contractor without calling tenders:

Subhead of work	Amount (Rs in million)
Bill No. 01 Earth Work	119.71
Bill No. 03 Surfacing	5.86
Bill No. 04 Structure Work	157.76
Bill No. 05 Drainage Work	45.61
Bill No. 07 General Item	2.25
Total	331.19

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in September-October 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014. NHA explained that the work necessitated due to site requirement. Audit contended that under the cover of increase in scope of work the contractor was able to get the additional works awarded without competitive bidding. The Committee directed NHA to submit revised reply stating justifications in the matter and relevant record be got verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon investigation into the irregularity/misuse of power and fixing of responsibility.

(DP. 213)

4.4.2.5 Audit noted that the project “Rehabilitation of Chakdara-Kalam Road (N-95) Package-I” was awarded to M/s Associates Consultant Engineers and M/s ZKB-TECHNO Time Construction Co. (JV) at an agreed cost of Rs 912.45 million. Audit observed that after award of work an additional work of Rs 170.60 million which was 18.70 % above the agreement cost, was awarded to the same contractor.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in September-October 2014. The Authority replied that Variation Orders were prepared and the additional works were included in Variation Orders in accordance with the general conditions of contract.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014. The Committee directed NHA to hold a fact finding inquiry in the matter and submit report to MoC and Audit within one month. The compliance of DAC’s directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC’s directive.

(DP. 217)

4.4.2.6 As per Para 12(b) of Chapter-Eleven of NHA Code (Volume-I) as a general rule, tolls shall be collected through an Operation and Management (O&M) contractor procured under PPRA/RMA Rules as a service contract or as a maximum guaranteed bid. As per Para 11(g) NHA shall ensure cost-effective, transparent, and accountable arrangements for the collection of the RMA revenues.

As per Clause 3.1 (Section-III) of ETTM contracts, the term of this agreement shall be for a period upto one (01) year measured from the effective date as defined in Clause 3.2 i.e. the date on which OMC shall commence performing services of collection of toll on the specified toll

plaza awarded to OMC after signing of the contract from date of taking over the toll plaza. Moreover, as per Clause 2.4 (Section-II) the contract is valid for one year from the date of commencement of toll operation by new contractor. It is extendable for further one year provided that the contractor fulfills the laid down conditions. This will cater for any changes, operating mechanism, development and modernization.

The record relating to Operation and Management Contracts at various ETTM Toll Plazas disclosed that original term of one year of the contracts was expired in all ETTM based toll plazas but the original O&M contractors have been operating the toll collection without any authorization i.e. extension and award through competitive bidding. Non-tendering/fresh award of the O&M Contracts deprived NHA of more competitive/enhanced revenue opportunities. This resulted in irregular continuation of O&M contracts involving net revenue of Rs 2,109.41 million per annum as detailed below:

Toll Plaza	OMC	Date of Commencement	%age Share of Operator	Net revenue of NHA (Rs in million)
Qutbal (N-80)	M/s Noman Construction	25.03.2010	7.13%	75.30
Harro (N-5)	M/s MDB Three Stars JV- M/s Abdali	21.09.2009	7%	198.28
Iqbal Shaheed (N-5)	M/s Afridi	01.08.2009	4%	138.51
Sangjani (N-5)	M/s Al Rehman	08.05.2009	3.89%	461.48
Mandra (N-5)	M/s NLC	02.01.2000	11%	356.53
Tarraki (N-5)	M/s NLC	23.08.1999	11%	269.48
Jhelum (N-5)	M/s TRAM	13.12.2010	2.3%	274.52
Chenab (South Bound) N-5	M/s NLC	2002	11%	335.31
Total				2,109.41

Audit maintained that the irregularity occurred due to deficient revenue recognition policies, disregard to the rules, regulations and weak internal controls.

Audit pointed out the irregularity in May 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014 wherein NHA informed that following actions had been taken:

- i. A lot of improvements had been incorporated by the new management of NHA and
- ii. Retendering of ETTM toll plazas was being done after considering all aspects.

The Committee directed NHA to get the improvements in the system of revenue collection and measures/actions taken verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 24)

4.4.3 Grant of additional Mobilization Advance through post-bid amendment - Rs 1,463.49 million

According to clause 60.13(a) of agreement, an interest free mobilization advance upto 10% of the contract cost stated in the letter of acceptance shall be paid by the employer to the contractor in two equal parts upon submission by the contractor of a mobilization advance guarantee for the full amount of the advance in the specified form from a scheduled bank of Pakistan acceptable to the employer.

The Standard Contract Agreement does not provide any scope for change in the conditions of the contract. Clause 51.1 provides scope for variations in quantities only.

Audit noted that as per contract agreement for the work Lahore-Gujranwala Section, Contract-8 (Rehabilitation Project, National Highway Rehabilitation Project N-5) Mobilization Advance of Rs 480.00 million was required to be paid @ 10% of contract price.

Audit observed that NHA paid interest free mobilization advance of Rs 1,702.62 million and paid Escrow advance of Rs 240.87 million to the contractor through post bid changes. So, an additional amount of interest-free mobilization advance/Escrow advance for Rs 1,463.49 million was paid to the contractor. This resulted into an undue financial aid of Rs 1,463.49 million.

Date	Description	Amount (Rs in million)
25.04.2006	Additional Mobilization Advance	240.87
03.02.2007	Escrow Advance	240.87
18.06.2008	Additional Mobilization Advance	481.75
23.11.2011	Additional Mobilization Advance	500.00
Total		1,463.49

Audit maintained that the practice of giving Mobilization Advance in excess of the limit specified in the contract agreement is against the norms of financial discipline/propriety.

Audit maintained that the undue financial benefit was extended due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the undue financial aid in November 2014. The Authority did not reply.

DAC meetings were convened on 20th - 21st November, 2014, 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon recovery of interest on the amounts of additional mobilization advance from the contractor immediately at the rates fixed by Finance Division on Cash Development Loans besides disciplinary action against the persons responsible for doling out public money to favour the contractor.

(DP. 388)

4.4.4 Irregular award of works amounting to Rs 564.30 million

According to Rule 10(i) and (ii) of GFR (Vol-I), every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. The expenditure should not be prima facie more than the occasion demands.

Audit noted that General Manager (Operation), NHA Islamabad invited tenders on single stage-two envelopes basis for award of Periodic Maintenance (structural/functional overlay) works in the different regions of country through Annual Maintenance Plan 2013-14.

Audit observed that four (4) works were awarded to the single prequalified contractors at higher rates and in other two cases, one bidder was shown non-responsive (out of two bidders) and works were awarded without competition. This resulted in irregular award of works for Rs 564.30 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November-December, 2014. The Authority replied that PPRA does not put any limit on number of

bidders participated in response to tender notice and allows consideration of single bid if it meets the evaluation criteria. The works were awarded in the range of 2% below to 7% above the engineering estimates. The reply was not accepted because trend in the other works of the region awarded through competitive bidding was 22.67% below to 4% below the engineering estimate. Furthermore, the PPRA clarified the rule position that “the comparison of price of goods, works or services if procured during the current financial year may be kept in view while accepting the rate quoted by the single bidder and in case of abnormal increase in prices, the procuring agency may like to re-advertise the procurement opportunity if time permits. Re-advertisement, however, would be a preferred option”.

DAC meeting was convened on 7th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation into the matter and fixing of responsibility for flagrant violation of rules.

(DP.506)

4.4.5 Loss due to award of works on higher rates - Rs 226.01 million

Rule 36(b)(ix) of Public Procurement Rules, 2004 regarding procedures of open competitive bidding provides that the bid found to be the lowest evaluated bid shall be accepted.

Audit noted that General Manager (Operation), NHA Islamabad invited tenders on single stage-two envelopes basis for award of periodic maintenance (structural/functional overlay) works in the different regions of NHA through Annual Maintenance Plan 2013-14.

Audit observed that Authority sustained a loss of Rs 226.01 million due to award of works at higher rates to five number single prequalified bidders and in other four number cases, the firms having lowest rates were declared as non-responsive due to non-acceptance of bid security in shape of insurance bond issued by AA- rating insurance company.

Audit maintained that the loss was sustained due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the loss in December 2014. The Authority replied that the works were awarded through competitive bidding and bid security bond having AA⁻ rating was not accepted as required rating was AA. The reply was not accepted because single bids having higher rates were accepted without ascertaining the reasonability of rates received in other contracts of the same region. Regarding non-acceptance of the bid bond having AA⁻ (Double A minus) the Pakistan Credit Rating Agency Ltd. clarified that the rating AA⁻, AA, AA⁺ are of the same AA rating category. AA⁻ is the floor of the category, AA is the medium and AA⁺ is placed at the top within the category. The applications of the contractors having lowest quoted bids for award of works on the above said clarification were not accepted by NHA which resulted in loss to the Authority.

DAC meeting was convened on 7th January, 2015 but the para could not be discussed.

Audit stresses upon investigation into the matter and recovery of the amount involved at the earliest.

(DP.507)

4.4.6 Irregular payment on account of differential cost of kerb stone - Rs 17.09 million

According to Clause 53.1 of FIDIC conditions of contract for works of civil engineering construction, Notwithstanding any other provision of the contract, if the contractor intends to claim any additional payment pursuant to any clause of these conditions or otherwise, he shall give notice of his intention to the engineer, with a copy to the employer, within twenty eight (28) days after the event giving rise to the claim has first arisen.

As per clause 67.1 of bidding documents, regarding dispute review expert, if either the employer or the contractor is dissatisfied with any recommendation of the DRE or if the DRE fails to issue his recommendations within fifty-six (56) days after he has received the written request for recommendations then either the employer or the contractor may within fourteen (14) days after his receipt of the recommendations or within fourteen (14) days after the expiry of the said fifty-six days period, as the case may be, give notice to the other party, with a copy for information to the engineer, if his intention to commence arbitration, as hereinafter provided, as to the matter in dispute. Such notice shall establish the entitlement of the party giving the same to commence arbitration, as hereinafter provided, as to such dispute and, subject to sub-clause 67.4 no arbitration in respect thereof may be commenced unless such notice is given. If the DRE has issued a recommendation to the employer and the contractor within the said fifty six days and no notice of intention to commence arbitration as to such dispute had been given by either the employer or the contractor within fourteen (14) days after the parties received such recommendation from the DRE, the recommendation shall become final and binding upon the employer and the contractor.

Audit noted that an additional work for construction of raised median with kerb stone at site of work was awarded through negotiation at the rate of Rs 650 per linear meter (LM) and was conveyed to the contractor on 20th June, 2009. The contractor did not express his reservations on the rate conveyed within twenty-eight (28) days; however, later on the contractor objected the rate which was not accepted by the engineer. The matter was taken up with dispute review expert (DRE). The nominated DRE (Mohsin H Sheikh) gave his decision, without hearing NHA, with the direction to pay the rate of Rs 791 per LM. The decision of the DRE was challenged in the court of Senior Civil Judge Islamabad for appointment of arbitrator which is under process.

Audit observed that in the work “Rehabilitation of N-5 (Ubaro to Sheikh Wahan) Contract No. 05” NHA paid an amount of Rs 17.09 million on account of differential cost of Rs 791 and Rs 650 per LM to the contractor irregularly as detailed below against the provision of the

clause 67.1 of the contract agreement (DRE decision was challenged and was not binding).

Differential cost	Rs 9.45 million
Escalation @ 80.85%	<u>Rs 7.64 million</u>
Total irregular payment	Rs 17.09 million

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregular payment in November 2014. The Authority did not reply.

DAC meetings were convened on 20th - 21st November, 2014, 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon recovery at the earliest.

(DP. 394)

4.4.7 Wasteful expenditure due to deviation from standard Design of Toll Plaza - Rs 10.63 million

NHA Executive Board in its 141st meeting dated 16th September, 2006 approved standardization of the design of toll plazas and accordingly the new toll plazas were to be constructed. As per new standard design the rigid pavement with class-A concrete and tuff tiles over thereon was provided.

Audit noted that contract for construction of 2 temporary plazas were procured by the General Manager (Sindh South) located at Mehar and Sehwan. These works were awarded on 28th September, 2012 and to be completed in three (3) months. As per standard design, items of work were required to be provided in the estimate for construction of rigid pavement in approaches of the toll plaza. This aspect was ignored and

approach lanes were proposed to be constructed with bitmac, lean concrete, fiber glass toll booths, preparation of plate form for fixing, pre-casted roof, temporary electrical works and road furniture, studs and cat eyes were fixed thereon.

Audit held that as NHA Executive Board had already approved standard design for construction of toll plaza, therefore, accordingly permanent toll were to be constructed after determination of proper location. These contracts were procured through emergency provisions and required to be made operational within three (3) months for collection of revenue but despite expiry of twenty-four (24) months neither these facilities were completed nor toll plazas became operational for collection of revenue. However, an expenditure of Rs 10.63 million on the establishment of these temporary toll plazas was incurred by NHA without achieving value for money. Non-execution of the work in line with the approved standard design and incurring expenditure on the temporary facility and delay in the earning of operational revenue caused wasteful expenditure of Rs 10.63 million.

Audit maintained that the wasteful expenditure occurred due to weak internal controls and negligence on the part of management.

Audit pointed out wasteful expenditure on temporary facility in October 2014. The Authority did not reply.

The para was discussed in the DAC meeting held on 7th January, 2015, wherein the Committee directed NHA to hold a fact finding inquiry to probe deviation from standard design, non-completion of work and non-collection of revenue and submit report to MoC and Audit within one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 489)

4.4.8 Irregular/unjustified approval of additional vehicles for employer through variation order - Rs 9.08 million

As per provision of approved Estimate/BOQ vide item No. SSP-13(a,b) provision and running and maintenance of six (06) vehicles of different categories was made as transport for Employer/Engineers @ Rs 80,000 per month for 108 vehicle month for Rs 8.64 million.

Audit noted that the Project Director Larkana-Naseerabad Road via Rasheed-Wagan Road Project under General Manager Larkana Package NHA, allowed and paid a non-BOQ item running and maintenance of transport for Employer/ Engineer representative i.e. four vehicles @ Rs 80,000 per vehicle per month through variation order in addition to the already provided six (06) vehicles without provision in PC-I/BOQ. These vehicles were being used exclusively by the Employer other than the project.

Audit observed that provision for running and maintenance of additional four vehicles was unnecessary and unduly made through Variation Order No. 2 w.e.f 01st April, 2012. The additional vehicles were shifted from a completed project and were being used by General Manager Office (Larkana Package). Provisions of BOQ vehicles already made and provided to the Employer/Engineer representative were sufficient as per Bill No. 7. Provision of additional vehicles amounting to Rs 9.08 million beyond permissible limits without revision in PC-I/BOQ resulted in irregular/unjustified expenditure.

Audit maintained that irregularity occurred due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out the irregularity in November 2014. The Authority replied that 10 vehicles were purchased under Package-I of Lakhi-Naudero-Larkana Project and at the expiry of the contract period of this Project on 31st March, 2012, four out of ten vehicles which were under the use of General Manager office at Sukkur, were included in this Project with effect from 01st April, 2012 with the approval of Member

(Construction) NHA. The reply was not accepted because out of six vehicles originally provided in the contract agreement for employer/Engineers use, only two vehicles were in the use of Project related activities one with Project Director, who was also enjoying this facility from two other Projects of Larkana Package and one vehicle, Corolla GLI Car was in the use of Resident Engineer, remaining four vehicles were not found being used for Project Supervision/Monitoring.

The para was discussed in the DAC meeting held on 7th January, 2015, wherein Audit contended that provision for running and maintenance of additional four vehicles was unnecessary and unduly made through Variation. These vehicles were shifted from a completed project and were already in use of G.M office Larkana Package. The Committee decided that the matter be inquired and report submitted to MoC and Audit within one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 431)

4.4.9 Un-authorized/unjustified nomination of “The Engineer” without valid notification and SOP/Job description

As per clause 1.1a (iv) part-II Particular Conditions of Contract “The Engineer” of the Project was to be appointed by the Employer and notified to the contractor. Para 2.1 of the contract provides duties and authority of the Engineer. The Engineer shall obtain the specific approval of the employer before carrying out his duties in accordance with the following clauses.

- i. Any action under clause 10 “ Performance Security” and “Insurance”
- ii. Any action under clause 44 “Extension of Time for Completion”
- iii. Any action under clause 47 “Liquidated Damages for Delay”

- iv. Issuance of variation orders under clause 51
- v. Fixing rates of projects under clause 52

Audit noted that Mr. Siraj-ul-Huda a Retired Engineer from NHA, was working as “The Engineer” on the Rehabilitation of Kamber-Shahdaddkot Road Project, since start of the Project i.e. January 2010 up-till date. In addition to this Project Mr. Siraj-ul-Huda was also nominated and working as “The Engineer” on different NHA Projects in Larkana package, M-8 and Gwadar-Ratodero Projects under FWO, about (08) eight projects were being run by the same person as “The Engineer” simultaneously.

Audit observed that the appointment of “The Engineer” was made without prescribing any qualification criteria, without advertisement, initial screening process and appointment through a selection committee. Terms and condition, SOP, duties and responsibilities provided in appointment of the Engineer were not found in the projects record.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2014. The Authority did not reply.

The para was discussed in the DAC meeting held on 7th January, 2015 wherein the Committee directed NHA to devise a procedure/SOP for the appointment of “The Engineer” within seven (7) days and submit report to MoC and Audit. The compliance of DAC’s directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC’s directive.

(DP. 432)

Performance

4.4.10 Poor condition of National Highways in Sindh Province despite huge expenditure resulting in fatal road accidents - Rs 43,688.84 million

As per Section 4 of NHA Act 1994, the purpose and functions of the National Highway Authority shall be to plan, promote, organize and implement programs for construction, development operation, repairs and maintenance of National Highways and Strategic Roads specially entrusted to it by the Federal Government, or by a Provincial Government or other authority concerned.

As per NHA Road Maintenance Accounts Rules 2003, Corridor Management means carrying out regulatory functions of the National Highway Authority as custodian of the public assets including management of right of way and building line (removal of encroachments, ribbon development, utilities, access or approach roads, afforestation, commercialization), roadside facilities (service and rest areas, filling stations, amenities), traffic and highway safety operations (enforcement of traffic laws and rules, roadside emergency telephone service, mobile vehicle repairs and rescue service, para medical service), weigh station operations, and toll operations. Highway Safety Improvement means improvements specified in the Standard Operating Procedures related to accident-prone locations (black spots), and traffic and road engineering measures.

Audit noted that NHA incurred expenditure worth billions of rupees on improvement and maintenance of roads during recent years. In Sindh, detail of important road network development/improvement (on-going/recently completed) was as under:

		(Rs in million)
S. No.	Programme/Project	Amount spent upto 30 th June, 2014
1.	Larkana Package	18,366.15

S. No.	Programme/Project	Amount spent upto 30th June, 2014
2.	National Highway Development Sector Investment Programme (Sukkur-Jacobabad Section - ADB Funded)	11,254.25
3.	National Highway Improvement Programme (NHIP) (5 contracts in Sindh)	5,177.30
4.	Flood Emergency Reconstruction Project (10 contracts in Sindh)	4,508.43
Total		39,306.13

Detail of expenditure incurred by Regional General Managers (Sindh) on maintenance of roads related activities during 2011-12 to 2013-14 was as under:

(Rs in million)

Financial Year	GM Sindh (South) Karachi	GM Sindh (North) Sukkur	Total
2011-12	1,107.27	999.78	2,107.05
2012-13	1,282.32	106.05	1,388.37
2013-14	377.73	509.56	887.29
Total	2,767.32	1,615.39	4,382.71

Audit observed that despite incurring of huge expenditure on road network development/improvement to meet increasing traffic load (NHIP) up-gradation of network under FERP and routine maintenance, most of the roads in Sindh Province were in a dilapidated state whereas each kilometer of road costs NHA approximately between Rs 80-100 million. Sindh Province had been witnessing major fatal road accidents in recent years. As per Pakistan Bureau of Statistics (Data on Traffic Accidents), 756 people were killed in road accidents in Sindh in the year 2013 (Source: website www.pbs.gov.pk Traffic Accidents (Annual) 31st March, 2014). The analysis also indicated that fatal accidents were more in number than the non-fatal accidents. There were 615 fatal accidents and 368 non-fatal accidents. Frequency of fatal accidents on roads in Sindh Province was a

clear evidence of poor condition of the roads and complete failure of the Authority to ensure implementation of safety standards in case of blockade of one carriageway due to maintenance and repairs. Media reports on recently occurred accident killing 62 people at National Highway, Malir on 11th January, 2015 (Dawn, Islamabad dated 12th January, 2015) attribute the road accidents to over speeding and poor road conditions. NHA, though has farmed Standard Operating Procedures for Road Maintenance and prepared Annual Maintenance Plan but the same was not being implemented in letter and spirit. Apparently no organized mechanism is in place to assess the “Engineering” of roads including geometric improvement. Main reasons for road accidents were:

- i. Dilapidated state of highways
- ii. Over speeding
- iii. Overloading
- iv. Bad condition of vehicles
- v. Inadequate highway safety measures while diverting traffic of one carriageway (North Bound or South Bound) to the other carriageway during maintenance. As per Annual Maintenance Plan 5% of the annual revenue is allocated for highway safety (Rs 90 million for the year 2012-13 and Rs 100.00 million for the year 2013-14).

This state of affairs indicated absence of supervisory and technical controls and failure to enforce road safety measures during maintenance and repair of the road network.

The matter was reported to the PAO in January 2015 for investigation to ascertain the reasons of these fatal accidents and taking remedial measures accordingly to save the precious lives. The Authority did not reply.

The para could not be discussed in the DAC meeting despite best efforts by this office.

Audit stresses upon investigation and appropriate corrective action.

(DP. 522)

4.4.11 Unauthorized/Irregular grant of extension of time in aided projects valuing Rs 22,233.80 million and loss due to payment of escalation due to extension in time - Rs 7,405.13 million

According to Para 4 of Government of Pakistan, Planning and Development Division letter No.2(1-29)DA/PC/86 dated 15th April, 1989 regarding extension in the period of execution of the projects, in case of the aided projects, extension if necessary may be obtained from Economic Affairs Division and Planning and Development Division and Finance Division is informed. The Economic Affairs Division for such extension would consult the aid giving agency (agencies), Planning and Development Division and Finance Division, if essential.

4.4.11.1 Audit noted that General Manager (NHIP) awarded certain aided projects for National Highway Rehabilitation to various contractors. The contractors could not complete the awarded works in stipulated time period. Audit observed that NHIP, NHA authorities granted time extension at their own without obtaining approval of extension in time from the Economic Affairs Division as required vide the Planning and Development Division's letter referred above. This resulted in unauthorized/irregular grant of extension of time (EOT) in the period of execution of the aided projects valuing Rs 22,233.80 million (**Annexure-D**). Audit also observed that extension in time granted was much more than required for the relevant increase in the cost of project.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out unauthorized /irregular grant of extension of time in November, 2014. The Authority did not reply.

(DP.420)

4.4.11.2 Audit noted that General Manager NHIP NHA awarded certain aided projects for National Highway Rehabilitation to various contractors. The contractors could only complete the works in the range of 10% to

44% in the original stipulated period. Audit observed that NHIP, NHA authorities granted time extension in the range from 143% to 392% of the original stipulated period without concrete justification resulting in an additional financial cost impact in shape of escalation etc. This resulted in a loss of Rs 7,405.13 million (**Annexure-E**). It was further observed that in most of cases delay occurred because of shortage of material like bitumen etc. for which contractors were responsible.

Audit maintained that the irregularities occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2014. The Authority did not reply.

(DP. 419)

DAC meetings were convened on 18th - 19th December, 2014 and 7th January, 2015 but the paras remained undiscussed.

Audit stresses upon investigation, fixing of responsibility and action against persons responsible.

4.4.12 Non-completion of road infrastructure development projects under Larkana Package despite incurring of huge expenditure of Rs 18,366.15 million

As per Para 2.2 of Guidelines for Project Management published by Planning Commission in 2008 states that Project Director is responsible for project execution according to its objectives, work scope and implementation schedule. As per Para 2.9 of *ibid* Guidelines, Project implementation agencies/departments should seek the approval of the competent authority as soon as they consider change in scope of work or revision in cost. Sponsoring agencies should also anticipate likely delays. They should also fix responsibility for the delays. Those responsible for not undertaking forward planning and causing delays in implementation of projects should be taken to task.

Audit noted that seven (7) road/bridge projects containing thirteen (13) works/packages were initiated by NHA under Larkana Package during 2007 to 2010.

An overview of various projects under Larkana Package indicated that most of the works could not be completed within the stipulated period and there was considerable time overrun ranging from three to four years. Huge expenditure of Rs 18,366.15 million has been incurred on these projects (**Annexure-F**). It was observed that process of land acquisition relating to five (5) projects was yet to be finalized. Audit also noticed that embankment work (base/sub-base) executed was left on the mercy of adverse conditions as bituminous layers were yet to be executed. In these circumstances, wastage of expenditure already incurred could not be ruled out.

Audit further observed that earth works were increased in all packages. Additional earth works included raising of embankments to serve as flood bunds, Spurs etc. as detailed below:

(Rs in million)

S No	Package	Cost of Earthwork as per agreement	Revised amount of earthwork
1	Larkana-Moenjodaro(Package-I)	346.29	569.40
2	Larkana-Moenjodaro(Package- II)	439.60	819.22
3	Lakhi-Naudero-Larkana (Package-I)	103.93	875.31
4	Lakhi-Naudero-Larkana (Package-II)	124.43	622.32
5	Larkana-Khairpur Bridge (Package I&IV)	643.40	1,097.36
	Total	1,657.65	3,983.61

The work of Improvement and Rehabilitation of Lakhi-Naudero-Larkana Road Project Package-II was awarded at an agreement cost of Rs 1,120 million with commencement date 20th April, 2009 to be

completed on 14th July, 2010 including sub heads of sub base and base course and surface course pavements.

Audit noted that General Manager Larkana Package NHA allowed and paid 13th IPC comprising all sub heads including bill No. 2 and 3 for Rs 1,220.68 million. Since payment of IPC-13, made in the year 2011, further work was not executed and measured at site and contractor was demobilized from the site of work.

The Project Rehabilitation of Larkana-Naseerabad via Rasheed Wagan Road Project (34 km) was started on 24th July, 2010 which was to be completed upto 23rd January, 2012. The revised date of completion was 13th October, 2014. It was further observed that item No. 305 Asphalt Concrete Wearing course required to be laid on Asphaltic base but was not found laid for the total reach of the project.

Audit held that the projects were delayed and people of the region were deprived of intended benefits in timely manner. Main function of NHA was to construct Federalized roads but in these cases NHA undertook projects falling in the ambit of Provincial Irrigation Department.

Audit maintained that the expenditure without achievement of development objectives was due to weak internal controls and negligence on the part of management.

Audit pointed out the issue in December 2014. The Authority did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 7th January, 2015, wherein Authority informed that the fate of finalization/handing over of these projects was being reviewed. The delay in completion was due to paucity of funds. The Committee directed NHA to get the record of demand and release of funds verified from Audit within seven (7) days. DAC further directed NHA to complete the projects on priority basis. The

compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.
(DP.430, 440, 441, 451, 453)

Internal Control Weaknesses

4.4.13 Overpayments of price escalation - Rs 2,679.68 million

Clause 70.1 (b) of the contract agreement (FIDIC) provides that variations or day-works are not subject to adjustment. As per Clause 70.1(a) of Condition of Particular Application Part-IIB, the amount payable to the Contractor and valued at base rates and prices shall be adjusted in respect of the rise or fall in the cost of labour, materials and other inputs to the works, as specified in Appendix-C to tender. Current increase or decrease in prices shall be those prevailing twenty-eight (28) days prior to the last day of the period to which a particular monthly statement was related.

Adjustment in costs to the monthly statements, price adjustment factor is to be applied to the amount for the payment of the work carried out in the subject month determined in accordance with para 60.1. As clarified by Pakistan Engineering Council in Standard Procedure and Formula for Price Adjustment, in case the billed amount is for more than one month, the amount of the bill shall be segregated for actual work done in each month.

Part-1, Procedure C (5) of Pakistan Engineering Council's Standard Procedure and Formula for price adjustment of March 2009 states that except labour and POL, if any other adjustable item(s) is/are not used in a particular billing period then the ratio of current date price and base date price for that particular adjustable item(s) shall be considered as one. As per Part-I (Procedure), B: Parameters (Weightage of expected items) each of the cost elements, having cost impact of five (05) percent or higher can be selected for adjustment. While computing Price Adjustment

un-skilled labour was the representative cost element for all types of labour, etc. According to para A(2) the Price Adjustment shall be applicable only for the construction contracts having contract duration of six months or more and price exceeding financial limit of PEC Contractors Registration Category C-5 (Rs 50.00 million) as amended from time to time. The co-efficient for each specified element shall be calculated and given in the bidding/tender documents. The co-efficient shall be determined by the user proportionate to its ratio in the total amount of the Engineer's Estimate. Each cost element determined, shall be divided by the total amount of Engineer's Estimate to determine various weightages.

Rule 19(iv) of GFR (Vol-I) provides that the terms of a contract once entered into should not be materially varied without the previous consent of the authority competent to enter into the contract as so varied. No payments to contractors by way of compensation or otherwise outside the strict terms of the contract or in excess of the contract rates may be authorized without the previous approval of the Ministry of Finance.

4.4.13.1 Audit observed that in the Project "Construction of Additional Carriage Way of Sukkur-Jacobabad Section (N-65)", NHA calculated and paid price escalation on work done against IPCs covering period more than one month. Current rates of specified materials were taken those prevailing twenty-eight (28) days prior to last month of IPC. This resulted in overpayment of price escalation for Rs 18.97 million. Audit further observed that an amount of Rs 125.54 million was paid as price escalation on IPC basis to M/s FWO in the work "Construction of Road from Chungi No. 9 to Bahauddin Zakriya University (Widening/Improvement of Bosan Road, Multan)" without considering the monthly work done.

Audit maintained that the overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in September 2014. In case of DP 74 and 75, the Authority replied that the value of work done was taken for calculation of price escalation as per provisions of contract. No reply

was furnished in case of DP 237. The reply was not accepted as monthly work done was to be considered for price escalation as per contract provisions.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014, wherein the Committee directed NHA that due recovery be effected by segregating the work done on monthly basis and get it verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.
(DP.74, 75(FAP), 237)

4.4.13.2 Audit noted that in the Project "Construction of Peshawar Northern Bypass Project (Package-1)", NHA calculated and paid price escalation on work done without taking into consideration the actual consumption of specified materials in the work done. Audit further observed that escalation was allowed on those materials which were not consumed, contrary to the clarification of Pakistan Engineering Council cited above as criteria. This resulted in an overpayment of Rs 15.99 million to the contractor.

Audit maintained that incorrect and excessive payment of price escalation resulted in a cumulative overpayment. The subject overpayment caused an undue burden on the public exchequer.

Audit maintained that the overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in May 2014. The Authority replied that procedure/formula mentioned in Clause 70.1 (b) of COC Part-II of the contract was followed, whereas, the Standard Procedure and Formula for Price Adjustment devised/prepared by Pakistan Engineering Council has not yet been officially notified nor the same was made part of Clause 70.1 of COC of Peshawar Northern Bypass Project at the time of

signing of agreement. Therefore, any deviation from provisions of the Contract Agreement may lead to disputes/contractual complications. The reply was not accepted because recovery as pointed out by Audit was as per PEC price adjustment formula clarification of March 2009 which was applicable to all contracts being a mandatory requirement.

The matter was discussed in the DAC meeting held on 7th January, 2015, wherein DAC observed that price escalation was paid on material not consumed in violation of PEC guidelines. The Committee directed NHA to make a reference to PEC for clarification with reference to audit observation within one month. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.18)

4.4.13.3 Audit noted that in the following eight (8) cases, NHA calculated and paid price escalation by taking cost elements having cost impact less than five percent. The violation of the cited rule resulted in an overpayment of Rs 173.20 million to the contractors as detailed below:

(Rs in million)

DP No.	Name of Work/Project	Overpaid Amount
DP.152	Khajuri-Bewata Road Section III-A&B (N-70)	22.88
DP.240	Widening /Improvement of Bosan Road, Multan	9.57
DP.254	Nag-Panjgoor Section - III-A and III-B	8.39
DP.311	Rehabilitation/Up-gradation of Jalalpur Pirwala-Uch Sharif Section of Shujjabad Road, Multan (Package-I and II)	46.83
DP.367	Construction of Four Lane Faisalabad-Khanewal Project (M-4) Package-1 Faisalabad-Gojra Section (58 KM)	42.43
DP.397	Highway Rehabilitaion Project (N-5) (Turnol-Chablat Section)	10.71
DP.402	Highway Rehabilitaion Project (N-5) (Ubaro-Sheikh Wahan Section)	3.07

DP No.	Name of Work/Project	Overpaid Amount
DP.403	Highway Rehabilitation Project (N-5) (Lahore-Gujranwala Section)	29.32
Total		173.20

Audit maintained that the overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment during July-November 2014. The Authority replied for DP 367 that price adjustment formula of PEC, referred by Audit, has not been notified yet. The formula shall be valid after notification by Government of Pakistan. Furthermore, the project was procured in accordance with Procurement Guidelines of Asian Development Bank. Terms and Conditions of the Loan Agreement between NHA and Government of Pakistan were binding on NHA and prevail on local laws in case of any conflict. In case of DP 152, NHA responded that the price escalation was paid as per contract provisions. The reply was not accepted because recovery as pointed out by Audit was as per PEC price adjustment formula clarification of March 2009 which was applicable to all contracts being a mandatory requirement. In case of DP 254, 397, 402 and 403, NHA did not reply.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014, wherein the Committee observed that price escalation was paid on material having weightage below 5% in violation of PEC guidelines. The Committee directed NHA to make a reference to PEC for clarification on the issue within one month. In compliance of DAC's meeting, NHA responded that matter was reviewed by the General Manager (Procurement and Contract Section), NHA and it was concluded that the PEC Procedure referred to by Audit was approved by PEC governing body on 10th September, 2011 whereas the contract agreements of the projects (DP.240, 254, 311 and 367) were signed before the approval of said PEC Procedure, therefore, the parameters mentioned therein were not applicable to these contract agreements. The reply was not accepted because according to Standard Form of Bidding Documents

of 11th June, 2007 (Note 3 to Appendix-C) cost elements having cost impact of seven percent (7%) or more could only be determined. In PEC Procedure for Price Adjustment Formula, 2009, the weightage of seven percent (7%) was decreased to five percent (5%). This aspect was ignored by NHA while executing contract agreements and cost elements having cost impact less than the prescribed weightage were provided in the contract agreement.

Audit stresses upon recovery of price escalation paid on the cost elements having cost impact less than five percent.

4.4.13.4 Audit observed that Project Director, Khuzdar-Shahdadkot Section-IV, Package-III and V, NHA Khuzdar allowed and paid price escalation on bitumen for packed bitumen instead of bulk in deviation of contract agreement. Violation of contract agreement resulted in an overpayment of Rs 9.56 million to the contractor.

Audit maintained that the overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in September 2014. The Authority replied that the payment for escalation was made according to the C-factor mentioned in the amendment to the contract agreement, which was applicable from the day one of the Contract period, therefore, no extra payment was made to the Contractor. The reply was not accepted because change of factor 'C' and allowing price escalation on those component not covered in the contract agreement, was a post-tender change. Post-tender change/change was made to give undue benefit to the contractor.

DAC meetings were convened on 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon early recovery of overpaid amount.

(DP. 320)

4.4.13.5 Audit observed that in the following two (02) cases, NHA calculated and paid price escalation on the skilled labour which was not admissible as per PEC clarification cited above. This resulted in an overpayment of Rs 68.49 million to the contractors as detailed below:

(Rs in million)

DP No.	Name of Work/Project	Overpaid Amount
DP.150	Khajuri-Bewata Read Section III-A&B	14.95
DP.320	Khuzdar-Shahdaskot Section-IV, Package-III and V	53.54
Total		68.49

Audit maintained that the overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment during September 2014. The Authority replied that the payment was allowed as per the terms and conditions of the contract agreement which provides payment of escalation on skilled labour. The reply was not accepted because price adjustment was not payable on skilled labour in accordance with the PEC procedure and formula for price adjustment, as un-skilled labour was the representative of the skilled labour also.

The matter was discussed in the DAC meetings held on 20th - 21st November, 2014 and 18th - 19th December, 2014 wherein the Committee observed that price escalation was paid on inadmissible component i.e. Skilled Labour. The Committee directed NHA to recover the amount involved from the next IPC of the contractors. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

4.4.13.6 Audit noted that in the Project "Extension of Peshawar Northern Bypass upto N-5 including construction of interchanges on N-5 at Peshawar end point - Contract Package-3C" NHA calculated and paid

price escalation of Rs 25.43 million by adding value of non-BOQ/current market rate works items in the value of work done.

Audit observed that cost of temporary works and general items (which were not valued at the rates twenty-eight (28) days prior to bid opening date) was included in the price escalation against the provisions of the contract. This resulted in an overpayment of Rs 25.43 million to the contractor.

Audit maintained that the overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in August 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014, wherein NHA admitted recovery against only one non-BOQ item. Audit stressed recovery against all non-BOQ items. The Committee directed NHA to reconcile due recovery and get the record verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 92)

4.4.13.7 Audit noted that General Manager (NHIP), NHA Islamabad awarded contract No.16, (Basiem-Balakot-Naran) to M/s FWO at an agreed cost of Rs 2,311.26 million on 24th April, 2007 which was revised to Rs 3,537.07 million. Weightage of bitumen and its cost component in bituminous items executed under EDR Basiem-Balakot-Naran contract No.16 comes to 0.024 as under:

Cost of bitumen	Rs 85.36 million
Weightage of bitumen (Rs 85.36 million ÷ Total cost Rs 3,537.07 million)	0.024

Audit observed that General Manager NHIP NHA Islamabad fixed weightage for bitumen variable wrongly @ 0.20 whereas weightage for bitumen component comes to 0.024. Application of incorrect weightage resulted in an overpayment of Rs 991.76 million as under:

Weightage of bitumen taken in calculation of escalation	0.2
Weightage of bitumen admissible	0.024
Escalation due (Rs 1,127.005 million x 0.024/0.2)	Rs 135.24 million
Escalation Paid	Rs 1,127.00 million
Overpayment	Rs 991.76 million

Audit maintained that overpayment was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in November 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 18th and 19th December, 2014 wherein the Committee directed General Manager (P&CA) NHA to look into the matter and report on calculation of factor-C regarding NHIP. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 377)

4.4.13.8 Weightage of bitumen and its cost component in bituminous items executed under Contract No.17 (Kohala-Muzaffarabad-Chakothi Road) comes to 0.028 as under:

Weightage of bitumen = 0.028 (Rs 115.284 million ÷ Rs 4,374.223 million)

Audit observed that weightage for bitumen variable was wrongly fixed/stipulated @ 0.20 instead of 0.028 on the basis of revised contract cost of Rs 4,374.22 million. It is interesting to mention here that escalation of Rs 1,175.54 million was paid for 4,700 ton bitumen used as per actual in three bituminous items executed in the work. In this way cost of bitumen paid comes to Rs 262,302 per ton (cost of bitumen under items Rs 115.28 + escalation paid Rs 1,175.54 ÷ 4,700 ton) as compared to market rate of bitumen of Rs 80,890 per ton as on June, 2013. This resulted in an overpayment of Rs 1,010.96 million as calculated below:

Weightage of bitumen taken in calculation of escalation	0.20
Weightage of bitumen admissible	0.028
Escalation due (Rs 1,175.54 million x 0.028/0.2)	Rs 164.58 million
Escalation Paid	Rs 1,175.54 million
Overpayment	Rs 1,010.96 million

Audit maintained that overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in November 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 18th and 19th December, 2014, wherein the Committee directed General Manager (Procurement and Contract Administration) NHA to look into the matter and report on calculation of factor-C regarding NHIP. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 379)

4.4.13.9 Weightage of cement component and its cost in item executed under contract No. 13 (Kharian-Rawalpindi Section) N-5 comes to 0.023

(item No. 213b cement for stabilizing for a quantity of 3,257 ton @ Rs 6,500 per ton ($21.17 \div 902.05 = 0.023$).

Audit observed that weightage of cement component and its cost executed in the contract “Re-surfacing and strengthening of N-5 (Kharian-Rawalpindi) 51 km (contract No. 13)” was required to be paid @ 0.023 whereas General Manager, NHIP NHA allowed and paid escalation on cement with a weightage of 0.030. This resulted in an overpayment of Rs 8.09 million.

Audit maintained that overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in November 2014. The Authority did not reply.

DAC meetings were convened on 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon early recovery.

(DP. 413)

4.4.13.10 As per nature of the recycling work, contract No. 13 (Kharian-Rawalpindi Section), steel was not required to be used during execution of the work.

Audit noted that General Manager (NHIP) NHA awarded the contract consisting of cold recycling upto 175 mm depth of existing road (N-5) by adding cement and bitumen for stabilizing and executing asphaltic wearing course over it.

Audit observed that General Manager, NHIP, NHA, allowed escalation on steel for Rs 7.63 million upto IPC No. 38 which was not admissible, as no steel was used in the execution of item of work. This resulted in an overpayment of Rs 7.63 million.

Audit pointed out the overpayment in November 2014. The Authority did not reply.

DAC meetings were convened on 20th - 21st November, 2014, 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon early recovery.

(DP. 390)

4.4.13.11 The record relating to Lowari Rail/Road Tunnel Project disclosed that escalation for un-skilled labour was calculated on the total value of work done excluding value of Bill No.7 but including Foreign Exchange Currency (FEC) component in total value of work done. This resulted in an overpayment/excess payment of Rs 102.91 million.

Audit maintained that escalation was not to be paid on Foreign Exchange Currency as the escalation on FEC was already paid through increase/decrease in the value of US\$.

Audit further noted that escalation on account of HSD (Fuel) was also calculated on FEC portion which resulted in an overpayment of Rs 121.15 million.

This resulted in total overpayment of price escalation of Rs 224.06 million.

Audit maintained that the overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the matter in November 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 7th January, 2015, wherein the Committee directed NHA to get the calculations of

price escalation verified from Audit within seven (7) days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early recovery of the overpaid amount.

(DP. 469, 470)

4.4.14 Non-recovery of defective/substandard work from the Contractor - Rs 1,287.55 million

Final handing/taking over report of the project Malana Junction to Chunda Police Post ICB-1 (59.250 km) indicates that in flood 2010, the road was damaged due to stagnant water. The assessment of rectification work was required to be carried out by the field staff of concerned Maintenance Unit and Project Director/Consultant supervisory staff of the project.

The Project Consultant (D.I Khan-Sarai Gambila ICB-II) letter dated 24th May, 2013 provides that the remaining work together with the defects observed during the joint inspection for the whole length of the project for Rs 1,287.55 million should be promptly attended. The contractor was given a period of sixty days to complete all the remaining work as well as removal of all such defects which may come to the notice of search or otherwise and which he was liable to rectify without any additional cost to the client.

Audit noted that General Manager (Budget and Accounts) NHA Headquarters, Islamabad released retention money of Rs 138.33 million (ICB-I - Rs 66.14 million and ICB-II - Rs 72.19 million) to the contractor without rectification and removal of defects.

Audit maintained that retention money was released without rectification of defective work due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-recovery due to acceptance of defective work in November 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 18th and 19th December, 2014. Authority intimated that works of Rs 1,115.55 million (ICB-I) and Rs 172 million (Total Rs 1,287.55 million) were assessed by the Authority to be rectified by the contractor within sixty days but neither the defects were removed nor the balance work completed by the contractor. An inquiry was initiated in the instance case. The Committee directed NHA to share the outcome of inquiry with Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 275, 276)

4.4.15 Wasteful expenditure due to taking over of defective/substandard work without rectification/completion of work - Rs 953.80 million

As per Inspection Report of NHA Inspection Committee dated 16th July, 2012 huge deficiencies were pointed out i.e. most of the pavement surface of main carriageway was found cracked, considerable works were still to be executed, expansion joints of bridges were broken, poor concrete finish on concrete railing of all the bridges, concrete jersey barriers was found of poor quality and mostly cracked, punch list was found incomplete etc. Committee concluded with the recommendations that after rectification of defects and completion of all outstanding works the committee will re-inspect the project.

Audit observed that Inspection Committee under the General Manager (Inspection) re-visited the National Highway Rehabilitation Project N-5 (Lahore-Gujranwala Section, Contract-8) on 24th April, 2013 after nine (09) months of previous inspection and found that no rectification of defective works and completion or outstanding works were carried out by the contractor and recommended that:

- i. Damaged /Cracked area of Asphalt wearing course/Asphalt Base Course of main carriageway be rectified after proper investigation and finding out the causes of the damaged portion.
- ii. Cracks in concrete jersey barriers be rectified properly.
- iii. Damaged expansion joints of bridges be rectified/ replaced with provision of equivalency certificate.
- iv. Punch list items/balance work of the project be completed.
- v. Fair face concrete be finished.
- vi. Asphalt wearing course mixed with polymer modified bitumen (PMB) may not be allowed on NHA future projects.
- vii. Black listing of material engineer of consultant in future NHA Projects be notified.

In compliance with above a stretch of 30.200 km out of total 99 km road was taken over on 29th September, 2013 by the concerned Regional General Manager without rectification of the defects/ replacement of defective parts etc. as per punch list. The rectification of defective works as mentioned in the punch list of the reaches taken over was not forthcoming from the record provided to audit but payments were made to contractors for defective works as cracks occurred in Asphalt Wearing Course (AWC), jersey barriers and other concrete finishing items, poor quality of barriers, defective expansion joints of bridges or number of incomplete works as per punch list. This resulted into wasteful expenditure of Rs 953.80 million.

Audit maintained that the wasteful expenditure occurred due to weak internal controls and negligence on the part of management.

Audit pointed out the irregularity in November 2014. The Authority did not reply.

DAC meetings were convened on 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation for fixing of responsibility and corrective action at the earliest.

(DP.387)

4.4.16 Non-recovery/Inadmissible payment on account of below specification material supplied from un-approved quarry - Rs 399.35 million

Item No. 206.1 of NHA specification in respect of item of Water Bound Macadam Base Course provide that this work shall consist of furnishing and placing one or more courses of clean crushed stone base, mechanically interlocked by rolling, and voids thereof filled with screening and binding material with water etc. Item No. 206.2 of NHA specification also provides that Coarse aggregates either crushed or broken stone shall conform to the quality requirements as specified.

As per provisions of Approved PC-I for Rehabilitation of Kamber-Shahdadkot 29 Km Road Project under Larkana Package, source of water bound macadam Material and sub base material was provided of Kachi Puli on M-8 Khuzdar-Shahdadkot Road.

Audit noted that Project Director, Larkana to Naseerabad Road via Rasheed Wagan Project under General Manager Larkana Package and Kamber-Shahdadkot allowed and measured material of Water Bound Macadam on both Projects which was not a clear crushed stone, brought from approved quarry rather Water Bound Material was brought from quarry of Arore/Rohri which was inferior quality crush and also not conforming to the quality requirements as provided in the project specification.

Audit observed that quarries/source of material was not got approved from the Project Director/Engineer and material of inferior/substandard quality was used in the project which was not durable

and safe for the long run of the project life. This resulted in execution of defective/substandard work of Rs 399.35 million.

Audit maintained that the execution of substandard work was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the substandard work in November 2014. The Authority replied in one case that work of Water Bound Macadam was being carried out as per NHA Specification and quality of the material was checked as per routine in Project Laboratory. Randomly the testing of material was also achieved from independent laboratories and found within limits. The reply was not accepted because material of inferior quality brought from quarry of Arore/Rohri was used without specific approval of the employer. During site visit/monitoring of the General Manager Larkana Package, use of below specification Water Bond Macadam material brought from Arore/Rohri was pointed out but rectification of below specification work was not made by the contractor. Not a single test of material supplied from the un-approved quarry was shown conducted from an independent/authentic laboratory.

The para was discussed in the DAC meeting held on 7th January, 2015, wherein the Authority informed that the material from approved quarry was used in the work. Audit contended that Arore/Rohri quarry was not on the approved quarry list. DAC decided that NHA monitoring and evaluation team will visit the project for verification of use of the specified material within fifteen (15) days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 429)

4.4.17 Non-recovery on account of execution of below specification work - Rs 297.58 million

According to Clause 49.2(b) of FIDIC conditions of contract for works of civil engineering construction, the contractor shall execute all such works of amendment, reconstruction, and remedying defects, shrinkage or other faults as the engineer may, during the defect liability period are within fourteen days after its expiration, as a result of an inspect made by or on behalf of the engineer prior to its expiration, instruct the contractor to execute.

Audit observed that General Manager (NHIP) NHA did not recover an amount of Rs 297.58 million during the defect liability period, from the contractors on account of execution of works less than the required thickness. This resulted into non-recovery of Rs 297.58 million as detailed below:

Contract No	Contractor	Location	Amount (Rs in million)
C-10	M/s SMC	Karachi-Hyderabad	49.15
C-01	M/s Lilly Intl.	Hyderabad-Hala	64.43
C-2A	M/s HCL	Hala-Chanesser Bridge	17.78
C-2B	M/s HCL	Chanesser Bridge-Moro	54.92
C-03	M/s SKB	Moro-Ranipur	61.86
C-05	M/s Lilly Shahrukh	Obaro-Sheikh Wahan	9.47
C-13	M/s HCL	Kharian-Rawalpindi	1.55
C-09	M/s Lilly Intl.	Tarnol-Chablat	38.42
Total			297.58

Audit maintained that non-recovery was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-recovery in November 2014. The Authority did not reply.

DAC meetings were convened on 20th - 21st November, 2014, 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon early recovery be made at the earliest.

(DP. 415)

4.4.18 Inadmissible payment of Employer's contingencies to the contractor - Rs 348.25 million

Rule 10 of GFR (Volume-I) provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that as per contract agreement of the project "Re-alignment of KKH" two percent (2%) Employer's Contingencies amounting to US\$ 3.98 million were included in total cost of US\$ 275.060 million.

Audit observed that a sum of US\$ 3.98 million (equivalent to Rs 348.25 million @ Rs 87.50 per US\$) was paid to the contractor on account of 2% employer's contingencies. NHA hired services of M/s NESPAK for assistance services to employer's representative on KKH projects (Improvement/Up-gradation of KKH, Raikot to Khunjerab and Attabad Barrier Lake) and payments were being made by NHA against monthly invoices. Moreover, the expenditure on employer's contingencies i.e. Employer's Representative, Project Director office, etc was incurred from its account. The payment of US\$ 3.98 million (equivalent to Pak Rs 348.25 million) made to the contractor was, therefore, not admissible.

Audit maintained that inadmissible payment to the contractor was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the inadmissible payment in September 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 24th and 25th November, 2014, wherein NHA admitted that recovery of full amount of US\$ 3.98 million paid to the contractor on account of Employer's Contingency would be made and got verified from Audit. The Committee directed NHA to get the recovery verified from Audit. In compliance of DAC's directive, NHA recovered an amount of US\$ 2.69 million (equivalent to Rs 235.38 million @ Rs 87.50 per US\$) leaving a balance of US\$ 1.29 million.

Audit stresses upon early recovery of balance amount of US\$ 1.29 million (equivalent Rs 112.87 million) and its verification from Audit.

(DP.199)

4.4.19 Overpayment due to non-revision of rates of quantities executed more than 25 % - Rs 279.97 million

According to Condition No. 12.3 of General Conditions of Contract, for each item of work, the appropriate rate or price for the item shall be the rate or price specified for such item in the contract or, if there is no such item specified for similar work. However, a new rate or price shall be appropriate for an item of work if the measured quantity of the item is changed by more than 25 % from the quantity of this item in the Bill of Quantities (BOQ) or other Schedule.

This change in quantity multiplied by such specified rate for this item exceeds 0.25% of the Accepted Contract Amount.

This change in quantity directly changes the cost per unit quantity of this item by more than 1 % and this item is not specified in the contract as a fixed rate item.

Each new rate or price shall be derived from any relevant rates or prices in the contract, with reasonable adjustment to take account of the

matters described in above sub-paragraphs. If, no rates or prices are relevant for the derivation of a new rate or price, it shall be derived from the reasonable cost of executing the work, taking account of any other relevant matter.

Audit noted that NHA awarded the work “Construction of Additional Carriage Way of Sukkur-Jacobabad Section (N-65)” to LIMAK Construction Industry and Trade Inc-M/s Zahir Khan and Brothers (JV) at an agreed cost of Rs 11,254 million. The work was started on 24th February, 2011 and was to be completed in all respects upto 3rd August, 2013. Audit further noted that the Authority extended the date of completion upto 30th June, 2014.

Audit observed that quantities of the Pay Items SP-13 (a), SP-13 (b), 201 and 404 (b) were increased more than 25%. The Consultants revised rates in compliance with the contract and exercising and acting under specific authority and recommended the Employer reduction of rates considering material cost at the rate of 25 % which was approved by the Employer. But despite approval of reduction of rates by the Employer, payment was made at the original BOQ rates which resulted in an overpayment of Rs 279.97 million.

Audit maintained that overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out overpayment in September 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014, wherein NHA informed that Dispute Resolution Board decided the case in favour of the contractor. NHA had gone in Arbitration against the decision. The Committee directed NHA to pursue the case vigorously for recovery as per provisions of the contract agreement. The compliance of DAC’s directives was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 73)

4.4.20 Non-adjustment of cost effect against Bank Guarantees - Rs 190.94 million

According to Clause 10.1 and 60.11(a) of Particular Conditions of Contract (Part-II) the contractor was bound to provide Bank Guarantees against Performance Security and Mobilization Advance. According to Para 3 of preamble to BOQ (Appendix-D to bid) the rates and prices of BOQ were deemed to include all constructional plant, labour, supervision, material testing, erection, maintenance, insurance, profit, taxes and duties, together with all general risks, liabilities and obligation set out are implied in the contract etc.

Audit observed that the General Manager (Procurement and Contract Administration), NHA, Islamabad awarded four remaining works of Gwadar-Turbat , Turbat-Hoshab and Kalat-Quetta-Chaman Sections to M/s FWO for Rs 19,093.75 million through tendering/ negotiation process (three works through tendering and through negotiation).

Audit further observed from the correspondence of Ministry of Defence and M/s FWO that being a government organization M/s FWO had shown unwillingness to provide Bank Guarantees against Performance Security and Mobilization Advance. Whereas in light of the provision of the preamble as referred above bid rates of the contractor were deemed to include the arrangement charges of Bank Guarantees against Performance Security and Mobilization Advance. Under such situation it was the responsibility of the P&CA Section to incorporate cost adjustment effect at least amounting to Rs 190.94 million (Rs 19,093.75 x 1%) in the acceptance letter but nothing was done in this regard.

Audit maintained that non-incorporation of cost adjustment effect of the Bank Guarantees in the respective acceptance letters was due to

weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in July 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014, wherein DAC was of the view that FWO and NLC had no preferential status/treatment. The Committee directed NHA to recover the due cost adjustment of Bank charges for Bank Guarantee and get it verified from the Audit within fifteen (15) days. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 37)

4.4.21 Award of work at higher rates without evaluation of rates - Rs 178.57 million

Rule 29 of PPRA 2004 provides that procuring agencies shall formulate an appropriate evaluation criterion, listing all the relevant Information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an un-ambiguous evaluation criteria, in the bidding documents shall amount to mis-procurement.

As per NHA Schedule of Rates 2009 contractor profit @ 10% and overheads @ 15% were included in the rates.

Audit noted that NHA awarded the work "Rehabilitation of Larkana - Kamber Road Project under Larkana Package (21 Km)" in July 2009 at 27.45% premium on CSR NHA 2009.

Audit observed that bid of the contractor M/s Al-Mehrban Pvt. Ltd, awarded @ 27.45% above on CSR NHA 2009/estimate, was based on the current market rates inclusive of contractor profit + overheads. Premium

was accepted without evaluation and assessment of rates. This resulted in award of work at higher rates of Rs 178.57 million (Estimated cost/PC-I cost, Rs 650.54 million + 27.45% overhead Rs 178.57 million).

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 7th January, 2015, wherein the Committee directed NHA to justify award of work at higher rates within seven (7) days. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.
(DP. 436)

4.4.22 Loss due to deletion of cheaper item - Rs 106.47 million

Letter of acceptance of contract construction of approach road from left abutment of the bridge to Qazi Ahmed N-5 dated 20th March 2010 provides that the BOQ item No. 604-a metal beam guard rail including end pieces and guard rail post shall be executed @ Rs 750 per meter as provided in the BOQ, specification and drawings.

Audit noted that M/s Sardar Muhammad Ashraf D. Balouch stood 1st lowest with bid cost of Rs 1,510.00 million. For item No.604-a metal beam guard rail including end pieces and guard rail post the contractor quoted rate of Rs 750 per meter which was 1,182% lesser than the engineer's estimate rate of Rs 9,622.22 per meter. NHA obtained undertaking from the contractor regarding execution of cheaper rate item and in case of default the said item was to be executed at contractor's risk and cost.

Audit observed that afore-mentioned item was deleted through variation order No. 01 by the Member (Construction) whereas as per standard drawings, design installation of guard rail at high embankment above 3 meter was mandatory for highway safety but in the instant project height of embankment was about 6 meters, as such item of guard rail was genuine requirement which would have been got executed in the project interest.

Audit held that by deletion of the item less favourable to the contractor NHA extended undue financial favour to the contractor violating the sanctity of the bidding process as contractor took advantage by keeping the rate of the said item at un-reasonable/un-balanced level. This resulted in a loss of Rs 106.47 million.

Audit maintained that loss occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out loss in November 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 7th January, 2015, wherein NHA explained that the item of work as pointed out by Audit was deleted due to frequent theft cases of metallic items in this tribal area. DAC was not convinced and held that contractor was favoured by deleting the item against which the contractor quoted lessor rates. The Committee also termed the acceptance of unreasonable rates as irregular. The Committee directed NHA to reevaluate bids in the light of executed quantities of work and make recovery of difference of rates and get the relevant record verified from Audit. The compliance of DAC's directives was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 499)

4.4.23 Overpayment due to non-recovery of below specification work and poor workmanship - Rs 104.36 million

An Inspection Team of NHA Headquarters (Monitoring and Inspection) visited the site of the work and after carrying out different quality tests against three Packages of Hala-Moro Section in April 2014 observed that:

- i. The contractor carried out concrete in stretches. Full depth longitudinal cracks (35cm) have been observed.
- ii. Lean Concrete is being carried out manually contrary to the provision of note No.(iii), drawing No.ACE-HM(A)-TD-RD-003b and BOQ item No.401f highlighting the use of a mechanical paver of placement of lean concrete.
- iii. Sand equivalent of Aggregate Base Course at above location has been found less than the limit of 45% (Min).
- iv. Compaction of Granular Sub-Base has been found less than required.
- v. Gradation of Granular Sub-Base and the material taken from underneath the Rigid pavement has been found on courser side.
- vi. Plasticity index (PI) of Granular Sub-Base has been found as more than the limit of six (Maximum).
- vii. Sand equivalent of Granular Sub-Base has been found lesser against limit of 25% (Minimum).
- viii. Curing of lean concrete and JPCP is not being done as per the requirement of section 310.3.10 of NHA General Specification. These tests were carried out. All these tests failed in compression strength. Six cores were cut and thickness was found less beyond tolerance.
- ix. Formation of embankment is required in widening areas under the outer shoulder. It has been noted that widening of

embankment for outer shoulders is being carried out without proper benching, layers and compaction.

The Inspection Team recommended that:

- i. Recovery be effected for utilization of sub-standard materials and workmanship
- ii. Action regarding less compaction of base course as pointed out be taken in line with the provision of section 203.3.9 of NHA General Specifications.
- iii. Twenty percent (20%) of the remuneration paid to the consultants may be recovered.

4.4.23.1 Audit observed that NHA paid full rates to the contractors without deduction for poor workmanship. This resulted in an overpayment of Rs 101.52 million as detailed below:

(Rs in million)			
S. No.	Name of Work/Package	Payments upto 30.06.2014	Minimum 10% to be recovered
1	Rehabilitation/Reconstruction of Hala-Moro Section N-5 (South Bound) Section-I (KM 214+700 to 242+500)	409.41	40.94
2	Rehabilitation/Reconstruction of Hala-Moro Section N-5 (South Bound) Section-II (KM 242+500 to 270+000)	347.03	34.70
3	Rehabilitation/Reconstruction of Hala-Moro Section N-5 (South Bound) Section-III (KM 270+000 to 296+700)	258.81	25.88
Total		1,015.25	101.52

Audit maintained that overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in September-October 2014. The Authority replied that the Inspection team of NHA headquarter visited the site during the currency of work. The team carried out the tests on sections which were in progress. Moreover, tests were carried out separately without the involvement of contractor and consultant. The consultant's team headed by the Chief Resident Engineer M/s SMEC Int. (Pvt) Ltd. and Lead Material Engineer M/s SMEC Int. (Pvt) Ltd. conducted the field tests on the same locations where the testing was done by the Inspection team. Moreover, the contractor also rectified the defects pointed out by the inspection team. The reply was not accepted because the state of affairs places question mark on the quality of work and tests carried out by consultant.

(DP. 216)

4.4.23.2 Audit observed that the findings and recommendations of the Inspection Team were not complied and no recovery from consultants was made. An amount of Rs 14.22 million has been so far been paid to the consultants against these Packages.

Audit maintained that non-implementation of recommendations of the NHA Headquarters Inspection Team resulted in non-recovery of Rs 2.84 million (20% of Rs 14.22 million).

Audit pointed out the overpayment in September-October 2014. The Authority replied that some defects were observed which were got rectified. Clause 6.4 (c) of the contract agreement between SMEC and NHA states that "... Only such portion of a statement that is not satisfactorily supported may be withheld from payment..." Therefore, in accordance with the contract, 20% cannot be withheld or deducted during the currency of the contract. The reply was not accepted because this state of affairs places question mark on the quality of work and tests carried out by consultant.

The issue was discussed in the DAC meeting held on 20th and 21st November, 2014. NHA explained that the shortcomings as pointed out by the Inspection Team were rectified. The Committee directed NHA that re-inspection be carried out by the same Inspection Team within seven (7) days and report be submitted to MoC and Audit. The compliance of DAC's directives was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 232)

4.4.24 Non-recovery on account of rectification works - Rs 79.59 million

According to Clause 49.2(b) of FIDIC conditions of contract for works of civil engineering construction, the contractor shall execute all such works of amendment, reconstruction, and remedying defects, shrinkage or other faults as the engineer may, during the defect liability period are within fourteen days after its expiration, as a result of an inspection made by or on behalf of the engineer prior to its expiration, instruct the contractor to execute.

Audit noted that on inspection during the defect liability period, the defects amounting to Rs 79.60 million for the below mentioned works were pointed out by the employer for rectification by the contractor.

Audit observed that General Manager (NHIP) NHA neither got rectified the defects pointed out during inspection in defect liability period nor effected recovery from the contractor. This resulted in non-recovery of Rs 79.59 million.

Contract No.	Contractor	Location	Amount (Rs in million)
C-10	M/s SMC	Karachi-Hyderabad	12.04
C-01	M/s Lilly International	Hyderabad-Hala	17.06

Contract No.	Contractor	Location	Amount (Rs in million)
C-2A	M/s HCL	Hala-Chanesser Bridge	27.00
C-2B	M/s HCL	Chanesser-Bridge-Moro	11.00
C-05	M/s Lilly Shahrukh	Obaro-Sheikh Wahan	12.49
Total			79.59

Audit maintained that non-recovery was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-recovery in November 2014. The Authority did not reply.

DAC meetings were convened on 20th - 21st November, 2014, 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon early compliance of the DAC's directive.

(DP. 414)

4.4.25 Non-imposition and recovery of Liquidated Damages due to delay in completion of work - Rs 77.57 million

According to Clause-47.1 of the Contract Agreement, Liquidated damages @ 0.1% of contract price for each day of delay in completion of the work subject to maximum of 10% of contract price was to be charged for delay in completion of the work within stipulated period.

Audit noted that NHA awarded the work "Rehabilitation and Widening of Costal Highway Gharo to Mirpur Sakro Package-I" to M/s Qasim Khan and Co. executed agreement for Rs 751.91 million. The work was started on September 10, 2009 and was to be completed in March 10, 2011. Fifth (5th) extension in time limit was granted from 14th June 2013

to 31st January, 2014. The contractor failed to complete the work in extended time and could not achieve planned progress upto October 2014. Work was still in progress and behind the schedule period of completion. No penal action either to encash Performance Guarantee or imposition of Liquidated damages against the defaulter contractor was taken.

This resulted into non-imposition of Liquidated Damages and non-recovery Rs 77.57 million (@ 10% of Rs 775.71 million) for delay in completion of work within stipulated time.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November, 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 7th January, 2015, wherein the Committee directed NHA to hold an inquiry for non-imposition of Liquidated Damages due to delay in completion of work and for fixing responsibility within fifteen (15) days. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 458)

4.4.26 Overpayment due to measurement of excess width of Asphaltic Base Course - Rs 43.86 million

According to Specification No. 203.3.7 of NHA General Specification, 1998, the mixture (Asphaltic Base Course Class-A Plant Mix) shall be laid upon an approved surface, spread and struck off to the section and elevation established. As per Specification No. 203.4.1, the quantities for base course will be measured by volume in cubic meters

compacted in place. Measurement shall be based on the dimension as shown on plan or as otherwise directed or authorized by the Engineer.

Audit noted that NHA awarded the work “Construction of Additional Carriage Way of Indus Highway (N-55) Sehwan–Ratodero Section” to M/s Frontier Works Organization (FWO) on 01st July, 2010.

Audit observed that as per approved typical cross section, the width for road was provided as 7.3 meters as such the width of Asphaltic Base Course was required to be measured as 7.50 meters (7.30+0.20). Audit further observed that the width was measured and paid for 7.65 meter. This resulted in excess measurement of width and overpayment of Rs 43.86 million as calculated below:

Quantity Paid taking width of road 7.65 meters	204,794.03 cu.m
Quantity to be Paid taking width of road 7.50 meters (7.3 meters + 0.20 meters)	201,643.11 cu.m
Excess Quantity	3,150.92 cu.m
Rate per cu.m	Rs 13,920.53
Overpayment	Rs 43.86 million

Audit maintained that overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in August 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014, wherein NHA explained that the measurement was made as per cross sections. The DAC did not accept the view point of NHA and directed to effect recovery from the next IPC. The compliance of DAC’s directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC’s directive.
(DP. 160-FAP)

4.4.27 Irregular amendment in Contract Agreement - Rs 42.00 million

Rule-19(iv) of General Financial Rules (Vol-I) states that no payments to contractors by way of compensation or otherwise outside the strict terms of the contract or in excess of the contract rates may be authorized without the previous approval of the Ministry of Finance. Moreover, Paras 97 to 102, Chapter 3 of NHA Code, 2005 contain the provision of variation order/amendment in contract agreement only to the extent of change in scope of work; change in alignment, change in design or specifications etc. and not for changing or incorporating new clauses in the contract agreement.

Audit noted that the General Manager(P&CA), NHA, Islamabad included Clause-70.1 regarding price escalation in the Contract Agreement of Hiran Minar Interchange (M-2), originally awarded for a period of 06 months, through Amendment No.1 issued vide letter No. General Manager(P&CA)/NHA/2013/867 dated 12th September, 2013. Amendment was made without provision in the Bye-laws of the Authority and without approval of the Ministry of Finance. It is further added that such amendment was issued even against the opinion of Legal Wing NHA according to which NHA Executive Board had no powers to amend the contract clauses as NHA Code/ Bye-laws were quite silent to support the change in the clauses of running contracts. Thus, issuance of amendment for inclusion of fresh Clause i.e. Clause-70.1 in the Contract Agreement was considered to be illegal/irregular and tantamount to undue financial aid to the contractor worth Rs 42.00 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed the irregularity in August 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014, wherein DAC took serious view of incorporation of price escalation clause in the contract agreement after award of work. The Committee directed NHA to conduct fact finding inquiry. Col. (R) Sulehri (General Manager, Procurement and Contract Administration) was nominated to conduct the inquiry and submit report to MoC and Audit within fifteen (15) days. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 35)

4.4.28 Non-deduction of trimming charges - Rs 37.87 million

Item 108.3 of NHA General Specifications provides that no surplus material shall be permitted to be left at the toe of embankment or at the top of cut sections. Side slopes shall be neatly trimmed to the lines and slopes shown on the Drawings or as directed by the Engineer and the finished work shall be left in a neat and acceptable condition. In order to prevent erosion of the slopes the Contractor shall compact the trimmed slopes to the required density prior to laying top soil or as directed by the Engineer.

Audit noted that in the Project Amri-Qazi Ahmad Bridge over River Indus item 108-c formation of embankment from borrow in common material was got executed to the extent of 2,075,289.168 cu.m @ Rs 365 per cu.m amounting to Rs 757.48 million. The high embankment was constructed in the river bed for approach road to the bridge. As per provision of the drawing/design riprap class-b was to be laid for slope protection of the high embankment but a review of the Measurement Books indicated that no slope protection work was got executed upto 18th IPC and during physical verification it was found that no trimming work was got executed. In case of the non-execution of the said component certain percentage of the item rate was required to be with-held but full rate was allowed for payment. Non-adherence to execution of work as per specification caused non-deduction of the trimming charges for Rs 37.87 million (Rs 757,480,456 x 5%).

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out non-deduction of trimming charges in November 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 7th January, 2015, wherein NHA informed that the work is under progress and activity of trimming would be got done. Audit contended that full rates were paid without deduction of cost of trimming which was not yet done at site. The Committee directed NHA to get the trimming of slopes done within fifteen (15) days failing which recovery as pointed out by Audit be effected and get it verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 500)

4.4.29 Overpayment due to execution of work beyond the authorized limit - Rs 32.49 million

Item 108 of NHA General Specifications provides that the work shall consist of formation of embankment, including preparation of area for placing and compaction of embankment material in layers and in holes, pits and other depressions within the roadway area in accordance with the specifications and in conformity with the lines, grades, thickness and typical cross-section shown on the plans or established by the Engineer. Item 100.9 provides that the Contractor shall be responsible for the setting out of the work in accordance with Clause 17 of the General Conditions of Contract. Notwithstanding that project drawings have been issued to the Contractor, the Contractor shall also be responsible for taking joint cross-sections on the proposed alignment of the road, submitting three copies of the plotted cross-sections and longitudinal profile to the Engineer and obtaining the approval of the Engineer to such cross-section and

longitudinal profile before any work in connection with Earthwork is commenced. These cross-sections and longitudinal profile shall be in the form and manner as instructed in writing by the Engineer.

Audit noted that an item of work, formation of embankment from borrow was provided in the contract for Construction of approach road from left abutment of the bridge to Qazi Ahmed (N-5) accordingly cross section were approved and work was got executed within the limits of those cross sections.

Audit observed that said item was measured beyond those cross sections falling within the limit of approach road and paid which was not admissible. Non-adherence to contract specification execution of work beyond the authorized limit caused overpayment of Rs 32.49 million.

Audit maintained that overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out overpayment in November 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 7th January, 2015, wherein the Committee directed NHA to justify the execution of work beyond approved X-sections within seven (7) days failing which recovery as pointed out by Audit be effected and get it verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 502)

4.4.30 Extra expenditure on account of design work and supervisory services - Rs 22.38 million

As per BOQ and Summaries of bills, 5% were separately added in the sub-totals at serial No. 12 of all sub-heads/BOQ items for the Design work and Supervisory Services for US\$ 18.09 million.

Audit noted that the Project Director Widening and Improvement of KKH, Raikot-Khunjerab made separate payment to the consultant M/s NESPAK on account of monitoring of design work and supervisory services under the cover of Assistance Services to Employer. Audit observed that project authorities allowed payment to M/s NESPAK for the job during 2013-14 which was already included in the contract cost being paid to the contractor. This resulted in an extra expenditure of Rs 22.38 million.

Audit maintained that the extra expenditure occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the extra expenditure in September 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014, wherein NHA explained that M/s NESPAK was engaged to provide assistance services to the Employer and realignment of Attaabad Project was a supplementary contract of the main contract. The additional man-months and 2% contingencies were kept in the agreement and approved PC-I of the project. The Committee directed NHA to get the revised PC-I approved from the competent forum/ECNEC. The matter of appointment of the consultant be referred to Planning Commission for clarification/advice. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 192-FAP)

4.4.31 Overpayment due to allowing payment beyond agreement provision - Rs 11.64 million

As per preamble 2.1.4 of contract agreement for the work “National Highway Rehabilitation Project N-5 (Turnol-Chablot Section) Contract No.09” notwithstanding any limits which may be implied by the wording of the individual activities and/or the explanations in this preamble. It is to be clearly understood that the amounts entered in the activity schedule are to be for the work finished and complete in every respect. The prices will be deemed to have taken full account of all requirements and obligations, whether expressed or implied, covered by all parts of contract and to have priced the activities accordingly. The amount must therefore include for all incidental and contingent expenses and risk of every kind necessary to design, construct, complete and maintain the whole of the works in accordance with the contract, unless separate items are provided in the Activity Schedule, full allowance shall be made in the sums stated for all cost involved.

Audit noted that General Manager, NHIP, NHA, Islamabad paid an amount of Rs 6.59 million to a contractor for provision of Principal Activity No.1 preliminary item No.1-b “Other general items of contract (i.e. Bond, insurance etc.)”.

Audit observed that General Manager (NHIP) further paid an amount of Rs 11.64 million @ Rs 185,853.14 per month for 53.7 months for Bond and Insurance, which was not admissible. The same was neither admissible under preamble clause 2.1.4 referred above nor any evidence of expenditure incurred by the contractor for insurance of contractor all risks and Performance Bond was available in support of variation order No. 21. This resulted in an overpayment of Rs 11.94 million.

Audit maintained that overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in November 2014. The Authority did not reply.

DAC meetings were convened on 20th - 21st November, 2014, 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon recovery at the earliest.

(DP. 396)

4.4.32 Unjustified payment to consultant - Rs 9.97 million

According to agreement signed between NHA and M/s EA Consulting Pvt. Ltd. for Rs 22.65 million for Design review and construction supervision of Takht Bhai Flyover Bridge on railway crossing at N-45, the completion period for the work was eighteen (18) months from March, 2013 to September, 2014.

Audit noted that Project Director “Construction of flyover at Takht Bhai on N-45” paid Rs 13.44 million upto June 2014 to the consultant M/s EA Consulting Pvt. Ltd. However, physical progress of the work upto June, 2014 was only 15.34% against planned progress of 86.47%. The consultant was thus required to be paid proportionately for Rs 3.47 million (15.34% of Rs 22.65 million). This resulted in an unjustified payment of Rs 9.97 million (Rs 13.44 million - Rs 3.47 million).

Audit maintained that the unjustified payment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the unjustified payment in August-September, 2014. The Authority replied that Agreement for providing consultancy services was for the project period of eighteen (18) months. The project was delayed due to various reasons/impediments but activities, though slow, remained in progress throughout the project’s period, which necessitated the presence of supervisory consultant. The reply of the

authority was not tenable as achieved physical progress was only 15.34% against the planned progress of 87% and consultant was required to be paid 16% i.e. Rs 3.47 million accordingly instead of Rs 13.44 million. Thus, payment beyond progress proportion was irregular/unjustified.

The matter was discussed in the DAC meeting held on 24th and 25th November, 2014, wherein the Committee endorsed the Audit contention regarding payment to the consultant in accordance with the progress of work. The Committee directed the Authority to make payments to consultants proportionate with progress of the project. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 130)

4.4.33 Loss due to award of work without evaluation and assessment of rates - Rs 6.75 million

Rule 10 of GFR (Volume-I) provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that Director Maintenance NHA, (North) Sukkur, awarded certain Maintenance works at higher rates of premium without proper assessment and comparison of rates allowed to other contractors in the same region, in the same period. An Emergency Maintenance work EM-SN-13-5030 was approved and awarded at 14.20% below the Engineering Estimate based on CSR NHA on 28th February, 2013. Similarly Routine Maintenance Contract RM-SN-14-1005 at N-5 was awarded on 12th June, 2014 at 18.65% below on CSR, NHA, 2011.

Audit observed that maintenance work EM-SN-13-5001 at N-5 was awarded at 21% above on similar estimate based on CSR NHA, 2011. Similarly Emergency works were awarded at higher rates as compared to

the below rates upto 22% below accepted in the same period for similar nature of works by the same authority.

Contract No.	Estimated cost (Rs in million)	Premium accepted	Admissible	Difference	Excess Amount (Rs in million)
EM-SN-13-5001	2.76	21% above	14.20% below	35%	0.97
EM-SN-13-5077	4.91	9.95% above	14.20% below	23.95%	1.18
EM-SN-13-5066	1.97	9.90% above	14.20% below	23.90%	0.47
EM-SN-13-5050	7.65	5.00% above	14.20% below	19%	1.45
EM-SN-13-5082	6.53	9.95% above	14.20% below	23.95%	1.56
EM-SN-13-5001	1.60	21% above	14.20% below	35.00%	0.56
EM-SN-13-5084	1.97	21% above	14.20% below	27.80%	0.56
Total					6.75

Award of Maintenance works at higher imbalance rates without evaluation of rates based on CSR NHA and allowing higher rates for same nature of work, for which lower rates were accepted by the same authority in same period for similar nature of works, resulted into loss of Rs 6.75 million to the authority.

Evaluation criteria were neither provided in the tender documents nor evaluation of rates were made, which was violation of Rule 29 of Public Procurement Rules.

Audit maintained that loss occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the loss in October 2014. The Authority replied that all the works were awarded to the contractors under the strict guidelines of PPRA rules and adhering to the codal formalities so that fair and transparent bidding process should be witnessed. The works were awarded to the 1st lowest contractors by the competent authority. The reply was not accepted because works were awarded at higher rates for which assessment and evaluation of rates was not made in the light of Rule 29 of PPRA Rules 2004. Acceptance of 21% above premium on NHA CSR for the same nature work and acceptance of 14.20% below rates on CSR NHA against same nature of works in the same period, by the same authority with a huge difference of 35% was quite unjustified.

The matter was discussed in the DAC meeting held on 18th and 19th December, 2014, wherein NHA could not justify and assess the reasonability of the rate and acceptance of contract on below the engineer's estimate from 14% to 18% and in some cases above 21%. The DAC up held the Audit observation and directed NHA to investigate into the matter for acceptance of irrational rates on the same reaches/routes/region and recover loss from the concerned. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 267)

4.4.34 Non-encashment of professional indemnity bond - Rs 6.25 million

Clause-3.4 of Consultancy Contract provides that the Consultants shall be liable to be held responsible and accountable for the (a) non-fulfillment of his tasks, (b) losses to the Employer on account of problems with Design (c) non-observance of his duties and care in the performance for more than occasion. The Consultants are responsible for consequence of errors and omissions at their part or on the part of their employees in so far as the design of the project is concerned to the extent and with the limitations as mentioned herein below. If the Employer suffers any damages as a result of proven faults, errors or omissions in the Design

during and other professional duties performed by the consultant in connection with the services which have bearing on the safety, security and performance of the works, the consultants shall make good such losses or damages, subject to the conditions that the maximum liability as aforesaid shall not exceed twice the total remuneration of the consultants under professional liability insurance. Clause-3.5(a) further provides that Professional Indemnity Bond for twice the total remuneration cost, in the joint name of client and consultant shall be provided as per PEC regulations. The consultant is to cover this cost in his overheads.

Audit noted that the General Manager (P & CA) NHA, Islamabad awarded consultancy services for feasibility study and detailed design for construction of open - cut underpass for improvement of Rawalpindi urban area at Katcheri Chowk to M/s SAMPAK (Pvt) Ltd vide acceptance letter No.986 dated 28th October, 2013.

Audit observed that due to sub-standard/poor performance of consultant, General Manager (Procurement and Contract Administration) initiated the process of termination of contract of M/s SAMPAK and awarded it to the 2nd lowest bidder. However, nothing was done so far towards encashment of performance indemnity bond given by East West Insurance Company Ltd amounting to Rs 6.25 million in the joint name of Consultant and Employer as required under above referred contractual provisions.

Audit maintained that non-encashment of professional indemnity bond was due to non-adherence to contractual obligations and weak internal controls.

Audit pointed out the irregularity in July 2014. The Authority did not reply.

DAC meetings were convened on 20th - 21st November, 2014, 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon investigation and fixing of responsibility against persons responsible.

(DP. 42)

4.4.35 Overpayment due to violation of agreement provision - Rs 5.63 million

Specification of the Project, Section - VII, Item No. SP-16 “Safety and Security Measures” provides that the contractor shall be fully responsible for providing safety and security for his own force and Engineers staff, workers, properties, installations and works etc. from damage, injury theft, dacoit, vehicle snatching and kidnapping due to miscreants, terrorists or law and order situations by engaging security guards or constabularies in such numbers so as to ensure complete safety and security the project area. The payment for providing safety and security measures shall not be paid directly to the Contractor but it is deemed to be included in other BOQ Items. If any of the contractual requirements is not explicitly included in Bill of Quantities, contractor shall seek clarifications from Employer prior to bid or shall build the cost implication of such requirement in the nearest BOQ items.

Audit noted that National Highway Authority awarded two works “Improvement of Multan Inner Ring Road, Package-I” and “Construction of Sultan Bahoo Bridge” to the contractors. Audit noted that department measured and paid item SP-16 for security and safety measures whereas its payment was not admissible, because it included in other BOQ items. Further 15% contractor’s overheads were shown paid against some items in Bill No. 07 which were not admissible separately and resulted in an overpayment of Rs 5.63 million.

Audit maintained that overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out overpayment in August 2014. The Authority replied that pay item No. SP-16, the priced bill of quantifies (Appendix-D

to Bid) states the item description as “Providing Security and Safety by engaging Security Guards or Constabularies for Contractor’s, Engineer’s and their staff, workers, property, installation and Works” whereas the Special Provision SP-16 stated as “the payment for providing safety and security measures shall not be paid directly to the Contractor but it is deemed to be included in other BOQ items”. The previously mentioned divergence between the Contract Documents was rationalized in the light of Sub-Clause 5.2 of the CoC Part-II wherein the priced bill of quantities (Appendix-D to Bid) evidently supersedes the Special Provisions and hence this item was paid separately against BOQ item No. SP-16 for providing security and safety. The reply was not accepted because as per original bidding document of FIDIC/PEC this payment is not admissible.

The matter was discussed in the DAC meeting held on 18th and 19th December, 2014, wherein NHA could not justify its stance. The Committee held that Special Provision Clause was in conflict with BOQ. The Committee directed NHA to effect recovery and get it verified from Audit. The compliance of DAC’s directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC’s directive.

(DP. 314)

4.4.36 Overpayment due to non-execution of item of work in accordance with approved rate analysis - Rs 5.32 million

According to Clause 60.4 of FIDIC conditions of contract for works of civil engineering construction, the Engineer may by any Interim Payment Certificate make any correction or modification in any previous Interim Payment Certificate which shall have been issued by him and shall have authority, if any work is not being carried out to his satisfaction, to omit or reduce the value of such work in any Interim Payment Certificate.

Audit noted that in accordance with the above mentioned clause the engineer deducted an amount of Rs 5.32 million from 36th IPC paid to the contractor for the work Rehabilitation of National Highway N-5

contract Package No. 5 (Obaro-Shaikh Wahan 53.57 km) vide voucher No. 59 dated 29th January, 2013 due to non-providing of lean concrete underneath the concrete class-B of kerbing during the execution of work for the additional kerbing as the cost of lean concrete was included in the approved rate analysis.

Audit observed that the General Manager (NHIP) released the deducted amount to the contractor in the next IPC (37th IPC) irregularly which resulted in an overpayment of Rs 5.32 million.

Audit maintained that overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in November 2014. The Authority did not reply.

DAC meetings were convened on 20th - 21st November, 2014, 18th - 19th December, 2014 and 7th January, 2015 but the para remained undiscussed.

Audit stresses upon early recovery.

(DP. 393)

4.4.37 Acceptance of premium on market rate items in addition to admissible provision of overhead and profit - Rs 5.23 million

Item No. 2.4 of introduction to CSR provides that Formula for Construction item, all the basic inputs have been updated in the individual rates analysis. These formulas have been created by appropriate quantitative inputs of the following items.

Manpower	Hour and Number
Material	Weight, Volume, Length and Unit
Plant Equipment	Hour and Number
Overheads and Profit	15 percent and 10 percent respectively

Audit noted that G.M (Sindh-South) prepared engineer estimates of contract No. EM-SDS-12-5031 (Bridge over Lyari Naddi) and a work contract No. BR-2012-13-SS-01 for construction of Phulleli-I bridge on N-5 (SBC) which contained non-scheduled items which were analyzed on current market rates and 25% overheads and profit were added thereon. Subsequently these items were put to tender and further premium 9.5% + 30% and 14% respectively over non-schedule items was accepted.

Non-adherence to provision of CSR standard parameters of construction item rate caused acceptance of higher rate over the admissible provision for Rs 5.23 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out acceptance of premium over market rate in October 2014. The Authority did not reply.

The para was discussed in the DAC meeting held on 7th January, 2015, wherein the Committee directed NHA to hold a fact finding inquiry to probe the award of work at higher rates for fixing responsibility and submit report to MoC and Audit within one month. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 490)

4.4.38 Non-recovery on account of damaged work for Rs 4.27 million

According to office note of the Project Director Dera Ismail Khan-Mughal Kot Road Project N-50 (DMRP) dated 19th February, 2014 the works as detailed below for Rs 4.27 million were awarded to the contractor M/s Stately Engineering and Co. for rectification of defects

appeared during defect liability period of the work construction of DMRP awarded to M/s FWO.

(Rs in million)

S. No.	Description	Location	Amount
1	Repair of Bridge deck slab hole in Darban Bridge	Km 460+00 on N-50 (Section-I)	1.62
2	Repair of Bridge deck slab holes, approach slab and approaches of Bridge No. 07	Km 420+00 on N-50 (Section-II)	0.68
3	Repair of Bridge deck slab holes, approach slab and approaches of Bridge No. 09	Km 414+500 on N-50 (Section-II)	1.97
Total			4.27

Audit noted that General Manager (Khyber Pakhtunkhwa), NHA, Peshawar got rectified defects appeared during defect liability period for Rs 4.27 million which was required to be recovered from M/s FWO. Audit observed that no recovery was made from the contractor.

Audit maintained that non-recovery was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out non-recovery in August-September 2014. The Authority replied that the expenditure of Rs 4.27 incurred on repair of cavity/holes in deck slab of bridges would be recovered from the final bill of M/s FWO.

The matter was discussed in the DAC meeting held on 20th and 21st November, 2014, wherein the Committee directed to effect recovery of Rs 4.27 million and get it verified from Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 118)

4.4.39 Overpayment due to inclusion of superfluous excessive components in the item rate - Rs 3.49 million

The rate analysis of individual item consists of four basic inputs like manpower, material, equipment, Overheads and Profit and accordingly quantities of each component are worked out and cost thereof provided in the analysis rate of item. A non-scheduled item Bridge Expansion Joint including all accessories filler and sealant was analyzed on market rate which contained the component of traffic control and diversion and class-D1 concrete.

Audit noted that a non-scheduled item, control and protection of traffic with lump sum amount of Rs 2.00 million was separately provided as a non-BOQ item and concrete class-D1 was subsequently added for expansion joint concreting for 46.04 cu.m in Construction of Bridge over Lyari Naddi.

Audit maintained that the cost of both items was included in the expansion joint item, therefore, its separate provision, measurement and payment was not admissible. Non-adherence to provision of rate analysis of item and payment of inbuilt component separately caused overpayment of Rs 3.49 million.

Audit maintained that overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out overpayment in October 2014. The Authority did not reply.

The matter was discussed in the DAC meeting held on 7th January, 2015, wherein the Committee directed NHA to effect due recovery and get it verified from Audit within fifteen (15) days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 485)

CHAPTER 5

PAKISTAN PUBLIC WORKS DEPARTMENT AND ESTATE OFFICE (MINISTRY OF HOUSING and WORKS)

5.1 Introduction

(A) Pakistan Public Works Department

Pakistan Public Works Department (Pak. PWD) is an attached department of the Ministry of Housing and Works. The department is responsible for construction and maintenance works (Buildings and Roads) of the Federal Government. It is headed by a Director General. The Director General is assisted by a Chief Administrative Officer who deals with administrative matters. There are four Chief Engineers for North, South, West and Central Zones in the country. They are assisted by Superintending Engineers and Executive Engineers/Assistant Executive Engineers. The matters relating to planning are looked after by the Chief Engineer (Planning). The accounts of the Pak. PWD are departmentalized. The budget and accounts matters are dealt with by the Director, Budget and Accounts. Appropriation Account and Finance Accounts are prepared annually by Director, Budget and Accounts. Divisional office is the basic accounting unit of the department and is headed by the Executive Engineer. All payments relating to work done and supplies are made in the divisional office.

Detailed estimates are prepared at the sub-divisional level and technically sanctioned by the Executive Engineers, Superintending Engineers or the Chief Engineers according to their competency. Pre-audit is carried out by the Divisional Accounts Officers on behalf of the Director, Budget and Accounts who is responsible for maintaining the accounts of the department. Divisional Accounts Officers are also co-signatory of the cheques with the Executive Engineers.

5.2 Comments on Budget and Accounts (Variance Analysis)

Three Federal Grants 46-Civil Works, 48-Federal Lodges and 146-Capital Outlay on Civil Works relate to Pak. PWD. The table below shows the position of budget allocation and actual expenditure for the financial year 2013-14 in respect of Pak. PWD:

(Rs in million)

Type of Funds/Grants	Final Grant	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development				
46-Civil Works	3,203.32	3,169.23	(34.09)	(1.06)
48-Federal Lodges	78.64	77.38	(1.26)	(1.60)
Sub-Total	3,281.96	3,246.61	(35.35)	(1.08)
Development				
146-Capital Outlay on Civil Works	1,261.70	1,070.54	(191.16)	(15.15)
Grand Total	4,543.66	4,317.15	(226.51)	(4.98)

In addition to above regular budgetary grants, Pak. PWD also utilized funds under Peoples Works Programme-II and Deposit Works during the financial year 2013-14 as under:

(Rs in million)

Type of Fund	Amount Available	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Peoples Works Programme-II	3,341.37	1,118.69	(2,222.68)	(66.52)

(Rs in million)

Type of Fund	Opening Balance on 01.07.2013	Receipt during 2013-14	Expenditure during 2013-14	Closing Balance on 30.06.2014
Deposit Works	955.12	423.78	429.49	949.11

The total budget allocation for the year 2013-14 in non-development and development grants was Rs 4,543.66 million against which an expenditure of Rs 4,317.15 million was incurred. There was a saving of Rs 226.51 million representing 4.98% of total budget allocation. The main reason for saving was less utilization and withholding of development funds. Furthermore, Supplementary Grant of Rs 145.21 million and surrender of Rs 11.53 million were made after cut-off date in violation of rule 95 of General Financial Rules (Vol-I) and para 2 (ii) and (iii) of Finance Division (Expenditure Wing) letter No.F-5(3) exp-III/2009 dated 10th April, 2010.

During audit it was found that:

- i. Original allocation under Grant No. 46-Civil Works for the financial year 2013-14 was Rs 2,899.94 million. The department received a supplementary grant of Rs 475.23 million which was 16.38% of the original grant. The department surrendered an amount of Rs 171.85 million. The final grant came to Rs 3,203.32 million against which an expenditure of Rs 3,169.23 million was incurred. There was a saving of Rs 34.09 million which was 1.09% of the final grant.
- ii. Under the 18th amendment in Islamic Republic of Pakistan issued through Gazette of Pakistan dated 20th April, 2010, the administrative and financial authority of Jinnah Post-Graduate Medical College and National Institute of Child Health Karachi, was transferred from Federal to Provincial Government but the Executive Engineer CCD-I Karachi incurred expenditure of Rs 23.17 million on work charge establishment deployed on above institution and charged to Grant No. 46 Civil Works during the financial year 2013-14.
- iii. In Grant No. 48-Federal Lodges, original allocation for the financial year 2013-14 was Rs 66.89 million. There was a supplementary grant of Rs 13.23 million and surrender of Rs 1.48 million. The final grant came to Rs 78.64 million

against which actual expenditure incurred was Rs 77.38 million. There was a saving of Rs 1.26 million representing 1.60% of the final grant.

- iv. Under Grant No. 146-Capital Outlay on civil works, original allocation was Rs 4,114.18 million during financial year 2013-14. An amount of Rs 180.94 million was withheld/not released. There was a Token Supplementary Grant of Rs 0.002 million. An amount of Rs 2,785.66 million was surrendered, out of which an amount of Rs 114.11 million was restored. The final grant/appropriation came to Rs 1,261.70 million against which an expenditure of Rs 1,070.54 million was incurred which constituted the 84.85% of the final grant. There was a saving of Rs 191.16 million that was 15.15% of the final grant.
- v. The budgetary grant of PSDP of other Ministries was kept in PLA-III (Non-Lapsable) whereas according to PLA scheme these grants were required to be processed through Director Budget and Accounts and placed in PLA-I (Lapsable).

Above variance analysis showed that department utilized development grant lesser than the available budget resulting in delay in transfer of inherent benefits to the public.

Receipt and Collection of Non-Tax Receipts 2013-14

(Rs in million)

Head of Account	Estimated Receipts	Actual Receipts	Shortfall	%age shortfall
Other Miscellaneous	380.00	246.92	133.08	35.02
Rent of the Building	115.00	75.39	39.61	34.44
Total	495.00	322.31	172.69	34.89

As per original budget for 2013-14, miscellaneous receipts were estimated for Rs 380.00 million against which Rs 246.92 million was collected by Director Budget and Accounts (DBA), Pak. PWD, representing 64.98 % of the budgeted receipt. Similarly building rent recovery of Rs 115.00 million was estimated in the budget 2013-14 against which an amount of Rs 75.39 million was collected by the DBA which was 65.55 % of the budgeted receipt. There was an overall shortfall of Rs 172.69 million (34.89%). Above state of affairs indicated that targets of receipts collection were not achieved.

(B) Estate Office

Estate Offices situated at Islamabad, Lahore, Karachi, Quetta and Peshawar are under the administrative control of the Ministry of Housing and Works. These offices deal with allotment of government-owned accommodations, properties, recovery of rent, etc. from the allottees/occupants. The Estate Office management includes an Estate Officer assisted by Joint Estate Officers at the four provincial offices. Grant No. 47 relates to Estate Offices.

Budget allocation and expenditure of Estate Offices for the year 2013-14 is tabulated below:

(Rs in million)					
Original Grant	Surrender	Final Grant	Expenditure	Excess/ (Saving)	%
107.87	(0.61)	107.26	101.57	(5.69)	(5.30)

Original budget allocation for the year 2013-14 was Rs 107.87 million. After surrender of Rs 0.61 million, final grant came to Rs 107.26 million, against which an expenditure of Rs 101.57 million was incurred resulting into saving of Rs 5.69 million which is 5.30 % of final grant.

Receipts

(Rs in million)				
Description	Estimated Receipt	Actual Receipt	Excess/ (Shortfall)	%
C 02701 – Works Building Rent	422.00	411.39	(10.61)	(2.51)

The buildings rent recovery of Rs 422.00 million was estimated in the budget 2013-14 against which an amount of Rs 411.39 million was collected by the Estate Offices, which was 2.51 % lesser than the budgeted receipt. The rental receipt was estimated on the basis of previous year's receipts instead of calculation based on proper data of government buildings indicating exact date of completion of the buildings, handed

over to the Estate Office and occupied by the allottees, vacant buildings and rent free buildings. Class-wise and category-wise demands made as revenue, the progress of recovery and the outstanding dues to government.

5.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to Pakistan Public Works Department/Estate Offices as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
1985-86	06	06	01	05	16.67
1986-87	02	02	01	01	50.0
1987-88	09	09	01	08	11.11
	1 SAR	1 SAR	-	1 SAR	-
1988-89	1 PAR	1 PAR	01	-	100
1989-90	37	37	15	22	40.54
1990-91	17	17	15	2	88.24
	1 PAR	1 PAR	-	1 PAR	-
1991-92	63	63	15	48	23.81
	1 PAR	1 PAR	-	1 PAR	-
1992-93	50	50	45	05	88.23
	1 PAR	1 PAR	-	1 PAR	-
1993-94	64	64	31	33	48.44
1994-95	24	24	15	09	62.5
1995-96	24	24	15	09	62.5
1996-97	69	69	33	36	47.83
1997-98	176	176	128	48	72.72
	1 SAR	35	33	02	94.29
1999-2000	106	106	69	37	65.09
2000-01	60	60	48	12	80.00
2001-02	32	32	28	04	87.5
2002-03	9	9	3	6	33.33
2003-04	21	21	9	12	42.86
2004-05	18	18	07	11	38.89
2005-06	38	38	19	19	50.00

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
2006-07	45	45	13	32	28.88
2007-08	27	27	8	19	29.63
2008-09	29	29	19	10	65.51
2009-10	09	09	04	05	44.44

Note: Audit Reports for 1998-99, 2010-11, 2011-12, 2012-13 and 2013-14 have not been discussed by PAC till the finalization of this report. SAR stands for Special Audit Report and PAR for Performance Audit Report.

5.4 AUDIT PARAS

Fraud/Misappropriations

5.4.1 Embezzlement of public money against non-existent and unexecuted works/defective works - Rs 662.17 million

According to Rule 23 of General Financial Rules (Volume-I), every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

In pursuance of the orders by the Honourable Supreme Court of Pakistan, Special Audit of Peoples Works Programme-II was conducted during May-June 2013. The Honourable Court in its judgment dated 22nd July, 2013 that was passed on the basis of submission made by Audit through its report directed to conduct physical inspection of all schemes that were executed under PWP-II to ascertain the physical existence of the schemes at site, its benefit for general public and authenticity of the expenditure. During examination of the inspection notes that were performed under the above judgment, Audit observed that many fraudulent payments against non-existent schemes were pointed out in various divisions of Pak. PWD as shown below:

DP. No.	Name of Division/Circle	No. of Schemes	Amount (Rs in million)
115	CCD-VIII, Islamabad/ Chief Engineer (North)	25	277.89
89	CCD, Faisalabad	108	141.95
88	CCD, Faisalabad	01	105.00
11	CCD-I, Lahore/ Chief Engineer (CZ)	02	47.34

DP. No.	Name of Division/Circle	No. of Schemes	Amount (Rs in million)
12	Central Civil Circle Faisalabad	40	31.71
180	CCD, Multan	21	26.71
30	CCD-IV, Islamabad	10	23.21
100	PCD, Sahiwal	03	5.88
8	Central Civil Circle, Faisalabad	01	1.50
7	CCD-II, Lahore/ Project Civil Circle Lahore	01	0.98
Total		212	662.17

Pak. PWD Divisions could not make recovery of Rs 662.17 million from the contractors on account of unexecuted/defective works.

Audit maintained that the non-recovery on account of fraudulent payments was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-recovery of fraudulent payments against un-executed and non-existent works during May 2014 to October 2014. However, no reply was furnished by the department.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015 wherein the DG, Pak. PWD informed that the issues relating to DP. 11, 18, 30 and 115 were under investigations with NAB. It was further informed that departmental proceedings against the persons involved were also under process. Moreover, some contractors obtained stay order from the High Court against recoveries. In case of DP. 89, it was informed that defective works were being rectified by the contractors and the action would be taken accordingly. As regards, DP. 7, 8 and 12, the DG Pak. PWD informed that revised inspection reports were under process and will be shared with Audit as and when finalized. Recovery pointed out under DP. 180 was being pursued. The Committee directed DG, Pak. PWD to effect due recovery from the contractors immediately

and get it verified from Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

5.4.2 Unauthorized expenditure/issuance of cancelled cheques without site verification and obtaining completion report of works - Rs 69.36 million

As per Para 6 of instructions contained in MB (with reference to Paras 209 to 211 of CPWA Code), the measurement should be recorded only by Executive, Assistant Executive or Assistant Engineers or by executive subordinates in-charge of work to whom MBs were supplied for the purpose. All such measurements (i.e. those recorded by subordinates) should, however, be test checked to the extent of at least 50% by the subdivisional officer himself in each case, and he will be responsible for the general correctness of the bill as whole. Para 8 provides that the Divisional Officer should test check at least 10% of measurements recorded by his subordinates, and accept responsibility for the general correctness of the bill as whole.”

Audit observed that Executive Engineer, CCD, Pak. PWD, Larkana, issued twenty-two (22) cheques amounting to Rs 23.58 million on 19th April, 2013 and later on these cheques were cancelled in June 2013. The cancelled cheques were subsequently re-issued on 16th June, 2014 without certification and authentication of actual work done.

Audit further observed that another thirty (30) cheques for Rs 45.78 million were issued on 16th June, 2014 against budget allocation for the year 2013-14 for PWP-II works executed in 2012-13. The payments were processed in the month of June 2014 in hurry and made without site visits, test checks and getting assurance that works at site had been executed as per specifications.

This resulted in unauthorized expenditure of Rs 69.36 million without certification and authentication of actual work done.

Audit maintained that violation of cited rules occurred due to non-adherence to the rules/regulations and weak internal controls.

Audit pointed out the irregularity in October 2014. The department replied that due to Supreme Court Orders, the payments were frozen at that time. After decision of the Supreme Court the cancelled cheques were revalidated. The contractor's bills were submitted by the Sub-Divisional In-charge as per actual work done at site, but due to non-availability of Executive Engineer, same could not be paid during the year 2012-13. The reply was not acceptable because payments were allowed on 16th June, 2014 without certification/verification of sites of works which were neither checked and cleared by the Inspection Teams constituted by the Director General Pak. PWD/Chief Engineer Pak. PWD Karachi, nor visited and test checked by the Executive Engineer before allowing payments.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015 wherein the DG, Pak. PWD informed that all the payments were made after site inspection and test check by the Executive Engineer. The Committee directed the DG, Pak. PWD to initiate disciplinary action against the responsables under intimation to Ministry and Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.77)

Irregularity and Non-Compliance

5.4.3 Unauthorized retention of development funds in PLA-III (non-lapsable) to avoid lapse - Rs 378.85 million

The Finance Division (Budget Wing), Government of Pakistan vide letter No. F-3(20) BR/II/94-B-Vol-I/313 dated 15th April, 1997

allowed the operation of four (4) Personal Ledger Accounts (PLA) in Pak. PWD with zero balances operative from 1st July, 1997:

PLA No.	Description	Nature
PLA-I	Annual Development Programme	Lapsable
PLA-II	Maintenance only	Lapsable
PLA-III	Deposit Works	Non-lapsable
PLA-IV	Other Deposits such as Contractor's Securities, GP Fund receipts, etc.	Non-lapsable

Audit noted that an amount of Rs 378.85 million pertaining to Peoples Works Programme (PWP-I and II) and Khushal Pakistan Programme (KPP) was shown as balance in PLA-III (non-lapsable) on 30th June, 2014 as detailed below:

S. No.	DP. No	Name of Division	Amount (Rs in million)
1	101	PCD-Sahiwal	254.42
2	106	CCD-VI Karachi	19.98
3	178	CCD-Multan	104.45
		Total	378.85

Audit observed that this amount being development grant of the government was required to be placed in PLA-I (Lapsable) and unspent balances were to be surrendered to Finance Division before the cut-off date but the amount was transferred/kept in PLA-III (non-lapsable) to avoid lapse. This resulted in unauthorized retention of development funds amounting to Rs 378.85 million in non-lapsable PLA-III.

Audit maintained that unauthorized retention of development funds was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in September 2014 and October 2014. The department did not reply.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015 wherein the DG, Pak. PWD informed that the funds under KPP and PWP-I and II were kept in PLA-III because these development schemes were in progress and surrendering of funds before 15th May of the financial year was not possible. However, unspent balance amounting to Rs 3.36 million had been remitted to government treasury. Audit did not agree with the contentions of DG Pak. PWD and stressed that all the government development funds were required to be placed in PLA-I (lapsable) as per PLA Scheme of Pak. PWD. Moreover the record of remittance of unspent balances was also not got verified from Audit. The Committee directed the DG, Pak. PWD to get the relevant record verified from Audit and to provide copy of the summary issued by the Prime Minister's Secretariat to Audit for verification. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

5.4.4 Undue payment on account of post-bid amendments - Rs 60.87 million

Clause 60.10 of particular condition of the contract agreement provided that in the event of failure of the employer to make payment within the times stated due to circumstances beyond his control, the employer shall not pay to the contractor any interest or compensation of any sort. Clause 9.1 provided that the contract agreement, performance security, Insurance Policies/Bonds and other Bonds/Guarantees/Sureties shall be prepared and completed at the cost of the contractor.

Audit observed that the Executive Engineer, Project Civil Division No. II Pak. PWD, Islamabad made payment of claims of interest and compensation on account of unpaid monthly bills for Rs 55.33 million and re-imburement of extension of performance security for Rs 5.54 million. The payments were not covered under original contract agreement and allowed through post-bid amendments in the contract agreement. This resulted in undue payment of Rs 60.87 million.

Audit maintained that the undue payment of Rs 60.78 million was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the undue payment in September 2014 but the department did not reply.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015 wherein the DG, Pak. PWD informed that the amount was reimbursed to the contractor under Clause 3.5 of MOU signed by the competent authority. The Committee directed the DG, Pak. PWD to conduct a fact finding inquiry and submit report to Ministry and Audit within one month. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.74)

5.4.5 Non-remittance of saving to the Administrative Ministry - Rs 46.40 million

Para 442 of CPWD Code provides that the division undertaking the work is responsible that the transactions are brought to account under the remittance or other head concerned and that works accounts are maintained and voucher submitted in the same way as for works of division itself. It will further be responsible that estimate and appropriation of work as communicated or accepted by the party for which the work is done, are not exceeded without further authority from it and if any savings are anticipated they are notified and surrendered in time.

Outlay on Deposit Works is required to be limited to the amounts of deposits received. Any expenditure on Deposit Works, incurred in excess of the amount deposited, is chargeable annually to Miscellaneous Works Advances pending recovery to effect which action should be taken at once. Refunds of unexpended balances of completed works should be

taken in reduction of the deposits and therefore, shown in the schedule as minus realizations.

Audit observed that unspent balance amounting to Rs 46.40 million (as detailed below) was lying in PLA-III since long as balance deposit but neither the amount of balances/savings have been utilized on schemes nor have been remitted to the client departments.

DP No.	Division	Unspent Amount as on 30.06.2014 (Rs in million)
226	Store and Workshop Division, Pak. PWD, Islamabad	25.55
186	Central Electrical and Mechanical Division-II Pak. PWD, Islamabad	11.95
206	Central Electrical and Mechanical Division-I, Pak. PWD, Islamabad	7.47
103	Project Civil Division, Pak. PWD, Sahiwal	1.43
	Total	46.40

This state of affairs indicated that the unspent balances were not required for immediate disbursement even then the amount had not been returned back to the Administrative Ministry for meeting other pressing financial demands and obligations. This resulted into unnecessary blockage of funds due to non-remittance of savings.

Audit pointed out the irregularity in October 2014. The department replied in case of DP.206 and 226 that the unspent balances were mostly required for finalization of accounts and to keep the progress of work in smooth manner. The reply was not tenable because a considerable period had lapsed but the department could not decide the fate of unspent balances/savings. In remaining two (2) cases (DP.103, 186) the department did not reply.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015 wherein the DG, Pak. PWD informed that most of the

funds were released by the government at the end of financial year and it was not practically possible to utilize the funds efficiently. In some cases savings were yet to be remitted to the sponsoring departments. Audit contended that placement of PSDP(lapsable) funds in PLA-III (non-lapsable) was a clear violation of approved PLA scheme of Pak. PWD as well as departure from the approved budgetary procedure. There was no justification for accepting the releases knowingly that it would not be able to spend the funds before close of financial year. Parliament approved the PSDP with mandate to government for utilization of the funds by 30th June, whereas funds were actually utilized after close of the financial year. The Committee directed the DG, Pak. PWD to take up the matter with the client departments for remitting the funds within three (3) days and ensure compliance with PLA scheme in future. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

5.4.6 Mismanagement in the execution of work resulting loss - Rs 6.15 million and premature release of security deposit - Rs 2.95 million

According to Rule 10(i) and (ii) of General Financial Rules (Volume-I) relating to standards of financial propriety every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. The expenditure should not be prima facie more than the occasion demands.

Clause 3 (c) of standard contract agreement provides that to measure-up the work of the contractor and to take such part thereof as shall be unexecuted, and to give it to another contractor to complete, in which case any expenses which may be incurred in excess of the sum which would have been paid to the original contractor, if the whole work had been executed by him shall be borne and paid by the original contractor and may be deducted from any money due to him by

government under the contract or otherwise or from his security deposit or the proceeds of sale thereof or a sufficient part thereof.

Audit noted that Chief Engineer (Central Zone), Lahore awarded the work (Construction of additional office block for Income Tax Department at Nawan Shehr, Multan) to M/s Rahmat Trader for Rs 19.69 million (105% above the NIT cost of Rs 9.60 million and 131% above the PC-I). The work was awarded on 19th July, 2008 with completion period of one year. The contractor was paid a sum of Rs 15.60 million upto 20th June, 2011. The contractor left the work incomplete but security deposit of Rs 1.40 million (90% of the deducted security deposit) was released to the contractor. The department awarded the balance work and additional at a cost of Rs 18.03 million (155% above the NIT amount of Rs 7.06 million) to another contractor M/s Arham Builders without finalizing the account of the original contractor. It was further noted that another contract for water supply and sanitary installation (W/S and S/I) was awarded at the cost of Rs 15.98 million to M/s Sabir on 31st December, 2012 with completion period of six (6) months. The work was still in progress.

Audit observed that neither the balance work was awarded on risk and cost basis of the earlier contractors nor the security deposits of the defaulting contractors were forfeited. Rather the security deposits of the defaulting contractors were released without finalization of their accounts. Moreover, in all the instances of award, works were awarded much beyond the financial limits of PC-I and NIT in utter disregard of rules and misusing the authority vested in the public officers as sacred trust. This resulted into loss of Rs 6.15 million and undue payment of security deposit of Rs 2.95 million to the contractors.

Audit maintained that the loss and undue refund of security deposit occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the mismanagement/loss in September 2014. The department did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015 wherein the Committee directed DG Pak. PWD to conduct fact finding inquiry into the matter and submit report to Audit. The compliance of the DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 232)

5.4.7 Overpayment of price escalation - Rs 5.97 million

As per contract agreement for the work "Construction of New Secretariat Blocks at Constitution Avenue, Islamabad" G.I sheet was not mentioned as specified material in the appendix-C of the contract agreement.

Audit observed that Executive Engineer, Electrical and Mechanical Division-I, Pak. PWD, Islamabad made payment of Rs 5.97 million on account of price escalation against G.I sheet without provision in the contract agreement. This resulted in inadmissible payment of Rs 5.97 million.

Audit maintained that the inadmissible payment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the inadmissible payment in September 2014. The department replied that price escalation was paid under Sub-clause 58 of particular conditions of the contract agreement. The reply was not tenable because G.I sheet was not mentioned as specified material in the appendix-C of the contract agreement. Thus, escalation on this item was not admissible.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015 wherein the DG, Pak. PWD explained that escalation was paid on G.I sheet as it came in the purview of metal as verified by the

consultant. The Committee directed the DG, Pak. PWD to get relevant record verified from Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.211)

5.4.8 Irregular purchase of Air-Conditioners without calling tenders - Rs 1.57 million

As per Rule 42(c) of Public Procurement Rules, 2004, a procuring agency shall only engage in direct contracting if the following conditions exist:

- (i) the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier provided that the same are not available from alternative sources.
- (ii) only one manufacturer or supplier exists for the required procurement.

Audit observed that Executive Engineer, Electrical and Mechanical Division-I, Pak. PWD, Karachi made payment for the work "Up-gradation and Renovation of Federal Lodge-I (Qasr-e-Naz), Karachi (Sub-Head: Replacement of Air-Conditioners)" to M/s Arshad Amjad and Allied Pvt. Ltd. and paid an amount of Rs 1.57 million through hand receipts in advance for provision and installation of thirty-two number of 1.5 ton split type air-conditioners without inviting tenders and entering into formal contract agreement. Audit noted that Divisional Accounts Officer (DAO) concerned objected the payment by operating Form 60 (DAO's objection Form of Monthly Account) but it was overruled.

Audit observed that the procurement was made without calling tenders despite DAO's objection during pre-audit of the payments. Audit further observed the following:

- i. Advance payment was made without bank guarantee.
- ii. The Air-conditioners were not brought on charge (Form CPWA-13 and 14).
- iii. Fitting charges including accessories was paid separately.
- iv. The Brand of Air-conditioners was not on approved panel of Pak. PWD.
- v. Status of replaced air conditioners was also not on record.
- vi. The work was awarded without obtaining T.S Estimate from the competent Authority.

Audit maintained that violation of PPRA rules despite observation/pointation by DAO (Financial Advisor) during pre-audit was due to misuse of authority and flagrant violation of rules.

Audit pointed out the irregular purchase of air-conditioners in September 2014. The department replied that due to enormous demand of parliamentarians for replacement of the existing unserviceable air-conditioners of Federal Lodge No. I (Qasr-e-Naz), Karachi, the direct procurement method was adopted for replacement of air-conditioners. Due to late receipt of funds in June 2014, the codal formalities were not fulfilled, for which ex-post facto approval from the competent authority was under process. The reply was not accepted because rules were violated despite pointation by the DAO concerned. It is a glaring example of misuse of authority.

The matter was discussed in the DAC meeting 12th and 13th January, 2015, wherein the Committee directed DG, Pak. PWD to fix responsibility for violation of rules and take action against the Executive Engineer and authority responsible for overruling the DAO. As in normal circumstances when Form 60 is operated by the DAO the Executive Engineer stops further proceedings till receipt of directions from higher authorities. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon compliance of the DAC's directive.

(DP. 61)

Internal Control Weaknesses

5.4.9 Overpayment due to excessive measurement of earth work - Rs 100.72 million

According to Rule 10(i) of General Financial Rules (Vol-I), "every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money".

According to Para 209 (d) of CPWA Code, as all payments for work done are made on the basis of quantities recorded in the Measurement Book (MB), it is incumbent upon the person taking measurements to record the quantities clearly and accurately. He would also work out and enter in the MB the figure for the contents or area. As per Para 56 of CPWD Code, Technical Sanctioned Estimate is a guarantee that the proposals are structurally sound and that the estimates are accurately calculated and based on adequate data. Material structural alterations require approval of original sanctioning authority.

Audit observed that during execution of the work "Construction/ Rehabilitation of metalled road Danday Wala Pull Jhang Road to Dhangroo Pull along-with Canal Jhang Branch District, Faisalabad (NA-81)" the contractor was paid the item of work "Making earthen embankment with earth taken from ½ miles lead" for a quantity of 9,925,753 cft against the approved quantity/provision of detailed/technical sanctioned estimate (3,690,000 cft). A quantity of 6,235,750 cft was measured in excess of approved quantity. This resulted in an overpayment of Rs 100.72 million (6,235,750 Cft * Rs 529.56 per hundred Cft + 205% premium) to the contractor.

Audit maintained that the overpayment occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in October 2014. The department did not reply.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015 wherein the DG, Pak. PWD informed that the project was under investigation with FIA Lahore on the basis of Superintending Engineer's Inspection report. The Committee directed the DG, Pak. PWD to effect due recovery from the contractor and get it verified from Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 91)

5.4.10 Overpayment due to allowing separate payment of in-built component - Rs 2.02 million

According to Para 5.1.2 of technical specification for a work construction of Federal Tribunal Courts Complex at Hayatabad payment will be made for acceptably, measured quantity of excavation on the basis of unit rate per cubic meter quoted in the bills of quantities and shall constitute full compensation for all the works related to the item, including but not limiting to back filling.

Audit noted that the Executive Engineer, Central Civil Division No.II, Pak. PWD, Peshawar made separate payment for back filling for a quantity of 260,196.7 Cft. against the provision of contract specification. Separate payment of back filling resulted in overpayment of Rs 2.02 million.

Audit maintained that the overpayment occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in November 2014. The department did not reply.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015 wherein the DG, Pak. PWD informed that the items of excavation did not include back filling as evident from clause 5.1.2. Moreover, payment of back filling was made as per clause 5.2.2. The DAC did not accept the stance of the DG Pak. PWD as rate of all kind of excavation, where back filling was required, included component of back filling without separate payment. The Committee directed the DG Pak. PWD to convey the displeasure to the consultants on such inherent flaw and furnish a copy of the same to PEC. The Committee further directed to recover the overpaid amount from the contractor on account of back filling and get it verified from Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive regarding recovery.

(DP. 217)

ESTATE OFFICE

Fraud/Misappropriations

5.4.11 Damage of official record and furniture due to fire and non-finalization of inquiry

Rules 22 and 23 of GFR (Vol-1) provide that any serious loss of immovable property, such as buildings, communications or other works, caused by fire, flood, cyclone, earthquake or any other natural cause, should be reported at once to the head of the department and by the latter to government. When a full inquiry as to the cause and extent of the loss has been made, the detailed report should be sent to the head of the department and a copy to the Accountant General. Every government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by government through fraud or negligence.

Audit noted that a list of fake/bogus allotments was submitted to the Secretary, Housing and Works by the Estate Office on 28th February, 2014 and the Secretary directed Estate Officer, Islamabad to personally look into the issues of fake/bogus allotments and proceed against the person(s) responsible for this fraud. Exactly after two days on 2nd March 2014, 9th floor of Shaheed-e-Millat Secretariat under the official use of Estate Office Islamabad caught fire in the selected area of record room and resultantly current record of all allotment files, rent recovery, allotment register, office furniture, computer and almirah etc was totally damaged by the fire. The incident was reported to the Administrative Ministry as well as police authority but inquiry report to determine the causes and motives of culprits if any or otherwise and fix the responsibility against the person(s) involved has not been initiated/finalized despite after a lapse of a period of nine (9) months.

Audit maintained that the incident occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the damage to official record in November 2014. The department did not reply.

The matter was discussed in the DAC meeting held on 12th and 13th January 2015, wherein the Estate Officer informed that FIR of fire incident was lodged immediately in police station. Moreover, the case had been referred to FIA which was still in progress. The Committee directed to conduct a fact finding inquiry at Ministry level to determine the causes and motives of culprits who were involved in the business of bogus allotments and fix the responsibility against the person(s) involved at the earliest. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 23)

Irregularity and Non-Compliance

5.4.12 Loss due to non-vacation of sublet and trespassed government buildings - Rs 822.52 million

As per Rule 16 (1&2) of AAR, 2002 "the accommodation shall not be sublet by the allottee. If an allottee is found guilty of subletting his accommodation, the allotment shall be cancelled from the date of taking over possession of the house and he shall be charged monthly rent at the rate of one rental ceiling of his entitlement for the entire period."

The Supreme Court of Pakistan in CRP No.174/2012 inquired from the Acting Secretary Housing and Works that all eighteen thousand houses/quarters/bungalows in Islamabad were in fact occupied by authorized persons because 185 houses were shown as in possession of the trespassers but there might be so many other houses, which were not in possession of authorized occupants. On this the Acting Secretary stated that this aspect would be verified only by physical checking. The Court directed to constitute teams and submit interim report within two weeks.

Audit noted that Estate Office, Islamabad conducted physical inspection of Government owned accommodations at Islamabad as per orders of Honourable Supreme Court and submitted report as on 8th April, 2013. The report indicated that 474 Government residential buildings of various classes and categories were found sublet and confirmed that allottees or their families did not reside in the allotted accommodations and allowed some unauthorized persons to live in the Government accommodations. A period of more than twenty (20) months had lapsed but neither the allotments were cancelled nor recovery of standard/ceiling rent amounting to Rs 122.14 million was made.

Similarly, 592 residential buildings of various classes and categories were found under possession of unauthorized occupants and established that allottees had no legal allotments/authority to retain the government buildings. A period of more than twenty (20) months had lapsed but neither the allotments were cancelled and allottees were disqualified for the period of five years nor the residences were got vacated from trespassers for further allotment to the entitled staff and the recovery of rent equivalent to two rental ceiling of the category of his entitlement or the house occupied whichever was more, amounting to Rs 370.29 million was not made from the unauthorized occupants.

As many as 530 Government residential buildings of various classes and categories were visited two to three times as per terms of reference made by the Ministry and found locked. It created doubt that these houses were also under possession of unauthorized occupants. These Government accommodations could neither be got vacated from trespassers or unauthorized occupants nor recovery of rent equivalent to two rental ceiling of the category of his entitlement or the house occupied whichever was more, amounting to Rs 330.08 million was made from the unauthorized occupants. This resulted into loss of Rs 822.52 million due to non-vacation of 1596 Government buildings from unauthorized occupants.

Audit maintained that unauthorized occupants could not be expelled from government accommodations due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-eviction/non-recovery/loss in November 2014. The department did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 12th and 13th January 2015, wherein the Estate Officer informed that show cause notices had been served to all allottees of houses found sublet but unfortunately the record of such proceedings had been burnt in fire accident in Estate Office building on 2nd March, 2014. Moreover, 530 houses found locked during survey, allotments of those confirmed sublet or found under unauthorized occupants, had been cancelled. The Committee directed the Estate Officer to provide the record of cancelled allotments and further action taken against the defaulters be intimated to Audit within three (3) months. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directives.

(DP. 15)

5.4.13 Non-compliance of the direction of the Apex Court - Rs 173.73 million

The Supreme Court of Pakistan, in Constitutional Petition (CP) No.1498/2011 dated 19th October, 2011, directed the Administrative Ministry/Estate Office that in future all the allotment will be made strictly on the basis of GWL and relaxation of Rules under Rule 29-A of the AAR, 2002 will not often be exercised, except in the case of hardships and that too by recording justifiable reasons, after hearing the likely affected employees on the GWL. The above direction of apex court was not implemented and the Honorable Supreme Court again directed on 7th March, 2013 in a Civil Review Petition (CRP) No. 174 of 2012 that violation of above direction/observation passed by the court, which

generates litigation between the parties, as a result whereof the civil servants, who otherwise, cannot afford litigation, have to suffer. Under circumstances, the Apex Court again directed the department to review all the allotments, which was made after passing the previous judgment and ensure its implementation in letter and spirit, and if any allotment was made in violation of the directions earlier made in the above judgment, must be re-considered and dealt with in connection with the observations noted hereinabove immediately.

Rule 25(2 and 3) of AAR, 2002 provides that the ejection of trespassers from Government accommodation shall be carried out by the concerned EO, immediately without serving any notice and FIR shall be lodged against the trespasser and EO shall arrange the disconnection of services and Rule 25(4) (b) of ibid provides that in case of trespassing or unauthorized occupation, rent equivalent to two rental ceiling shall be charged for each month for entire period of unauthorized occupation.

5.4.13.1 Audit noted that the Estate Office, Islamabad allotted 729 residential buildings of various categories in relaxation of rules and subject to vacation after the Judgment of Apex Court and only 401 accommodations have been shown as occupied by the allottees which indicated that only 32% accommodations were available physically and occupied by the allottees after the judgment of Honourable Supreme Court in Civil Petition No.1498/2011 dated 19th October, 2011. Occupation status of balance residences could not be verified due to non-production of allotments files.

Moreover, Audit noted that Estate Office allotted 508 government accommodations of various classes and categories under Rule -12 (change or exchange of same category of accommodation) to the employees of entitled/non-entitled departments who did not possess accommodation with a valid allotment letter duly issued by the Estate Office at the time of change or exchange accommodation under Rule-12. Hence, they did not fulfill the basic criteria of change and they were not eligible to get the allotment of government quarters under the cover of Rule-12. A period of more than twenty (20) months lapsed after direction of Apex Court but

even then neither allotments were reviewed or cancelled under Rule 24 of AAR-2002 nor the residences were got vacated from ineligible employees for further allotment on the merit on the basis of General Waiting List(GWL).

In compliance to the judgment of Apex Court, Ministry of Housing and Works directed the Estate Office that allotments made under Rule 29-A and not have in possession of the house; these orders may be treated as cancelled to ensure allotments on the merit on the basis of GWL. The directions issued by the Ministry did not cover the implementation of judgment in letter and spirit because the main purpose of reviewing all allotments made since 19th October, 2011 was to streamline the allotments mechanism but not a single allotment of house occupied prior to the judgment of Apex Court was re-considered and dealt with in connection with the observations.

Audit maintained that non-implementation of rules and direction of Apex Court resulted in contempt of court and denied allotment of official accommodation to the senior officials on merit.

Audit pointed out the non-compliance of Supreme Court orders in November 2014. The department did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015, wherein the Estate Officer informed that the direction of Supreme Court had been complied with strictly and the power of relaxation of rule for allotment was not being exercised. At present allotments of government accommodations were being made on merits against seniority as per GWL. The Committee directed the Estate Officer to review all the cases pointed out by Audit and furnish revised reply incorporating the current status to Audit by 25th January, 2015. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directives.

(DP.14, 18)

5.4.13.2 Audit noted that the Supreme Court of Pakistan (in CRP No.174/2012) was informed that 185 persons had trespassed the government buildings and court directed the Administrative Ministry/ Estate Office Islamabad on 7th March, 2013 to adhere to the relevant law. The direction of Supreme Court of Pakistan was not implemented and no action could be initiated under Lands and Buildings Ordinance, 1965 even after lapse of a considerable period of twenty (20) months. Both Administrative Ministry and Estate Office appear reluctant to take action against the employees of ICT Police who trespassed the Government Buildings since long despite clear directions by the Apex Court to the Ministry, as well as the learned Civil Courts to dispose of these cases on preferential basis and not to allow a trespasser to continue with the litigation for unnecessary long period. Neither the order of Apex Court was implemented nor rent equivalent to two rentals ceiling amounting to Rs 146.01 million recovered from the trespassers. Similarly, a list of 102 trespassers of government residences was concealed from the Apex Court and no action to vacate these residences or recovery of penal rent of Rs 27.72 million was initiated against the trespassers. This resulted into non-ejection of trespassers from government buildings as per direction of the Apex Court and non-recovery of penal ceiling rent of Rs 173.73 million.

Audit maintained that the failure of Estate Office to eject unauthorized occupants and non-recovery of penal ceiling rent was due to inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-implementation of court orders in November 2014. The department did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015, wherein the Estate Officer informed that the problem of ejection of unauthorized occupants from government quarters including 102 trespassers of Police Department was taken up with the Federal Adjuster for deduction of rent from the budget allocation of

Police Department but the Federal Adjuster informed that the rent could not be deducted from the budget allocation of the Police Department as the action was required to be taken against the individuals not against the department. Finance Division had already shown its inability. The Committee directed the Estate Officer to take up the matter with the Inspector General of Police, Islamabad for deduction of outstanding rent pending against their employees who had trespassed the Government accommodations. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 11)

5.4.14 Loss due to exemption of employees of selected offices from deduction of 5% normal rents - Rs 84.29 million

Fundamental Rule (FR) 45 (A) sub clause (a and b) of clause V provides that in special circumstances for the reasons which should be recorded, by the Government may, by general or special order, grant rent free accommodation to any officer or class of officers, waive or reduce the amount of rent to be recovered from any officer.

Audit noted that Estate Office, Islamabad allotted 1,056 government owned residential buildings of various classes or categories to the employees of President and Prime Minister Secretariats, National Assembly and Senate Secretariats. The employees of these offices were declared as rent-free and deductions of 5% normal rent were stopped from their emoluments since, 1999, 2006 and 2008 respectively. The deduction of normal rent was meant for the repair and maintenance of Government residential buildings whereas repair and maintenance of these residences is being carried from the maintenance grant allocated to CDA/Pak. PWD for the purpose. According to Fundamental and Supplementary Rules, the Government had declared only class "A" accommodation as rent free allotted to Class IV Government servants (BPS-1 to 3) and exempted from deduction of 5% normal rent. On the other hand, all employees of these Secretariats (BPS 1 to 22) entitled to class A, B, C, D, E, F, G, H and I

were declared as rent free for Government Accommodation without recording special circumstances and reason for exemption. Non-observance of Fundamental and Supplementary Rules and Civil Servants Act, 1973 resulted in to recurring loss of Rs 84.29 million.

Audit maintained that the loss was due to absence of an oversight mechanism for effective implementation of internal controls.

Audit pointed out the irregularity in November 2014. The department did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015, wherein the Estate Officer informed that the matter had been taken up with the Finance Division as the same was not found covered under Fundamental Rules/Supplementary Rules. The Committee directed the Estate Officer to take up the issue with the Finance Division under intimation to Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directives.

(DP. 25)

5.4.15 Allotment of houses over and above the prescribed category of accommodation and non-recovery of standard rent from the occupants - Rs 60.00 million

Rule 5(2) of the AAR, 2002 provides that the allotment of A to I class of accommodation shall be made accordance with pay scale of Federal Government Servants as per entitlement and specification of Government owned houses in each category. Further, Rule-7(4) provides that in case a house of his entitlement is not available, a FGS may be allotted an accommodation of a class or category lower than his entitlement on payment of normal rent on maturity of his turn on the basis of GWL of that category.

Rule 24 of the AAR, 2002 provides that the Government may, at any stage cancel the allotment made in violation of the rule in favor of Federal Government Servant including those made to the employees of non-entitled departments.

The Supreme Court of Pakistan while giving judgment in Case No.1498/2010 directed that all acts should be done by the public functionaries in a transparent manner after applying judicious mind and after fulfilling all requirements. They were supposed to adhere to the principle of transparency in the performance of their duties and were not bound to carry out/implement any order which was not in accordance with law and they were only obliged to carry out the lawful orders of their superiors and if they are being pressurized to implement an illegal order, they should put on record their dissenting notes.

Audit noted that Estate Office, Islamabad allotted 393 residential buildings to the Federal Government Servants over and above their scale and entitlement on their own request. These allotments were not reviewed as per direction of the Apex Court to streamline the allotment procedure according to GWL and minimize the litigation between the Government Servants. The officers of BPS-17 and 18 were enjoying the facility of accommodation prescribed for Secretary (BPS-22) on payment of lesser rent. No doubt, the allotments were made in relaxation of rules but relaxation of above category was not covered under hardship cases on compassionate grounds in public interest. On other hand the entitled officers were compelled to reside in below than the entitlement category or to reside in the privately hired houses and government had to pay the ceiling rent to the owner of the private houses. Non-observance of Fundamental Rules and non-implementation judgment of Apex Court in letter and spirit resulted into a recurring loss of Rs 60.00 million which would increase further every month.

Audit maintained that the non-implementation of court orders and resultant loss occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the loss in November 2014. The department did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015, wherein the Estate Officer informed that the allotments had been made to federal government servants keeping in view their hardships and pressing circumstances after consideration of competent authority as provided under Rule 29-A of AAR 2002 in relaxation of rule. The Estate Officer further explained that discretionary powers exercised by Ministry for allotment in relaxation of rule could not be challenged as authority had to resolve the problems of federal government servants while taking decisions on merit. The Committee directed the Estate Officer that recovery of ceiling rent be effected from the allottees under intimation to Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.12, 20)

5.4.16 Loss due to non-vacation of government accommodation - Rs 46.85 million

Rule 12 of AAR-2002 provides that change from one accommodation to the other or exchange of accommodation between two allottees for same category of accommodation may be permitted by the Ministry of Housing and Works subject to production of a certificate from their employers to the effect that they are not expected to be retired or transferred during the next one year and other required documents as prescribed by Ministry of Housing and Works from time to time.

Rule 24 of the AAR, 2002 provides that the Government may, at any stage cancel the allotment made in violation of the rule in favour of FGS including those made to the employees of non-entitled departments and Rule 25(4) (b) *ibid* provides that in case of unauthorized occupation, rent equivalent to two rental ceiling of the category of his entitlement or

the category of the house occupied shall be charged for each month for entire period of unauthorized occupation.

The Supreme Court of Pakistan in CRP No. 174/2012 inquired from the Acting Secretary Housing and Works that all eighteen thousand houses/quarters/bungalows in Islamabad were in fact occupied by authorized persons because 185 houses were shown as in possession of the trespassers but there might be so many other houses, which were not in possession of authorized occupants. On this the Acting Secretary stated that this aspect would be verified only by physical checking. The Court directed to constitute teams and submit interim report.

Audit noted that Estate Office, Islamabad conducted physical inspection of government owned accommodation at Islamabad as per orders of Honourable Supreme Court and submitted report on 8th April, 2013. The report indicated that sixty-one (61) government residential buildings of various classes and categories were allotted under Rule-12 to the employees of non-entitled departments whereas the Accommodation Allocation Rules, 2002 were applicable in case of employees of the non-entitled departments. On the other hand, they did not possess the government residences with valid allotment letters duly issued by the Estate Office. Hence, the allotments were issued without fulfilling the prescribed criteria of change or exchange under Rule 12 because the residences were not under their occupation. A period of more than twenty (20) months lapsed after finalization of physical survey report but neither the allotments were cancelled under Rule 24 of AAR-2002 nor the residences were got vacated from ineligible employees for further allotment to deserving employees and rent of Rs 46.85 million equivalent to two rental ceiling has not been recovered from the illegal occupants. This resulted into loss due to non-vacation of Government buildings and allotments to entitled officers/officials.

The non-recovery of rent, non-implementation of the rules and directions of Apex Court resulted in loss to Government for Rs 46.85 million.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015, wherein the Estate Officer informed that no loss occurred due to change of documents of allotment as the rent of house became recoverable on the day of occupation. The Committee directed the Estate Officer to provide record relating to cancellation of allotments along with recovery effected from occupants to Audit for verification. The compliance of DAC's directives was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directives.

(DP.16)

5.4.17 Non-recovery of outstanding rent - Rs 20.37 million

Clause 16 of the lease agreement states that if rent remains unpaid any time for a period of thirty days after it has become due, the lease of the said plot shall be liable to be cancelled.

Ministry of Housing and Works letter dated 14th March, 2009 provides that lease agreement executed on or after September 2007 for a period of twenty (20) years shall be subject to 25% enhancement of rent (compound) after every five (5) year. Further, Ministry of Housing and Works vide letter dated 22nd July 2006 conveyed revised rent of the shops and sites and directed to execute/renew lease agreement with the present occupant at revised monthly rent. It was further decided that the present occupants may be asked to renew lease agreement /hire shops at revised rates with one-year advance. In case they fail to accept the offer, ejection proceedings may be initiated against the occupant(s) under Federal Government Land and Buildings (Recovery of Possession) Ordinance, 1965 to get the shops/sites vacated and to rent out through advertisement and open tendering. Further the period of lease may be restricted to five years and revision be made a regular feature.

Rules 26-38 of GFR (Vol-I) provide that the controlling officers have to ensure that all sums due to Government are regularly and promptly assessed, realized and duly credited to the public account. No amount due

to government should be left outstanding without sufficient reasons and where any dues appear to be finally irrecoverable, suitable action should be initiated for their write off.

Audit observed that Estate Office, Karachi could not recover outstanding rent from the allottees of shops at various locations. Moreover, lease agreements with four occupants of plots allotted for petrol pumps/CNGs stations were also not renewed/executed. Neither rent was recovered nor the allotment was cancelled as required under rules. Moreover, management of Federal Lodge-I, Karachi did not recover room rent of Rs 1.24 million from the occupants.

This resulted in non-recovery of Rs 20.37 million as detailed below:

DP No.	Amount (Rs in million)	Remarks
2	0.45	Non-renewal of lease agreement of petrol pump/CNG station since 15 th November, 2013
7	3.51	Plot was illegally leased out by District Government for petrol pump/CNG station. Rent outstanding w.e.f 4 th November, 2007.
4 and 8	3.91	Non-renewal of lease agreement of two petrol pumps/CNG stations since 18 th April, 2012 and 11 th October, 2012. (Rent for 2013-14 outstanding.)
1	11.26	Rent of shops for the year 2013-14
1	1.24	Non-recovery of room rent of Federal Lodge-I, Qasr-e-Naz, Karachi for the years 2008-2013.
Total	20.37	

Audit maintained that the recovery was not effected due to deficient revenue recognition policies, disregard to the rules, regulations and weak internal controls.

Audit pointed out the non-recovery in April 2014 and October 2014. The department did not reply.

The matter was discussed in the DAC meeting held on 12th and 13th January 2015, wherein the Estate Officer informed the Committee that the recovery of dues is in progress. Extension of lease agreements, where required is also under process. The Committee directed to get the recovered amount verified from Audit. DAC further directed to pursue the recovery and lease extension cases actively and get the relevant record verified from Audit. The compliance of DAC's directives was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directives.

5.4.18 Loss to Government due to non-recovery of ceiling rent from unauthorized occupants of Government accommodation - Rs 18.28 million

Rule 25(4) (a) of Accommodation Allocation Rules, 2002 denotes that in case of unauthorized retention beyond legally allotted period rent equivalent to one rental ceiling of the category of his entitlement or category of the house in occupation whichever is more, shall be charged for each month for entire period of un-authorized occupation.

The Supreme Court of Pakistan in CRP No.174/2012 inquired the Acting Secretary, Housing and Works that all eighteen thousand houses/quarters/bungalows in Islamabad were in fact occupied by authorized persons because 185 houses were shown as in possession of the trespassers but there might be so many other houses, which were not in possession of authorized occupants. On this, the Acting Secretary stated that this aspect would be verified only by physical checking. The Apex Court directed to constitute teams for the purpose and submit interim report within two (2) weeks.

Rule 24 of the Accommodation Allocation Rules 2002 provides that the Government may, at any stage cancel the allotment made in

violation of the rule in favor of Federal Government Servant including those made to the employees of non-entitled departments.

The Government decision made under Fundamental Rule 45-B provides that when Government building is let to a private person for residential or business purposes, rent should be recovered monthly in advance at the rate prevailing in the locality for similar purpose.

5.4.18.1 Audit observed that according to physical inspection of the Government owned accommodations at Islamabad conducted by Estate Office, Islamabad, thirty (30) Government residential accommodations of various classes and categories were allotted/occupied by private Deeni Madrassas in different period starting from 1966 to 2009. A period of more than twenty (20) months lapsed after finalization of physical survey report but the Government accommodations could not be got vacated from private allottees for further allotment to entitled staff and the recovery of rent equivalent to two rental ceiling of the category of the house occupied or at the prevailing market rate had not been recovered from the defaulters amounting to Rs 9.97 million. Non-vacation of Government buildings resulted in non-recovery/loss of Rs 9.97 million.

Audit maintained that the non-implementation of court orders and non-recovery was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-vacation in November 2014. The department did not respond to the audit observation.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015, wherein the Estate Officer informed that FIR of fire incident had been lodged immediately in Police station. Moreover, the case had been referred to FIA which was still in progress. The Committee directed the Estate Officer to provide copy of the inquiry conducted by DG, Pak. PWD to Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directives.

(DP. 22)

5.4.18.2 Audit observed that Additional Estate Officer, Karachi could not recover ceiling rent from the unauthorized occupants of the government accommodations at various colonies in Karachi.

Non-enforcement of rules resulted in non-recovery/loss of Rs 8.31 million during the year 2013-14.

Audit pointed out the non-recovery/loss in October 2014. The department did not reply.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015, wherein the Committee directed the Estate Officer to effect recovery and get it verified from Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 6)

CHAPTER 6
FEDERAL GOVERNMENT EMPLOYEES HOUSING
FOUNDATION
(MINISTRY OF HOUSING AND WORKS)

6.1 Introduction

Federal Government Employees Housing Foundation (FGEHF) was established in 1989 by Ministry of Housing and Works, Government of Pakistan. The FGEHF is a public limited company registered with the Securities and Exchange Commission of Pakistan under Section 42 of Companies Ordinance, 1984. The FGEHF is authorized to initiate, launch, sponsor and implement Housing Schemes for Federal Government Employees in major cities of Pakistan, to make and assist, as far as possible, each of them to have house at the time of retirement or earlier. The Housing Foundation shall not itself setup or otherwise engage in individual and commercial activity or in any function as a trade organization.

FGEHF is under the administrative control of Ministry of Housing and Works.

Objectives of the entity are:

- i. To eradicate shelterlessness for Federal Government Employees, serving and retired and for the other specified groups of people as decided by the Housing Foundation from time to time and assist as far as possible each of them to have house at the time of retirement or earlier, and his dependents in case of his death before retirement on such terms as the Housing Foundation may determine.
- ii. To initiate, launch sponsor and implement Housing Schemes for Federal Government Employees serving and retired and

for other specified groups of people as decided by the Housing Foundation from time to time on ownership basis in Islamabad, the Provincial Capitals and other major cities of Pakistan.

Major functions of the entity are to:

- i. Purchase land and plan, execute, develop, construct, sublet, administer, manage or control works.
- ii. Establish, subsidize, promote, co-operate with, receive into Housing Foundation, become member of, act as or appoint trustees, agents of, delegates for, controls, manage, superintend, give gifts, lend monetary or other assistance to any council as may deem conducive to or to achieve or to further any of the objects and purposes of the Housing Foundation.
- iii. Admit any Federal Government employee to be member of the Housing Foundation on such term and to confer on them such rights and privileges as may be deemed expedient.
- iv. Raise and borrow any moneys and funds required for purposes of the Housing Foundation and on such securities as may be determined.
- v. Work, improve, manage, administer, develop, turn to account lease, mortgage or otherwise dispose of or deal with all or any of the funds, properties and assets of the Housing Foundation.
- vi. Work as town planner, and civil engineer in all its details and to act as consultant, architect, adviser and constructor of buildings, roads bridges, etc.
- vii. Undertake construction of all civil works including buildings, roads, bridges, etc.

6.2 Comments on Budget and Accounts (Variance Analysis)

Budget allocation and expenditure of FGEHF for the financial year 2013-14 is as under:

(Rs in million)

Nature	Allocation	Actual Expenditure	Variation Excess/ (Saving)	Variation in %
Non-Development	274.26	221.52	(52.74)	(19.23%)
Development	3,028.11	2,530.32	(497.79)	(16.44%)
Total	3,302.37	2,751.84	(550.53)	(16.67%)

A sum of Rs 274.26 million was allocated for non-development activities for the financial year 2013-14 against which an expenditure of Rs 221.52 million was incurred involving savings of Rs 52.74 million which constitutes 19.23% of the budget allocation.

A sum of Rs 3,028.11 million was allocated for development activities for the financial year 2013-14 against which an expenditure of Rs 2,530.32 million was incurred involving savings of Rs 497.79 million which constitutes 16.44% of the budget allocation. This indicated that the development targets were not achieved.

Receipts

(Rs in million)

Head of Receipt	Estimated Receipts	Actual Receipts	Variation Excess/ (Shortfall)	Variation in %
Receipt from operations/sales	3,400.00	8,662.73	5,262.73	154.79
Revenue(Allottee Account)	375.00	215.27	(159.73)	(42.59)
Total	3,775.00	8,878.00	5,103.00	135.18

6.3 Brief comments on the status of compliance with PAC's directives

Directorate General Audit Works (Federal) conducted audit of the accounts of FGEHF during 2011-12 for the first time. This office prepared a Special Audit Report covering the period from 2008-09 to 2010-11 and Regularity Audit Reports for the years 2012-13 and 2013-14 which are yet to be discussed by the PAC.

6.4 AUDIT PARAS

Non-Production of Record

6.4.1 Non-production of record in respect of plots

Section 14(2) of Auditor General's Ordinance, 2001 provides that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition. Section 14(3) stipulates that any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

Audit noted that the Management/Director (Estate), FGEHF Islamabad did not produce the below mentioned record/files pertaining to the allotment of plots for audit scrutiny.

- i. File No. 4(N-1835)93 (Rehmat Jan)
- ii. File No. 4(N-6098)93-HF

Audit maintained that non-production of record was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-production in November 2014. The Foundation did not reply.

The matter was discussed in the DAC meeting held on 12th and 13th January 2015, wherein, the management of FGEHF informed the DAC that the inquiry regarding missing files of Estate Section was under way. The Committee directed DG, FGEHF to share findings of the inquiry with Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directives.

(DP. 9)

Irregularity and Non-Compliance

6.4.2 Unauthentic payment without detailed measurement in Measurement Book - Rs 791.17 million

Paras 208-209 of CPWA Code provide that payments for all works done and for all supplies are made on the basis of measurements recorded in Measurement Book (MB). The MB should, therefore be, considered very important accounts record. As all payments for work or supplies are based on the quantities recorded in the MB, it is incumbent upon the person taking the measurements to record the quantities clearly and accurately.

Audit observed that the Director Technical, FGEHF Islamabad made payments of Rs 791.17 million to the contractors of five (5) schemes at Karachi without recording detailed measurements of each item of work done in the MB.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations. The Foundation, by manipulation and compromising public interest committed an act of grave negligence.

Audit pointed out the unauthentic payment in November 2014. The Foundation replied that the consultant appointed for the work had verified the works executed and bill submitted by the contractor measured quantities and issued certificate for payment hence there was no unauthentic payments. The reply was not tenable because detailed measurements were not recorded in the MBs and payment of work done without proper record entry in the MBs was unauthentic and against the codal provision. The project authorities adopted a highly unreliable system of computer based pro-forma for record keeping in place of accounting and record keeping forms approved by the office of the Auditor General of Pakistan and Finance Division.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015, wherein the management of FGEHF informed that the works were being executed as per PEC format and the bills submitted by the contractor had been verified by the consultant. However, the abstract of cost were recorded on the MBs which would be completed in two or three weeks. The Committee directed the DG, FGEHF to get the MBs so prepared, verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.4)

6.4.3 Irregular expenditure due to execution of excessive quantities of steel - Rs 100.09 million

As per BOQ/Estimates of two works "Construction of shops and D and E type apartments" and "Construction of C type apartments" at Karachi, the total quantity of the item "Providing/laying hard grade ribbed deformed yield point 60,000 psi reinforcement bars" was provided as 1,111,675 kg and 703,626 kg, respectively.

Audit observed that the Director Technical, FGEHF allowed quantities of 1,797,416 kg and 1,124,940 kg steel in the above mentioned two works, respectively. Excessive quantities of the said item in two works of 685,741 kg (61%) and 421,315 kg (59.87%) were paid to the contractors. Further, detailed measurement of steel was also not found on record. This resulted in excess expenditure of Rs 100.09 million.

Audit maintained that the excess quantities were allowed due to non-adherence to technical estimates, ill-planning and weak internal/financial controls.

Audit pointed out the irregular expenditure in November 2014. The Foundation replied that quantity of steel was paid as per site requirements and as per approved drawing and bar bending schedule duly verified by the project consultant. The reply was not accepted because quantities were

increased without any material change in design/scope of work and the excess was also not approved by the competent authority. No detailed measurements of steel were recorded in the MBs.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015, wherein the management of FGEHF informed the Committee that quantity taken in Technical Sanctioned Estimate was calculated on thumb rule basis and not as per design. The works were executed as per approved drawing and the variation had been duly approved by the competent authority. The Committee did not agree with the departmental reply and directed DG, FGEHF to conduct an inquiry and submit report to Ministry and Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.3)

6.4.4 Irregular allotment of plots without observing merit - Rs 97.00 million

According to Para 2.1 of terms and conditions/brochure (criteria for allotment) of housing scheme in Phase- IV, allotment of plots shall be made according to the age-wise seniority. On receipt of applications age-wise seniority list under each category shall be prepared and allotment made accordingly subject to fulfillment of conditions in Para 2.2. As per Para 1.1 (e), the length of service of the deceased employees shall be the criteria. As per the terms and conditions/brochure of Islamabad Housing Scheme (Ph-IV) for Federal Government Employees, (distribution of plots) the available plots shall be allotted amongst various categories of applicants who fulfill the eligibility criteria.

6.4.4.1 Audit noted that the Director (Estate) FGEHF, Islamabad allotted five (5) Category-I plots, measuring 500 square yards each, to the officers of Pakistan Railways.

Audit observed that these allotments were made without observing the merit criteria by ignoring the eligible employees senior to these allottees. This resulted in unauthorized allotment of plots without observing merit criteria valuing Rs 75.00 million (approximately).

6.4.4.2 Audit noted that the Director (Estate) FGEHF, Islamabad allotted two plots measuring 200 and 356 square yards to widows of deceased Federal Government Employees in October 2012 and also granted NOC for transfer on the same date.

Audit observed that another widow of an employee of Archives Department was on top of the waiting list for allotment having length of service of 6,784 days but the Foundation allotted the plot (200 sq. yd) to the ineligible allottee. This resulted in irregular allotment of plots to the widows without observing merit criteria valuing Rs 22.00 million (approximately).

Audit maintained that the irregularities occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregular allotments in November 2014. The Foundation did not reply.

The matter was discussed in the DAC meeting held on 12th and 13th January, 2015, wherein the management of FGEHF informed the Committee that the issue had already been taken up by NAB. The Committee directed DG, FGEHF to conduct a fact finding inquiry in the matter and report thereof be furnished to Ministry and Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.12, 15)

CHAPTER 7

NATIONAL CONSTRUCTION LIMITED (MINISTRY OF HOUSING AND WORKS)

7.1 Introduction

National Construction Limited (NCL) was incorporated on 16th November, 1977 under the Companies Act, 1913, later on replaced with Companies Ordinance, 1984 as unlisted public company. The principal activities of the Company are to carry out the business of construction as consultant, advisor, structural engineer, builder, architect, contractor, job contractor and designer and to engage in other allied activities. The authorized shared capital of the Company is Rs 200.00 million. Issued subscribed and paid up capital is Rs 199.134 million.

7.2 Comments on Audited Accounts

7.2.1 The working results of the Company for the year 2012-13 and 2013-14 as compared to the previous years are tabulated below:

(Rs in million)

Description	2011-12	2012-13	% Increase/ (Decrease)	2013-14	% Increase/ (Decrease)
Contract income	987.95	1,024.87	3.74	614.96	(39.99)
Cost of work done (Direct cost)	851.95	889.20	4.37	501.49	(43.60)
Gross Profit	136.00	135.67	(0.24)	113.47	(16.36)
General and Administrative/indirect cost	70.43	71.83	1.99	78.06	8.67
Operating Profit	65.57	63.84	(2.64)	44.32	(30.58)
Financial charges	2.54	2.20	(13.39)	4.35	97.73
Other Operating income	11.58	16.77	44.82	24.59	46.63
Profit before taxation	74.61	78.41	5.09	52.79	(32.67)
Provision for taxation	64.09	54.16	(15.49)	41.79	(22.84)

Description	2011-12	2012-13	% Increase/		% Increase/	
			(Decrease)	2013-14	(Decrease)	2013-14
Profit after taxation	10.52	24.25	130.51	11.00	(54.68)	(54.68)
Accumulated profit	93.15	117.97	26.65	57.09	(51.61)	(51.61)

(Source: Annual Audited Accounts of NCL).

Note: Increase/decrease (in %) has been determined by comparison of 2013-14 with 2012-13 and that of 2012-13 with 2011-12.

7.2.2 The contract income decreased by 39.99% from Rs 1,024.87 million in 2012-13 to Rs 614.96 million in 2013-14. The cost of work done decreased by 43.60% from Rs 889.20 million in 2012-13 to Rs 501.49 million in 2013-14. The decrease in income was less than the decrease in cost, resultantly the gross profit margin also decreased by 16.36% in 2013-14 whereas in the previous year it had decreased by 0.24%. However, general and administrative expenses increased by 8.67% from Rs 71.83 million in 2012-13 to Rs 78.06 million in 2013-14 due to which the operating profit decreased by 30.58% from Rs 63.84 million in 2012-13 to Rs 44.32 million in 2013-14. Efforts needed to be made to increase the profitability of the Company.

7.2.3 According to Rule 21 of SRO-180 (i)/2013 dated 8th March, 2013 having effect from 6th July 2013, the Board shall establish an audit committee. The names of members of the audit committee shall be disclosed in each annual report of the Public Sector Company. Annual Report of National Construction Limited has revealed that the management could not act upon the provision of Rule 21 of SRO 180.

7.2.4 According to Article 90 of Articles of Association of National Construction Ltd., a balance sheet shall also be prepared every year and laid before the Company in General Meeting. The said account and balance sheet shall be accompanied by such reports and documents and shall contain such particulars as are prescribed by the Ordinance and the Directors shall in their report state the amount which they recommend to be paid by way of dividend, the amount (if any) which they propose to carry to any reserve fund.

The issued, subscribed and paid up capital of M/s NCL was Rs 199.13 million equal to 19,913,347 ordinary shares of Rs 10 each. Profit and loss account of the company for the year ended on June, 2013 showed profit after taxation for Rs 24.25 million with earning per share of Rs 1.22. Annual Report for the year 2013-14 revealed that the Company had not paid any dividend to its shareholders viz. M/o Housing and Works, National Bank of Pakistan and National Investment Trust. The reports showed retained earnings of Rs 117.96 million as on 30th June, 2013 and Rs 131.67 million as on 30th June, 2014.

7.3 Brief comments on the status of compliance with PAC's directives

The Directorate General Audit Works (Federal) conducted audit of the accounts of NCL for the first time during 2013-14. Previously the entity was under the auditorial jurisdiction of Directorate General Commercial Audit. Audit Report for the year 2013-14 prepared by this office is yet to be discussed by PAC.

7.4 AUDIT PARAS

Internal Control Weaknesses

7.4.1 Non-imposition/recovery of liquidated damages – Rs 152.20 million

Clause 47 (1) of General Conditions of the contract agreement provides that if the contractor fails to comply with the time for Completion in accordance with clause 48, for the whole of the works or, any Section within the relevant time, 0.1% of contract value for each day of delay in completion of the Works subject to a maximum of 10% of contract price stated in the letter of acceptance will be imposed and recovered.

Audit noted that the work “Construction of infrastructure work of G-14/1,2,3 and G-15/3 comprising roads, water supply, sewerage and drainage work” was awarded to NCL by Federal Government Employees Housing Foundation on 24th August, 2012 for Rs 1,522.00 million with completion period of twenty-four (24) months. M/s NCL, Islamabad sublet the whole work to M/s Abdul Sattar and Co.

Audit observed that client (FGEHF) issued slow progress notice under clause 46.1 of contract on 30th April, 2014. NCL vide its letter dated 14th November, 2014 rejected the request of the sub-contractor for extension of time on the basis of slow progress. Audit, however, observed that despite failure of the sub-contractor to complete the work in time, the liquidated damages @ a maximum of 10 % of contract price were not imposed on the defaulting contractor. This resulted in non-recovery of liquidated damages of Rs 152.20 million.

Audit maintained that non-imposition/non-recovery of liquidated damages was due to weak internal controls and poor contract management.

Audit pointed out non-imposition/non-recovery of liquidated damages in November 2014. NCL did not reply.

The matter was discussed in the DAC meeting held on 12th January, 2015 wherein the management of NCL informed the Committee that as per terms and conditions of the contract, the company had obtained performance bond of Rs 149.94 million from the party which was valid till September 2015. Besides, the 3rd IPC of the sub-contractor was still unpaid by the company. The Committee directed NCL to en-cash the performance guarantee of the defaulting contractor and get it verified from Audit. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.7)

7.4.2 Loss due to non-procurement of material at agreed rate - Rs 4.61 million

A Purchase Order No.17219 dated 6th October, 2010 was issued to M/s Rab-Ka International, Rawalpindi vide PCD No.30 dated 23rd September, 2010 for supply of 4200 metric ton Barite Aggregate @ Rs 7,800 per metric ton for ACT Building Project, Nilore being the lowest Party.

Audit observed that M/s NCL purchased the 2,170 metric ton of barite aggregate @ Rs 11,000 per metric ton and 1,500 metric ton @ Rs 9,000 per metric ton as the original contractor failed to provide the agreed quantity at agreed cost. This resulted in loss of Rs 4.61 million to the company.

Audit maintained that the loss occurred due to weak internal controls and inadequate oversight mechanism for enforcing the contract agreement.

Audit pointed out the loss in November 2014. The Company replied that as per contract, in case of supply from client (PAEC) the recovery rate of Rs 11,000 per metric ton was chargeable to the company. However, by arranging material @ Rs 9,000 per metric ton, company saved considerable amount. The reply was not accepted because the supplier was bound to supply the material @ Rs 7,800 per metric ton. The company failed to implement the contract agreement at the agreed rate and suffered a loss by arranging material at higher rate.

The matter was discussed in the DAC meeting held on 12th January, 2015 wherein the Committee directed the Managing Director, NCL to impose penalty on the contractor who failed to fulfill his contractual obligations as per contract agreement and action taken be got verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.10)

CHAPTER 8

PAKISTAN HOUSING AUTHORITY FOUNDATION (MINISTRY OF HOUSING AND WORKS)

8.1 Introduction

Pakistan Housing Authority Foundation (PHAF) is a Public Company registered with Securities and Exchange Commission of Pakistan under Section 42 of the Companies Ordinance, 1984. The major objectives/services entrusted to PHA Foundation are as under:

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

Regional offices have also been established in Lahore and Karachi to provide services to the allottees of the respective areas.

8.2 Comments on Budget and Accounts (Variance Analysis)

8.2.1 The table below shows the position of budget and expenditure of PHA Foundation for the financial year 2013-14:

(Rs in million)

Head of Account	Original Budget	Expenditure	Excess/ (Saving)	Excess/ (Saving) in%
Non-Development (Operational)	158.80	122.78	(36.02)	(22.68)
Salary	127.92	105.55	(22.37)	(17.49)
Non-salary	30.88	17.23	(13.65)	(44.20)
Development	3,923.92	487.56	(3,436.36)	(87.57)
Grand Total	4,082.72	610.34	(3,472.38)	(85.05)

Revenue

(Rs in million)

Estimated Receipt	Actual	Surplus/ (Deficit)	% of actual to estimate
3,435.65	1,937.78	(1,497.87)	(43.60)

8.2.2 Against approved development budget of Rs 3,923.92 million, Pakistan Housing Authority Foundation incurred expenditure of Rs 487.56 million which constituted 12.43% of the budget. The funds were short utilized by Rs 3,436.36 million which showed that development targets were not achieved.

8.2.3 Revenue target was fixed at Rs 3,435.65 million for the financial year 2013-14. Actual receipts of Rs 1,937.78 million could be realized. The deficit in receipt is Rs 1,497.87 million which is very low progress.

8.3 Brief comments on the status of compliance with PAC's directives

Directorate General Audit Works (Federal) conducted audit of the accounts of Pakistan Housing Authority Foundation for the first time during 2013-14. In past, the entity was under the auditorial jurisdiction of Directorate General Commercial Audit. Audit Report for the year 2013-14 is yet to be discussed by PAC.

8.4 AUDIT PARAS

Irregularity and Non-Compliance

8.4.1 Unauthentic expenditure due to non-recording of detailed measurements in Measurement Books - Rs 487.56 million

Paras 208 and 209 of Central Public Works Account Code provide that all the payment for work done or supplies made shall be based on the measurements recorded in the Measurement Books (MB).

Audit noted that the management of PHAF, Islamabad got executed ten (10) projects of construction of apartments at different locations of the country and made payment of Rs 487.56 million during the financial year 2013-14.

Audit observed that the detailed measurements of work done were not recorded in MBs as required under above mentioned rules. Due to non-recording of detailed measurements, the authenticity of payment could not be ascertained. Audit held that non-recording of detailed measurements in the MBs resulted in unauthentic expenditure of Rs 487.56 million.

Audit maintained that the non-maintenance of MBs was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the unauthentic expenditure in December 2014. The department did not reply.

The matter was discussed in the DAC meeting held on 12th January, 2015, wherein the management informed the Committee that since inception of PHAF, no MBs were under the use for the projects executed by the department. All detailed measurements were recorded in IPCs and the same were treated as MBs. The Committee directed PHAF management to verify payments made against quantities and to record all

measurements in MBs. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 11)

8.4.2 Irregular payment of Mobilization Advance - Rs 80.00 million

According to condition 14 of Appendix A to Tender, Mobilization Advance @ 15% of Contract Price stated in the Letter of Acceptance, shall be paid against irrevocable Bank Guarantee from a Scheduled Bank.

Audit noted that the management of PHAF awarded the work at agreement cost of Rs 579.77 million. The Mobilization Advance of Rs 80.00 million was paid to the contractor against the insurance bond by United Insurance Company Limited. Payment of Mobilization Advance of Rs 80.00 million against insurance bond instead of irrevocable bank guarantee from a schedule bank was irregular.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing contract provisions.

Audit pointed out the irregularity in December 2014. The PHAF did not reply.

The matter was discussed in the DAC meeting held on 12th January, 2015, wherein the management informed the Committee that insurance guarantee was accepted in the light of PEC standard bidding documents which provided an option for insurance guarantee from AA rated insurance company. The Authority had recovered Mobilization Advance amounting to Rs 25.13 million upto 6th IPC of the contractor. The Committee was not satisfied with the contention of Authority as it was transpired that insurance guarantee was obtained by replacing the bank guarantee provision from an A rated company instead of AA rated company as required under PEC standard bidding documents. The

Committee directed PHAF management to conduct fact finding inquiry and fix the responsibility against the officers/officials who accepted the insurance guarantee instead of bank guarantee that too from a low rated insurance company. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.18)

8.4.3 Irregular award of Consultancy contract without competition - Rs 6.44 million

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

Audit noted that Management of PHAF, Islamabad awarded the consultancy services for construction, management and supervision of work, "Construction of D and E Type apartments at Wafaqi Colony Lahore" to M/s Chishti Brothers for agreed amount of Rs 6.44 million.

Audit observed that the contract of consultancy services was awarded without advertisement in the Newspaper and without obtaining competitive bidding in violation of Public Procurement Rules, 2004. It was also observed that consultancy services of three other works were also awarded to the same consultant without advertisement and competition. This resulted in irregular award of consultancy services amounting to Rs 6.44 million in violation of Public Procurement Rules, 2004.

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

Audit pointed out the irregularity in December 2014. PHAF did not respond to audit observation.

The matter was discussed in the DAC meeting held on 12th January, 2015, wherein the management informed the Committee that appointment of consultant was made by the Authority due to emergency in accordance with the rule 42 of PPRA Rules. The Committee did not agree with the Authority's stance and directed PHAF management to conduct a fact finding inquiry into the matter, get ex-post facto approval from PAO in case of emergency and get it verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.13)

Internal Control Weaknesses

8.4.4 Payment of price adjustment in violation of standard procedure - Rs 109.51 million

As per Standard Procedure and Formula for Price Adjustment of Pakistan Engineering Council (PEC) user of this document is not to change any provision hereof unless otherwise stated. No method, other than given in this document is acceptable to compute the price adjustments. Parameters for determination of weightages of specified items shall be taken as per PEC procedure.

Audit noted that Appendix-C of three works being executed by PHAF contained provision of fixed portion of weightages at minimum 35% and variable portion of specified items at the maximum of 65%. The provision of maximum permissible 65% weightages were not based on detailed calculations of cost of specified material/items with reference to engineer's estimates as required under PEC procedure. This resulted in unjustified payment of price escalation amounting to Rs 109.51 million to contractors.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in December 2014. The department did not reply.

The matter was discussed in the DAC meeting held on 12th January 2015, wherein the management informed the DAC that escalation was paid to the contractors in accordance with clause 70.1 of the agreement and as per guidelines provided by PEC. Audit did not agree with this stance and informed the Committee that fixed and variable portions and coefficient of the specified material was not calculated as per PEC guidelines. Audit further contended that there was no back-up/supporting data for determining weightages of variable portion in the appendix-C of the contract agreement. The Committee directed PHAF to provide working of fixed and variable portion and coefficient and get all the relevant record verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.
(DP.1)

8.4.5 Undue payment of price escalation without provision in the appendix-C of the contract agreement - Rs 45.96 million

As per contract agreement for the work "Construction of B type apartments at Central Government Employees Colony, Lahore" the price adjustment was to be calculated as per weightages mentioned in Appendix-C to the contract agreement.

Audit noted that Appendix-C to the contract agreement duly signed by the contractor was blank without specified items and their weightages and fixed portion. Therefore, price adjustment was not admissible to the contractor.

Audit observed that PHAF made a payment of Rs 45.96 million to the contractor on the basis of amended Appendix-C which was not a part of the contract agreement. This resulted in undue payment of Price

Adjustment without specified items/weightages and outside the contract agreement for Rs 45.96 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in December 2014. The department did not respond to audit observation.

The matter was discussed in the DAC meeting held on 12th January, 2015, wherein the management informed the Committee that weightages of variable portion/specified items and fixed portion were missing in the contract agreement. However, the same were calculated by the consultant and approved by the competent authority. The Committee did not agree with the Authority's stance and directed PHAF management to conduct fact finding inquiry and fix responsibility within one month besides imposition of penalty on the consultant. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.
(DP.2)

8.4.6 Unjustified payment of contractor's claim - Rs 16.90 million

According to Clause IT-6 (Site visit) it is the responsibility of the contractor to visit and examine the site of works and its surroundings and obtain for himself on his own responsibility all information that may be necessary for preparing the tender and entering into a contract for construction of the works.

According to IT-12 (Tender price) the contract shall be for the whole of the works as described in sub-clause 1.1 hereof. The tenderer shall fill in rates and prices for all items of the works described in the Bill of Quantities in accordance with the Preamble to the BOQ.

According to Clause 12.1 of the contract (general condition of the contract) the contractor shall be deemed to have satisfied himself as to the correctness and sufficiency of the tender and of the rates and prices stated in the BOQ.

Audit noted that the management of PHAF made payment of Rs 16.90 million on account of claim of the contractor regarding extra item for excavation.

Audit observed that the payment of claim was not justified because as per clauses of the agreement, it was the responsibility of the contractor to satisfy himself as to correctness and sufficiency of the tender and of rates of prices. It was also the responsibility of the contractor to visit and examine the site of works and its surroundings and obtain for himself on his own responsibility all information that might be necessary for preparing the tender and entering into a contract for construction of the works. Thus, payment of Rs 16.90 million on account of claim was unjustified. The case of claim of the contractor was referred to M/s SAMPAK International Pvt. Ltd for clarification, who clarified that the claim of the contractor could not be entertained.

Audit maintained that the unjustified payment was made due to weak internal controls.

Audit pointed out the unjustified payment in December 2014. The Foundation did not respond to audit observation.

The matter was discussed in the DAC meeting held on 12th January, 2015, wherein the management informed the Committee that the contractor was not satisfied with the decision of the Engineer in favour of the PHAF and approached the arbitrator who decided that an amount of Rs 16.90 million be paid to the contractor and the payment had been released accordingly. The Committee observed that the management had not challenged the decision of the arbitrator in the Court in time and immediately released the payment. The Committee directed PHAF management to conduct fact finding inquiry and fix responsibility for

failure to challenge the decision of arbitrator in Court in due course of time and making payment to the contractor without having confirmed endorsement of the decision of arbitrator through the Court of law. The Committee also directed for imposition of penalty upon the consultant for incorporating the ambiguous clause in the contract agreement. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.
(DP.5)

8.4.7 Undue benefit to the contractor through change of item - Rs 5.95 million

According to original BOQ, the bidder M/s Marks Development (Pvt) Ltd. quoted the rate of Rs 564 per sft. and Rs 726 per sft. against the BOQ items, "Providing/fixing in position doors consisting of door frame to full width of wall etc" and "Providing, making and fixing in position main entrance deodar wood door fully paneled etc." respectively. The quantities of above items provided in the BOQ were 3,225 sft. and 490 sft., respectively.

Audit observed that said two items were replaced/alterd in the Variation Order No. 02 and extraordinary higher rates i.e. Rs 1,024.09 per sft. and Rs 1,623.00 per sft. were approved against the BOQ rates of Rs 564 and Rs 726 per sft. The lowest quoted rates were not favourable to the contractor and BOQ items were altered/replaced only to compensate the contractor. Besides, approval of excessive rates, quantities of the items were also enhanced from 3,225 sft. to 10,080 sft. and from 490 sft. to 1,470 sft. i.e. 212% and 200% excess than BOQ. Unjustified change/enhancement resulted in undue compensation of Rs 5.95 million to the contractor.

Audit maintained that the loss occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out undue benefit in December 2014. PHAF did not reply.

The matter was discussed in the DAC meeting held on 12th January 2015, wherein the management informed that at initial stage, sale of B type apartments at Wafaqi Colony Lahore was not encouraging and only 27 apartments were sold. In order to attract buyers, PHAF ordered to take certain measures like preparation of model apartment finishing, like installation of better quality doors, etc. The extra cost occurred in this regard on account of change of specifications and escalation was to be recovered from the allottees. The Committee did not agree with the Authority's stance and directed PHAF management to conduct fact finding inquiry in the matter and initiate process for black listing of the consultants under intimation to Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.
(DP.14)

8.4.8 Overpayment of price escalation on unconsumed material - Rs 2.88 million

According to Clause 70.1 of the contract agreement, there shall be added to or deducted from the contract price such sums in respect of rise or fall in the cost of labour and for material or any other matter affecting the cost of execution of the works as may be determined in accordance with Part-II.

Audit observed that price escalation of Rs 2.88 million was allowed on steel and bricks which were actually not consumed during the particular period of IPC.

Audit maintained that the overpayment was made due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out overpayment in December 2014. The Authority did not furnish the reply.

The matter was discussed in the DAC meeting held on 12th January, 2015, wherein the management informed the DAC that escalation was paid to the contractor in accordance with the clause 70.1 of the agreement and as per guidelines provided by PEC. The Committee directed PHAF management to hold a fact finding inquiry and effect due recovery. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.8)

CHAPTER 9

EVACUEE TRUST PROPERTY BOARD (MINISTRY OF RELIGIOUS AFFAIRS AND INTER- FAITH HARMONY)

9.1 Introduction

Evacuee Trust Property Board (ETPB) is responsible for the management and disposal of evacuee trust property under the Evacuee Trust Properties (Management and Disposal) Act, 1975. The Chairman is the administrative and executive head of the Board. Secretary, Ministry of Religious Affairs and Inter-Faith Harmony (National Harmony Division) is the Principal Accounting Officer of the Board.

Major functions of the Board include:

- i. Maintenance of complete and authentic record of all evacuee trust properties.
- ii. Buying or selling any property, which may be considered beneficial for promoting the objects of any scheme.
- iii. Mortgage or lease any evacuee trust property.
- iv. Incurring expenditure on repair and maintenance of holy shrines.
- v. Maintenance of religious shrines and provision of facilities to the pilgrims.
- vi. Setting-up or making grant-in-aid to orphanage, widow houses, poor houses and educational, vocational, technical and health institutions.

The Directorate General Audit Works (Federal), Islamabad carries out audit of expenditure on works-related activities of the ETPB.

9.2 Comments on Budget and Accounts (Variance Analysis)

The table below shows the position of budget and expenditure of ETPB for the financial year 2013-14:

(Rs in million)

Type of Fund	Original Budget	Final Grant	Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development	1,144.36	1,144.36	1,069.44	(74.92)	(6.55)
Development	215.93	215.93	169.15	(46.78)	(21.67)
Grand Total	1,360.29	1,360.29	1,238.59	(121.70)	(8.95)

- As per Section- 3 (2) of ETPB Ordinance, 1984 the ETPB is corporate body. The corporate bodies are required to prepare annual financial statements indicating deficit/ surplus, fixed assets, moveable assets, receivables, payables total liabilities, accrued income/liabilities, appreciation/depreciation of assets. ETPB, Lahore did not prepare financial statements showing total assets (fixed/current), receivable income, total liabilities, deposits, refundable securities, long term/short term investments. In the absence of such accounts/financial statements the veracity of financial transactions made during 2013-14 cannot be ascertained.
- The expenditure position depicted above shows saving of 6.55% and 21.67% in non-development and development allocations, respectively, meaning thereby that funds were earmarked without realistic estimation and bonafide requirements which caused underutilization of funds.
- As per Receipt and Expenditure Statement for 2013-14, the expenditure under various heads was incurred for Rs 1,238.58 million against final grant of Rs 1,360.29 million. The saving of Rs 121.69 million i.e 8.95% of the final grant indicates poor budgeting due to weak financial controls.
- Audit observed that expenditure on development works was decreased from Rs 366.47 million (2012-13) to Rs 169.15 million

(2013-14) whereas administrative and non-development expenditure increased to Rs 1,069.44 million (administrative expenditure - Rs 970.883 million and non-development expenditure - Rs 98.557 million) from the previous year expenditure of Rs 935.62 million. The inverse relationship of development and non-development expense showed shift of focus from development to non-development operations. This would add deficit and reduction of investment.

9.3 Brief comments on the status of compliance with PAC's directives

The compliance position of PAC's directives on Audit Reports relating to the ETPB is as under:

Year of Audit Report	Total Paras	Compliance made	Compliance awaited	Percentage of compliance
97-98 (SAR)	32	24	08	75.00
2000-01	10	05	05	50.00
2004-05	02	-	02	-
2005-06	02	01	01	50.00

Note: Audit Reports for the year 2010-11, 2011-12, 2012-13 and 2013-14 are yet to be discussed by the PAC.

9.4 AUDIT PARA

Irregularity and Non-Compliance

9.4.1 Unjustified/unauthorized expenditure of Rs 202.69 million

According to Section 4(j) of Evacuee Trust Properties (Management and Disposal) Act, 1975 the Evacuee Trust Property Board (ETPB) is empowered to set up, or make grants-in-aid to orphanages, leper houses, widow houses, poor houses and educational, vocational, technical or health institution and hospitals subject to the general control and directions of the Federal Government.

Audit noted that ETPB, Lahore made payment of Rs 202.69 million to Pakistan Model Education Institutions Foundation during the financial year 2013-14 to assist school/institutions.

Audit observed that payment made to private schools was against the provisions of Act because private institutions were not under the general control and directions of the Federal Government. The institutions were being run by private owners and foundation. This resulted in unjustified/unauthorized expenditure of Rs 202.69 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the unjustified/unauthorized expenditure in December 2014. The department did not reply.

The matter was discussed in the DAC meeting held on 12th January, 2015, wherein the Board explained that grant-in-aid was provided to the institutions under Pakistan Model Education Institutions Foundation as well as Janki Devi Hospital, Lahore after approval of the Board and the Ministry. Audit contended that these institutions were not under the

general control and directions of the Federal Government. The Committee decided that a fact finding inquiry be conducted at ministry level to ascertain/examine the issue and report be submitted to the Ministry and Audit within one month. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 11)

CHAPTER 10

PAKISTAN COAST GUARDS (MINISTRY OF INTERIOR)

10.1 Introduction

The Pakistan Coast Guards (PCGs) is a federal paramilitary force, responsible for security of coastal waters. PCGs is headed by a Director General. The Secretary, Ministry of Interior is the Principal Accounting Officer of PCGs.

Works Section of the PCGs was established in January 1981 to carry out repair and maintenance works of its buildings. An officer of the rank of Major supervises the repair and maintenance works at various locations of PCGs, i.e. Karachi, Gwadar, Pasni, Ormara, Uthal and Chuhar Jamali.

The Directorate General, Audit Works (Federal), conducts audit of works related activities of PCGs.

10.2 Comments on Budget and Accounts (Variance Analysis)

Budget and expenditure figures for the financial year 2013-14 of PCGs, Karachi are as under:

(Rs in million)

Description	Allocation	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development	12.60	12.60	-	-
Grand Total	12.60	12.60	-	-

The total budget allocation for the year 2013-14 in non-development grant was Rs 12.60 million which was fully utilized.

The analysis of the actual expenditure for the year 2013-14 reveals that non-development expenditure decreased by Rs 1.00 million during the year 2013-14 as compared to the last year (2012-13 for Rs 13.60 million). The reduction in non-development expenditure constitutes 0.14%.

10.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to PCGs is as under:

Year	Total Paras	No of Paras Discussed	Compliance made	Compliance awaited	Percentage of compliance
1989-90	01	01	01	-	100.00

Note: Audit Reports for the years 2011-12 and 2012-13 have not been discussed by PAC till the finalization of this report.

10.4 AUDIT PARAS

Internal Control Weaknesses

10.4.1 Irregular award of work without administrative approval - Rs 12.60 million

Para 4 of Modified Accounting Procedure to be adopted by Director General, Pakistan Coast Guards in connection with execution of Maintenance/Repair and Minor Works issued by Ministry of Interior, Government of Pakistan vide letter No.3/6/78-CG dated 19th September, 1982 denotes that the works duly priced/estimated will be put upto the Director General, Pakistan Coast Guards for administrative approval upto extent of Rs 1 Lac. The estimate that exceeds the power of Director General, Pakistan Coast Guards will be submitted to the Interior Division/Finance Division for approval. Para 7.12(d)(3) of Pak. PWD Code denotes that competent authority may not accept any contract which relates to work not yet technically sanctioned.

Audit noted that Pakistan Coast Guards Headquarters (G.S.O-II Works), Karachi awarded the work “Supply/procurement of building material and skilled labour” to the contractor during the year 2013-14 for Rs 12.60 million.

Audit observed that Administrative Approval and Technically Sanctioned Estimate from the Ministry of Interior/Finance were not sought before inviting tenders. This resulted in irregular award of work amounting to Rs 12.60 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregular award of work in August 2014. The department replied that the administrative approval and technical sanction were obtained from Director General, Pakistan Coast Guards within his

financial power to avoid lapse of funds. However, the case for enhancement of administrative approval, technical sanction and expenditure sanction powers of Director General, Pakistan Coast Guards (Works) was submitted to Ministry of Interior and being pursued for approval. The reply was not accepted because tender involving Rs 12.60 million was invited by DG Pakistan Coast Guards without financial/administrative powers.

The matter was discussed in the DAC meeting held on 13th January, 2015 wherein the Committee observed that administrative approval was not obtained as required before calling tenders. The Committee directed Director General, Pakistan Coast Guards to get ex-post facto approval from the Ministry of Interior/competent forum within fifteen (15) days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 1)

CHAPTER 11

FRONTIER CORPS

(MINISTRY OF INTERIOR)

11.1 Introduction

The Frontier Corps (FC) is a federal paramilitary force. The Corps was split into two major subdivisions in 1974. The FC stationed in the Khyber Pakhtunkhwa at Peshawar and in Balochistan at Quetta is known as Frontier Corps Khyber Pakhtunkhwa and Frontier Corps Balochistan, respectively. The FC Khyber Pakhtunkhwa has fourteen units while FC Balochistan has sixteen units in the respective provinces. Both distinct provincial groups report to their respective Inspector General. The Secretary, Ministry of Interior is the Principal Accounting Officer.

The major tasks of these forces include:

- i. Border patrolling and anti-smuggling operations,
- ii. To help the local law enforcement agencies in maintaining law and order as and when called upon to do so.

The Directorate General, Audit Works (Federal), conducts audit of works related activities of FC.

11.2 Comments on Budget and Accounts (Variance Analysis)

According to paragraph 1.02 of Pakistan Public Works Department (Pak. PWD) Code, all original works, ordinary works and special repairs financed by the Federal Government shall be executed through Pak. PWD. Furthermore, item 9 (41) of Annexure to the System of Financial Control and Budgeting circulated by the Finance Division, Islamabad vides O.M No.F.3(2)Exp.III/2006 dated 13th September, 2006 provides that Ministries/Divisions have full powers regarding approved development schemes, subject to release of funds with the prior approval of Financial Advisor as required under Para 13(vii) of the said O.M. The System of

Financial Control and Budgeting does not delegate any powers to Heads of the Departments in respect of civil works. However, in case of FC, the development funds were released directly and works were approved and executed through the contractors by the FC as an executing agency instead of Pak. PWD.

FC (Balochistan), Quetta

The table below showed the position of budget and expenditure figures for the financial year 2013-14:

(Rs in million)

Type of Funds	Allocation	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development	29.75	29.75	-	-
Development	642.03	642.03	-	-
Grand Total	671.78	671.78	-	-

The total budget allocation for the year 2013-14 in non-development and development grants was Rs 671.78 million which was fully utilized.

FC (Khyber Pakhtunkhwa), Peshawar

The table below showed the position of budget and expenditure figures for the financial year 2013-14:

(Rs in million)

Types of Funds	Allocation	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development	28.00	28.00	-	-
Development	35.00	35.00	-	-
Grand Total	63.00	63.00	-	-

The total budget allocation for the year 2013-14 in non-development and development grants was Rs 63.00 million which was fully utilized.

Audit noted that Development expenditure during 2013-14 decreased by 41.66% against the expenditure for the year 2012-13 (Rs 107.98 million) which indicates that development activities have slowed down despite the fact that projects are still ongoing.

11.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to FC is as under:

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	Percentage of compliance
1990-91	01	01	01	-	100.00
1996-97	01	01	01	-	100.00
2009-10	02	02	02	-	100.00

Note: Audit Reports for 2010-11, 2011-12 and 2012-13 have not been discussed by PAC till the finalization of this report.

11.4 AUDIT PARAS

Irregularity and Non-Compliance

11.4.1 Irregular award of work by splitting to ineligible contractors - Rs 790.07 million

Para 59 of CPWD Code provides that a group of works which forms one project shall be considered as one work and the necessity for obtaining the approval or sanction of higher authority to a project which consists of such a group of works is not avoided by the fact that the cost of each particular work in the project is within the powers of approval or sanction of the minor Local Government or officer concerned.

As per Rule 3 of PEC Construction and Operation of Engineering Works Byelaws, 1987, no engineering work shall be constructed except by a contractor licensed as such by the Council.

The Inspector General Frontier Corps, Quetta floated tenders for the work “Construction of accommodation for Sui Rifles” for Rs 843.62 million in regional newspaper and PPRA website on 21st August, 2013 (PC-I was approved for Rs 851.07 million by CDWP on 7th November, 2012).

Audit observed that after evaluation of rates on unit basis i.e. office block, Junior Commissioned Officers family quarters etc. the work was split into three packages and awarded to three contractors i.e. M/s Quality Construction Company for Rs 293.23 million, M/s Raza Construction Company for Rs 251.88 million and M/s Haleem Builders and Sons for Rs 244.96 million (Total Rs 790.07 million) instead of award of work to single lowest bidder.

Audit further observed that the work was awarded to the ineligible contractors who were registered with Pakistan Engineering Council in lower category than the required category, as detailed below:

(Rs in million)

Name of Contractor	Category of Contractor	Category Financial Limit	Amount of Work Awarded
M/s Quality Construction Company	Category C-6	15.00	293.23
M/s Raza Construction Company	Category C-5	30.00	251.88
M/s Haleem Builders and Sons	Category C-6	15.00	244.96
Total			790.07

Audit maintained that award of work to ineligible contractors and splitting of work during award process was in violation of the rules.

Audit pointed out the irregularly in August 2014. The department replied that the works were awarded to three contractors with the lowest rates for execution of the construction works of the projects within the allocated/approved amount i.e. Rs 790.07 million. The reply was not accepted because the work was awarded to ineligible contractors and after splitting of work during award process in violation of rules.

The matter was discussed in the DAC meeting held on 13th January, 2015 wherein the department explained that the works were split to get the works completed within the scheduled time. As regards the award of the work to ineligible contractors, the department explained that due to law and order situation in the project area, the contractors of eligible category were not available/willing to execute the work in the area. The Committee decided that Deputy Commissioner, Dera Bugti be asked through Ministry of Interior to certify and report about the quality of execution and status of the works being carried out at Sui within fifteen (15) days. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 11)

11.4.2 Mis-procurement of electro medical equipment - Rs 185.01 million

Rule 20 of Public Procurement Rules, 2004 provides that each procuring agency shall use open competitive bidding process as the principal method of procurement of goods, services and works. Rule 2(f) defines corrupt and fraudulent practices, inter-alia as misrepresentation of facts in order to influence a procurement process or the execution of contract, collusive practices among bidders designed to establish bid prices at artificial, non-competitive levels.

Rule 30 provides that procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement. Rule 40 provides that save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder.

PC-I for Establishment and Purchase of Electro Medical Equipment for Frontier Corps Balochistan Hospital, Quetta was approved for Rs 474.45 million in October 2012 by Secretary, Ministry of Interior.

11.4.2.1 Inspector General, Balochistan Frontier Corps, Quetta floated tenders for purchase of Electro Medical Equipment (Phase-III) to be opened on 2nd June, 2014. In response to the advertisement, twenty-five (25) firms submitted their quotations/bids for procurement of eighty (80) items. The Board (Purchase Committee) constituted by IGFC recommended eighteen out of twenty-five firms and issued acceptance letters/orders for supply of equipment before 30th June, 2014. Audit observed that:

- i. Detailed specifications and parameters of medical equipment were not defined in the bidding documents and

no comparison of equipment was on record for rejection or acceptance.

- ii. Reasons of rejection on the basis of documentary evidence were not on record.
- iii. Purchase Committee/Board should have been comprised of experts and engineers who were not in the Board to ascertain/gauge the technical parameters, specification of Electro Medical Equipment and successful installation/commissioning of the equipment.
- iv. Certain equipment were purchased after negotiations with the bidder which is a clear violation of PPRA Rules.
- v. Eleven items worth Rs 80.39 million were not purchased from the respective 1st lowest bidders by mentioning either below specification or technically unsound, but the comparison/evidence of rejection was not available on record.

11.4.2.2 Audit further noted that the work was awarded to M/s R&K Brothers and payment of Rs 7.09 million was made on 12th May, 2014.

Audit observed that as evident from the minutes sheet of Procurement Board, procurement process was initiated just to regularize and to complete the codal formalities whereas the equipment costing Rs 7.09 million was already purchased from other sources. Administrative Approval and Financial Sanction of the work was accorded after three to four months of the procurement of the equipment.

Audit maintained that procurements were made without proper tendering mechanism, internal and financial controls.

Audit pointed out mis-procurement in August 2014. The department did not reply.

DAC meeting was convened on 13th January, 2015 but the para remained undiscussed because the department did not furnish reply. PAO took serious note of non-submission of response by FC and directed that reply be furnished within fifteen (15) days. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses upon a detailed inquiry for the mis-procurement and fixing of responsibility for violation of PPRA Rules.

(DP. 7, 9)

11.4.3 Irregular award of additional work without calling tenders - Rs 26.58 million

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

Departmental Development Working Party approved PC-I of 'Construction of FC Rear Camp and Storage area at Rawalpindi' on 1st June, 2010 for Rs 35.19 million.

Audit noted that Inspector General Frontier Corps Balochistan Quetta awarded the above mentioned work to M/s Quality Construction Company at an agreed cost of Rs 32.12 million in June 2010. The work was to be completed before 31st December, 2011. The work was completed in December 2011 and his security deposit was released after the expiry of defect liability period of one year.

Audit observed that the contractor was awarded additional work of Rs 26.58 million (83% more than the original work) after the defect liability period without calling fresh tenders and was paid 15th running bill for Rs 52.61 million upto May 2014.

Award of work without open competitive bidding and non-obtaining of fresh Administrative Approval from the competent authority resulted in mis-procurement of Rs 26.58 million.

Audit pointed out the irregularity in August 2014. The department replied that the original PC-1 was initially designed/estimated for double storey building. Later on, in the revised PC-I, the design of the project was changed to triple storey and cost increased to Rs 55.04 million. The increased cost amounting to Rs 19.86 million was not advertised in the newspaper due to running project/negotiation with the contractor to execute the construction work as per the original quoted rates. The reply was not accepted because Public Procurement Rules were violated and the additional work was awarded without calling tenders.

The matter was discussed in the DAC meeting held on 13th January, 2015 wherein the Committee directed the department to get the condonation for violation of PPRA rules and fix responsibility against the persons involved. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP. 10)

11.4.4 Irregular award of works - Rs 15.72 million

Rule 4 of Public Procurement Rules 2004 (General Provisions) provides that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 40 of *ibid* rules also provides that there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder.

Audit noted that Inspector General, Balochistan Frontier Corps, Quetta floated tender for procurement of Central Sterile Supply Department (CSSD) and Laundry to be opened on 11th December, 2013.

The contract was awarded to M/s Strongman Ideal Engineering Service, Rawalpindi for Rs 15.70 million.

Audit observed the following:

- i. The bids were received on 15th February, 2014 instead of 11th December, 2013.
- ii. M/s Technology International, Faisalabad submitted lowest bid with full documents and specification of machinery for Rs 15.72 million.
- iii. M/s Strongman Ideal Engineering Service, Rawalpindi did not quote rates against Passenger Lift and Installation charges, Cost of Civil Works. The rates against these works/items were included by the IGFC itself and his bid cost became Rs 16.90 million.
- iv. The contract was awarded to M/s Strongman Ideal Engineering Service, Rawalpindi for Rs 15.70 million after negotiations.

Audit maintained that the award of work to the non-responsive bidder after negotiation was against Public Procurement Rules and the work was awarded through non-transparent manner.

Audit pointed out the mis-procurement in August 2014. The department did not respond to audit observation.

DAC meeting was convened on 13th January, 2015 but the para remained undiscussed because the department did not furnish reply. PAO took serious note of non-submission of response by FC and directed that reply be furnished within fifteen (15) days. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses upon investigation into the matter for fixing of responsibility.

(DP. 8)

11.4.5 Irregular award of work on piecemeal quotations, without open competitive tendering - Rs 11.49 million

Rule 12(2) of the Public Procurement Rules, 2004 provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two National Dailies, one in English and other in Urdu.

Audit observed that Inspector General, Balochistan Frontier Corps, Quetta incurred expenditure of Rs 11.49 million on purchase of miscellaneous items (Rs 10.14 million) and furniture (Rs 1.35 million) during the months of February 2014 to June 2014 in piecemeal quotations without calling open tenders in violation of cited rules.

Absence of open competition deprived the entity of advantage of obtaining competitive rates and denied a fair opportunity to other bidders for participation in the bidding process. This resulted in irregular award of work for Rs 11.49 million.

Audit pointed out the mis-procurement in August 2014. The department did not respond to the audit observation.

DAC meeting was convened on 13th January, 2015 but the para remained undiscussed because the department did not furnish reply. PAO took serious note of non-submission of response by FC and directed that reply be furnished within fifteen (15) days. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses upon investigation into the matter and fixing of responsibility.

(DP. 12)

Internal Control Weaknesses

11.4.6 Irregular expenditure to avoid lapse of funds - Rs 25.16 million

Rule 11 of General Financial Rules (Vol-I) provides that each head of department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant rules and regulations both by his own office and by subordinate disbursing officers. Rule 12 provides that a Controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided. In order to maintain a proper control, he should arrange to be kept informed, not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it. He must be in a position to assume before Government and the Public Accounts Committee, if necessary, complete responsibility for departmental expenditure and to explain or justify any instance of excess or financial irregularity That may be brought to notice as a result of audit scrutiny or otherwise.

Rule 19 (vii) also provides that in selecting the tender to be accepted, the financial status of the individuals and firms tendering must be taken into consideration in addition to all other relevant factors.

Approved PC-I of Rs 474.45 million for establishment and purchase of Electro Medical Equipment for Frontier Corps (FC) Balochistan Hospital, Quetta includes a provision of Rs 25.16 million for maintenance of Electro Medical Equipment.

Audit observed that Inspector General, Balochistan Frontier Corps awarded a contract for purchase of Electro Medical Equipment in May 2014 and made full payment of Rs 25.16 million to the contractor through cheque on 06th June, 2014 without any work done. The payment was made just to avoid lapse of funds in June. The funds were meant for repair maintenance whereas expenditure was incurred for purchase of equipment.

Audit held that the funds were drawn without its immediate need/utilization in order to avoid lapse of funds and for the purpose other than for which funds were allocated.

Audit pointed out irregularity in August 2014. The department did not reply.

DAC meeting was convened on 13th January, 2015 but the para remained undiscussed because the department did not furnish reply. PAO took serious note of non-submission of response by FC and directed that reply be furnished within fifteen (15) days. The compliance of the DAC's directive was not made till the finalization of this report.

Audit stresses upon investigation into the matter and fixing of responsibility.

(DP. 6)

CHAPTER 12

PAKISTAN RANGERS

(MINISTRY OF INTERIOR)

12.1 Introduction

Pakistan Rangers which came into existence at the time of the creation of Pakistan is entrusted with the responsibility of safeguarding the borders of the country. The organization is a paramilitary force under the administrative control of Ministry of Interior. In 1995, Pakistan Rangers was divided into two parts. One called Pakistan Rangers (Punjab) with its headquarters in Lahore and the other called Pakistan Rangers (Sindh), with its headquarters at Karachi. The organization is headed by a Director General in each province. Pakistan Rangers (Sindh) defends eastern border with India in Sindh Province approximately 912 kilometers long. Pakistan Rangers (Punjab) defends eastern border with India in the Punjab Province approximately 1,300 kilometers long.

The major functions of Pakistan Rangers include:

- Protection of persons and their property on border areas,
- Apprehending persons unlawfully entering and leaving territory of Pakistan,
- Organization of village Defence Committees in the border areas,
- Collection of intelligence in the border areas,
- Coordination with agencies in the prevention and detection of smuggling,
- Rear area security duties and operational employment under Army command during war, and
- Assistance to civil administration in maintenance of internal law and order situation when required.

The Directorate General Audit Works (Federal), Islamabad conducts audit of civil works executed by Pakistan Rangers.

12.2 Comments on Budget and Accounts (Variance Analysis)

Para 1.02 of Pakistan Public Works Department (Pak. PWD) Code provides that all original works, ordinary works and special repairs shall be executed through Pak. PWD. Furthermore, item 9 (41) of Annexure to the System of Financial Control and Budgeting circulated by the Finance Division, Islamabad vide O.M No. F.3 (2) Exp.III/2006 dated 13th September, 2006 provides that Ministries/Divisions have full powers regarding approved development schemes, subject to release of funds with the prior approval of Financial Advisor as required under Para 13(vii) of the said O.M. The System of Financial Control and Budgeting does not delegate any powers to Heads of the Departments in respect of civil works. However, in case of Pakistan Rangers, the development funds were released directly and works were approved and executed on self-help basis and through the contractors by the Pakistan Rangers as executing agency instead of Pak. PWD.

Variance analysis of budget allocation and actual expenditure for the financial year 2013-14 is as under:

Pakistan Rangers (Sindh)

(Rs in million)

Description	Allocation	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development	58.48	58.48	-	-
Development	116.00	116.00	-	-
Grand Total	174.48	174.48	-	-

The total budget allocation for the year 2013-14 in non-development and development grants was Rs 174.48 million against which an expenditure of Rs 174.48 million was incurred. There was no variance during the year.

The analysis of the actual expenditure for the year 2013-14 reveals that development expenditure increased by Rs 28.80 million during the year 2013-14 as compared to the last year (2012-13 for Rs 87.42 million). The increase in development expenditure constituted 32.94%. The non-development expenditure was increased by Rs 21.94 million during 2013-14 as compared to the last year 2012-2013 for Rs 36.54 million). The increase in non-development expenditure constituted 60%.

Pakistan Rangers (Punjab)

(Rs in million)

Description	Allocation	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development	7.46	7.46	-	-
Development	25.59	25.59	-	-
Grand Total	33.05	33.05	-	-

The total budget for the year 2013-14 in non-development and development grants was Rs 33.05 million against which an expenditure of Rs 33.05 million was incurred.

During audit it was found that there was an downward trend of development expenditure during 2013-14 as it decreased to 52.23 % compared to the expenditure for the year 2012-13 (Rs 63.27 million) which indicates that development activities have been slowed down despite the projects are still on-going.

12.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to Pakistan Rangers is as under:

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	Percentage of compliance
2007-08	02	02	02	-	100.00
2008-09	07	07	05	02	71.43
2009-10	04	04	-	04	-

Note: Audit Reports for 2010-11, 2011-12, 2012-13 and 2013-14 have not been discussed by PAC till the finalization of this report.

12.4 AUDIT PARAS

Irregularity and Non-Compliance

12.4.1 Award of work at higher cost without revision of PC-I - Rs 125.69 million

As per Guidelines for Project Management published by Planning Commission in August 2008, (Para 11-II Implementation Stage, Serial No. 15), at the time of award of contract if it is found that cost of the project would exceed the approval limits by 15 %, get the project revised and approved by the competent fora before implementation/award.

The Executive Committee of ECNEC approved the project “Construction of accommodation for Abdullah Shah Ghazi Rangers, Karachi” at a total cost of Rs 616.05 million (Ref: 7/8/2005/SO(Dev), dated 26th January, 2006).

Audit noted that Pakistan Rangers, Sindh (Work Section) awarded two works to a contractor during the year 2013-14, at the total bid cost of Rs 148.54 million as detailed below:

(Rs in million)

S No	Name of work	PC-I Cost	Contract Cost	Excess
1	160 Men Barracks	13.13	90.40	77.27
2	24 Soldiers Flats at Karachi	9.72	58.14	48.42
Total		22.85	148.54	125.69

Audit observed that cost of works awarded was 498.15% and 568.31% higher than the approved PC-I cost without revision of PC-I.

Audit maintained that the works were awarded at higher cost than as approved without revision of PC-I in violation of Planning Commission instructions.

Audit pointed out the irregularity in August 2014. The department replied that a revised PC-I of Rs 2,870.49 million covering excess was under process of approval. The reply was not accepted because as per instructions of Planning Commission prior approval of the competent forum was required to be obtained before award of the work.

The matter was discussed in the DAC meeting held on 13th January, 2015, wherein the department explained that due to high inflation in the cost of works, the cost exceeded the original PC-I approved in the year 2005. The revised PC-I for Rs 2,870.49 was under approval in the Ministry of Interior. The Committee directed that revised approval of PC-I from ECNEC be expedited and revised PC-I be got verified from Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.3)

CHAPTER 13

HIGHER EDUCATION COMMISSION

(MINISTRY OF FEDERAL EDUCATION AND PROFESSIONAL TRAININGS)

13.1 Introduction

Higher Education Commission (HEC), formerly University Grants Commission, was established through Higher Education Commission Ordinance 2002, for improvement and promotion of higher education, research and development. The Commission is a corporate body having perpetual succession and a common seal with power, subject to the provisions of the Ordinance, to acquire, hold and dispose of property, both moveable and immovable. The Headquarters of the Commission are located at Islamabad. The Executive Director, HEC is the Principal Accounting Officer.

The Commission, for the evaluation, improvement and promotion of higher education, research and development, may:

- i. Formulate policies, guiding principles and priorities for higher education institutions to promote socio-economic development of the country.
- ii. Review and examine the financial requirements of Public Sector Institutions and provide funds to these institutions on the basis of annual recurring needs as well as development projects and research, based on specific proposals and performance.
- iii. Approve funds for the Public Sector Institutions ensuring that a significant proportion of the resources are allocated for promoting research, establishing libraries and executing projects within the ceiling specified for Departmental

Development Working Party (DDWP) and Executive Committee of National Economic Council (ECNEC).

Directorate General Audit Works (Federal) is responsible for audit of infrastructure development (PSDP) expenditure of federally chartered universities/institutions under Higher Education Commission.

13.2 Comments on Budget and Accounts (Variance Analysis)

Table below shows the position of budget allocation and actual expenditure relating to federally chartered universities/institutions for the financial year 2013-14:

(Rs in million)

Type of Funds	Allocation	Actual Release	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %age
Development Projects	1,971.86	1,837.88	1,296.82	(541.06)	(29.44)

There was a saving of 29% in the development budget, which indicates that the project authorities of universities/institutions could not achieve the set development targets during the financial year.

13.3 Brief comments on the status of compliance with PAC's directives

Audit of the development infrastructure projects of Higher Education Commission was conducted for the first time by the Directorate General of Audit Works (Federal) during 2011-12 (Phase-II of Audit Plan 2011-12). Results of audit during 2011-12 and 2012-13 were reported through Audit Report for the year 2012-13. This office has produced two Audit Reports so far for the year 2012-13 and 2013-14 which are yet to be discussed by the PAC.

13.4 AUDIT PARAS

Irregularity and Non-Compliance

13.4.1 Irregular enhancement in scope of work and award thereof - Rs 90.07 million

Rule 12(2) of Public Procurement Rules, 2004 provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

13.4.1.1 Audit noted that the Director, Planning and Development, Air University Islamabad, awarded the work 'Construction of Avionic and Aeronautical Engineering' for Rs 55.46 million to M/s Airrs.

Audit observed that an additional work by enhancement of scope of work amounting to Rs 59.94 million was awarded to the same contractor without calling tenders which was 108% above the original work against the provision of 15% permissible limit of repeat order. This resulted into irregular enhancement of scope of work and award thereof without open competition Rs 59.94 million.

Audit pointed out the irregularity in August 2014. The management replied that the project was split into two phases consisting basement, lower ground, ground and 1st and 2nd floors and awarded to M/s Airrs. During execution of Phase-I, Phase-II was also awarded to contractor after lapse of one (1) year and eight (8) months on earlier quoted rates which was beneficial to the university. The reply was not tenable. Additional work was awarded without open competition in violation of Public Procurement Rules.

13.4.1.2 Audit noted that the Project Director (Works) Arid Agriculture University, Rawalpindi awarded a work, “Remaining Work of Faculty of Veterinary and Animal Sciences” to a contractor M/s Sadaat Enterprises at a cost of Rs 66.78 million.

Audit observed that additional items/work valuing Rs 30.13 million were got executed and scope of work was enhanced by 45.12 %. This resulted into irregular enhancement of scope of work for Rs 30.13 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in March 2014. The management replied that the contract price was increased in accordance with clause 52 of the contract and no irregularity was committed. The reply was not tenable as the enhancement in scope of work was more than 15%.

The paras were discussed in the DAC meeting held on 5th January, 2015 wherein the management explained that scope was enhanced in accordance with the Clause 52 of the contract. The additional work was awarded to the same contractor at the already contract rates. The DAC was not satisfied with the management contention as it was a violation of PPRA Rules as scope of works was substantially enhanced and awarded to the same contractor without calling fresh tenders. DAC directed to get the irregularity condoned from the competent authority. The compliance of DAC’s directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC’s directive.

(DP. 47, 11)

13.4.2 Irregular expenditure beyond the scope of approved PC-I - Rs 59.08 million

As per Rule 12 of GFR (Vol-I), a Controlling officer must see not only that the total expenditure is kept within the limits of the authorized

appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

As per PC-I of Permanent Campus of COMSATS Institute of Information Technology, Attock was approved for Rs 472.35 million including Rs 184.07 million for civil works. An amount of Rs 80.66 million was provided for construction of Academic Block, Administrative Block, Boys and Girls Hostel, etc.

Audit observed that the Project Director (Civil), awarded different works of temporary academic block (existing) and expenditure of Rs 59.08 million was charged to the PC-I which was approved for construction of new campus. Expenditure on temporary academic blocks was not covered in the approved PC-I. This resulted into execution of works beyond the approved scope of PC-I for Rs 59.08 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in August 2014. The management replied that PC-I of the project, Establishment of Permanent Campus at Attock, was prepared and submitted in April 2006 to HEC. Attock Campus was started in 2004 in District Government leased building. For the purpose, a series of meetings of CDC (Campus Development Committee) were held and approvals were granted by the competent forum i.e. Project Director and Rector. The reply was not tenable as the PC-I was meant for construction of new campus, hence charging the expenditure incurred on temporary campus housed in old building stood irregular/un-authorized.

The matter was discussed in the DAC meeting held on 5th January, 2015 wherein the management explained that the temporary block was constructed at old existing campus in order to accommodate the enrolled students with the approval of CIIT Authorities. The DAC was not satisfied

with said contention as PC-I was approved by CDWP for construction for Academic Block therefore incurring expenditure on temporary block was beyond the mandate. The Committee directed to fix responsibility for unauthorized expenditure. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.37)

13.4.3 Unauthorized procurement involving US\$ 104,030 (Equivalent Pak Rs 10.40 million) and Euro 2,300 (Equivalent Pak Rs 0.25 million)

PC-I of the Project Strengthening of Environmental Engineering Department, NED Karachi duly approved by the Vice Chancellor on 1st February, 2010, administrative approval from Higher Education Commission and approval of DDWP for the Scheme did not contain provision of foreign currency component.

Audit noted that Project Director "Strengthening of Environmental Engineering Department" NED Karachi invited tenders for import of Laboratory Equipment on Cost and Freight basis through press advertisement published on 5th October, 2012 involving US\$ 104,030 and Euro 2,300.

Audit observed that expenditure in foreign currency was incurred without any provision in the approved PC-I which resulted in unauthorized expenditure beyond the scope of PC-I.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the unauthorized procurement in March 2014. The management replied that equipment was imported from the concerned foreign suppliers/manufacturers via LCs within the approved PC-I cost.

The reply was not tenable because there was no provision of the foreign exchange component in the PC-I.

The matter was discussed in the DAC meeting held on 5th January, 2015 wherein the Committee expressed displeasure and directed that matter be referred to the Finance Division for guidance on the issue. The compliance of DAC's directive was not conveyed to Audit till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.04)

Internal Control Weaknesses

13.4.4 Payment without recording measurements in Measurement Books - Rs 343.48 million

As per Para 208 of Central Public Works Accounts Code, payments for all work done are made on the basis of measurements recorded in the Measurement Book (Form 23) in accordance with the rules in Para 209 of CPWA Code. The Measurement Books should, therefore, be considered as very important accounts record. Para 209(b) states that all measurements should be neatly taken down in a Measurement Book.

Audit observed that payment of Rs 343.48 million was made without recording detailed measurement of each item of works in the Measurement Books as detailed below:

DP No.	Name of work	University	Amount (Rs in million)
46	Construction of Academic Block at Air University, Islamabad	Air University, Islamabad	52.37
50	Construction of three hostel blocks for women in International Islamic University	International Islamic University	291.11
Total			343.48

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in August 2014. The management replied that the entries and the calculations of the work done at site were made in the Interim Payment Certificates by the Consultants giving all kind of necessary information. Measurement Book in this case was not required as all prescribed requirements of the MB/procurement record are already being met. The reply was not tenable as it was mandatory requirement that detailed measurements are recorded in the Measurement Books. Measurement Sheets generated through computer cannot be termed MBs.

The matter was discussed in the DAC meeting held on 5th January, 2015 wherein the management explained that the entries and the calculations of the work done at site were made in the Interim Payment Certificates by the Consultants giving all kind of necessary information. The DAC was not convinced with the contention and directed that the detailed measurement must be recorded in MBs as permanent record and got verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon compliance of DAC's directive.

13.4.5 Non-recovery of risk and cost amount - Rs 8.49 million

Clause 63 of the contract agreement provides that in any case the contractor fails to complete the work within stipulated period the employer may issue notice to measure up the work of contractor and to take such part thereof as shall be unexecuted out of his hand and to give it to another contractor to complete in which case any expenses which may be incurred in excess of the sum which would have been paid to the original contractor shall be borne and paid by the original contractor.

Audit noted that Arid Agriculture University, Rawalpindi awarded the work “Faculty of Veterinary and Animal Sciences” to M/s Shalimar Construction Company for Rs 146.97 million. The contract was terminated due to poor performance. The balance work of Rs 61.58 million was awarded to M/s Sadaat Enterprises, for Rs 66.78 million at the risk and cost of the original contractor. The difference of cost Rs 8.49 million (difference of cost Rs 5.20 million + price escalation Rs 3.29 million) was not recovered from the defaulting contractor.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-recovery in March 2014. The management replied that actual risk and cost charges duly certified by the engineer will be recovered after completion of defect liability period in accordance with contract and arbitration proceedings.

The matter was discussed in the DAC meeting held on 5th January, 2015 wherein the management explained that the contractor approached to the court against the rescinding of the contract. The DAC decided that actual risk and cost be calculated and recorded in the book of accounts in order to watch the recovery thereof. The compliance of DAC’s directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC’s directive.

(DP.10)

13.4.6 Non-imposition of liquidated damages - Rs 3.03 million

Clause 47 (1) of General Conditions of the contract agreement explains that if the contractor fails to comply with the time for Completion in accordance with clause 48, for the whole of the works or, any Section within the relevant time, 0.1% of contract value for each day of delay in completion of the Works subject to a maximum of 10% of Contract Price stated in the letter of Acceptance will be imposed and recovered.

Audit noted that Director Planning and Projects, Strengthening of NED University of Engineering and Technology, Karachi. (Mega-III) awarded contract of “Construction of Apartments (BPS-19 and BPS-17 and 18) at NED Staff Colony MEGA-III” to a contractor M/s United Construction Co. on 21st January, 2010 at agreement cost of Rs 30.34 million to be completed within fifteen (15) months.

Audit observed that the contractor could not complete the work even after expiry of thirty-four (34) months but neither liquidated damages were imposed/recovered nor performance security of the contractor was encashed.

Audit maintained that non-imposition of liquidated damages was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out non-recovery of liquidated damages in March 2014. The management replied that liquidated damages would be deducted from final bill after verification and payment of final bill of the contractor.

The matter was discussed in the DAC meeting held on 5th January, 2015 wherein the Committee directed to effect recovery. The compliance of DAC’s directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC’s directive.

(DP.07)

13.4.7 Non-recovery from the defaulting consultant - Rs 3.03 million

As per Director Planning and Development, Federal Urdu University letter dated 15th December, 2011, M/s ECIL was asked to deposit the overpaid amount of consultancy of Rs 3.03 million due to poor workmanship in the work “Strengthening of Departments at Federal Urdu University of Arts, Science and Technology (FUUAST)”.

Audit observed that FUUAST could not recover the overpaid amount from the defaulting consultant even after lapse of more than three (3) years.

Audit maintained that the non-recovery occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-recovery in August 2014. The management replied that excess payment would be recovered from the defaulter as arrears of land revenue.

The matter was discussed in the DAC meeting held on 5th January, 2015, wherein the Committee directed to pursue recovery through Collector Revenue. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.83)

13.4.8 Non-recovery due to non-provision of transport to the Engineer/Employer - Rs 2.90 million

Clause 36 of Special Provisions of Contract of "Construction of Academic Block at FUUAST" stipulates that the contractor shall provide and maintain one new Cultus or equivalent car of latest Model 1000 CC fully loaded, with driver, fuel 300 liter per month (petrol or equivalent CNG) including all Taxes, and repair for exclusive use of the Engineer Representative. The facility shall be made available till the completion of the project within schedule as well as extended period.

Audit observed that neither the transport along with allied facilities was provided by the contractor as per provisions of the contract agreement nor the project management recovered its cost from the contractor. This resulted in non-recovery of Rs 2.90 million.

Audit maintained that the non-recovery occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out non-recovery in August 2014. The management replied that such facilities were offered to the Engineer at the start of academic block work but due to the internal issues of the Engineer this could not be materialized.

The matter was discussed in the DAC meeting held on 5th January, 2015, wherein the management admitted that due recovery would be made. The Committee directed to effect recovery and get it verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.79)

CHAPTER 14

WORKERS WELFARE FUND/BOARDS (MINISTRY OF OVERSEAS PAKISTANIS AND HUMAN RESOURCE DEVELOPMENT)

14.1 Introduction

The Workers Welfare Fund (WWF) was established at the federal level and Workers Welfare Boards (WWBs) at the provincial level under Workers Welfare Fund Ordinance, 1971. The Secretary, Ministry of Overseas Pakistanis and Human Resource Development is the Principal Accounting Officer of the WWF/WWBs.

The main functions of the WWF include financing projects connected with the establishment of housing estates, construction of houses, schools, hospitals and technical training institutes for the workers. Each WWB is headed by a Chairman, assisted by Secretary and eighteen members, both from the government and employees of the Board. The Board is empowered for:

- a) allotment, cancellation, fixation of rent of the houses financed by the money allocated from the Fund,
- b) maintenance/repairs of the houses, and
- c) any other measures for the welfare of workers.

14.2 Comments on Budget and Accounts (Variance Analysis)

The table below shows position of head-wise budget allocation and expenditure of WWF/WWBs for 2013-14:

(Rs in million)

Head of Account	Budget Allocation	Expenditure	Variation Excess/ (Saving)	Excess/ (Saving) in %
Establishment Charges (Fund/ Boards)	1,304.40	1,125.44	(178.96)	(13.72)
Establishment Charges (Regional Fund Offices)	84.00	60.63	(23.37)	(27.82)
Scholarships	1,446.46	883.90	(562.56)	(38.89)
Marriage Grant	1,301.91	544.95	(756.96)	(58.14)
Death Grant	1,309.88	758.55	(551.33)	(42.09)
Sewing Machines	69.00	0	(69.00)	(100)
Welfare package for families of deceased	50.00	0.83	(49.17)	(98.35)
Welfare Measures (Others)	10.00	0.06	(9.94)	(99.36)
Release for Hajj	25.00	0	(25.00)	(100)
Drinking water through NLC water tankers	20.00	15.07	(4.93)	(24.65)
Vocational Training Centres	200.00	65.99	(134.01)	(67)
Education	5,178.39	4,861.38	(317.01)	(6.12)
Matric-tech/ Monotech/Polytech Programme	900.00	522.78	(387.22)	(42.55)
Development Works	8,190.50	2,802.74	(5,387.76)	(65.78)
New Schemes (Development)	2,500.00	86.96	(2,413.04)	(96.52)
Purchase of Land for new project WWF/B	540.00	8.28	(531.72)	(98.47)
Clearance of outstanding dues of land	20.000	0	(20.00)	(100)

Head of Account	Budget Allocation	Expenditure	Variation Excess/ (Saving)	Excess/ (Saving) in %
Purchase of office building	100.000	0	(100.00)	(100)
New Schemes (Education)	19.00	5.85	(13.15)	(69.23)
Computerization of Welfare Grant	0	3.11	3.11	100
Procurement of 24 Ambulances	0	101.45	101.45	100
Total	23,268.54	11,847.97	(11,420.57)	(49.08)

- An amount of Rs 69.00 million was allocated for procurement of sewing machines but funds were not utilized by the WWBs. This showed that deserving workers were deprived of the intended benefits of the scheme.
- An amount of Rs 900.00 million was approved for Matric-Tech, Mono-Tech and Poly-Tech Programmes in WWF and WWBs against which an expenditure of Rs 522.78 million was incurred in the year 2013-14 on account of implementation of Matric-Tech programme. As per PC-I completion period of the project was three years i.e. 2010 to 2013. Incurring of expenditure in the year 2013-14 indicated that the project could not be implemented optimally and desired objectives could not be achieved within approved timelines of 3 years. No evaluation of these projects has so far been made by the WWF/Boards.
- Funds of Rs 8,190.50 million were allocated for development works against which an amount of Rs 2,802.74 million was utilized involving a saving of Rs 5,387.56 million. These funds were meant for welfare of the workers whereas utilization report showed that WWF failed to take advantage of the available resources for its utilization towards welfare of the workers. The management could not utilize 65.78 % of the development budget for the year 2013-14 which indicates sluggish performance of the management.
- Funds of Rs 2,500 million were allocated for new schemes but only Rs 86.96 million (3.48 %) were utilized which indicated that

planned targets were not achieved by the management of Funds/Boards.

- An expenditure of Rs 3.11 million and Rs 101.45 million was incurred on account of computerization of welfare grant and procurement of twenty-four ambulances, respectively without approved budget allocation by the Governing Body. In absence of approved budget allocation incurring of expenditure stood unauthorized/ irregular.
- Total budget allocation for the year 2013-14 was Rs 23,268.54 million against which an expenditure of Rs 11,847.97 million was incurred. Actual expenditure constituted only 50.92% of the budget allocation. There was a saving of Rs 11,420.57 million representing 49.08% of the budget allocation.

14.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to WWF/WWBs is as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
1992-93	02	02	01	01	50.00
1994-95	01	01	01	-	100
1995-96	01	01	01	-	100
2000-01	17	17	12	05	70.59
2004-05	06	06	05	01	83.33
2005-06	06	06	05	01	83.33
2008-09	07	07	04	03	57.14

Note: Audit Reports for 2003-04, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 have not been discussed by PAC till the finalization of this report.

14.4 AUDIT PARAS

Non-Production of Record

14.4.1 Non-production of record relating to Matric-Tech, Mono-Tech and Poly-Tech Projects - Rs 813.37 million

In terms of Section 14 (2) of Auditor General's Ordinance, 2001, non-production of record amounts to hindrance in the Auditorial functions of the Auditor General of Pakistan. The Section 14(2) states that the officer in-charge of any office or department shall afford all facilities to provide record for audit inspection and comply with requests for information in complete form as possible and with all reasonable expedition.

Audit noted during examination of the expenditure statement of WWB, Khyber Pakhtunkhwa, Peshawar, for 2013-14 that expenditure of Rs 813.37 million was incurred on account of the Matric Tech, Mono Tech and Poly Tech Projects during 2013-14 as detailed below:

i.	Establishment charges	= Rs 200.86 million
ii.	Others	= Rs 8.66 million
iii.	Machinery and Equipment/purchase	= <u>Rs 603.85 million</u>
	Total	= Rs 813.37 million

In response to the requisition of record, WWB intimated that all the relevant record pertaining to the above mentioned expenditure was under the custody of National Accountability Bureau (NAB) and Anti Corruption Establishment, Khyber Pakhtunkhwa for investigation.

In the absence of above record, the justification and authenticity of expenditure could not be ascertained.

Audit pointed out the non-production of record in December 2014.

The matter was discussed in the DAC meeting held on 8th January, 2015 wherein the management explained that record will be produced to Audit as and when received back from NAB. The Committee directed that a letter be written to NAB for retrieval of the record and a detailed inquiry and performance evaluation be conducted by the Chief Finance and Accounts Officer (CFAO), Ministry of Overseas Pakistanis and Human Resource Development within three (3) months and outcome be shared with Audit. The compliance of DAC's directive was not conveyed till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.58)

Irregularity and Non-Compliance

14.4.2 Non-obtaining of insurance policies against development works worth Rs 883.38 million

As per Clause 21.1 of the contract agreement for the works, contractors were required to insure works, equipment and liabilities for death or injury to any person. As per Clause 25.3, in case of failure to do so the employer may effect and keep in force any such insurance, and pay any premium as may be necessary for that purpose and from time to time deduct the amount so paid from any moneys due or to become due to the contractor. The amount to be insured is contract amount plus 15%.

Audit observed that Workers Welfare Board, Quetta awarded following works amounting to Rs 883.38 million but the contractors neither obtained/furnished the mandatory insurances of the works nor the amount of premium was deducted from the contractors.

(Rs. in million)

Sr. No.	Name of work	Amount	Premium @ 1%
1	Construction of 192 Flats at Eastern Bypass, Quetta	352.66	3.53
2	Construction of 50 Quarters at Kingri with mosque and school, Quetta	154.39	1.54

Sr. No.	Name of work	Amount	Premium @ 1%
3	Construction of 36 flats in Nawan Killi, Quetta	376.33	3.76
	Total	883.38	8.83

Undue benefit was extended to the contractors by not ensuring compliance with the contractual terms and conditions. It is pertinent to mention that all the incidental costs and insurance premium were inbuilt in the bid price. This resulted in undue favour to the contractors at public expense for Rs 8.83 million (@ 1% of Rs 883.38 million).

Audit maintained that undue favour was given to the contractors due to weak internal controls and inadequate oversight mechanism for enforcing contractual provisions.

Audit pointed out the irregularity in July 2014. The management replied that performance bond equivalent to 10% of the cost of the projects cover the risk of work and insurance of the machinery plant and labour working at site was not possible for the contractor as it is not required for building work. The reply was not relevant as insurances are quite different in nature and mandatory under the provision of contract agreement for safeguarding the government assets/property.

The matter was discussed in the DAC meeting held on 8th January, 2015 wherein management explained that contractors were asked to provide the insurances of the works, however, these works are at completion stage. The Committee directed to effect insurances forthwith and make recovery of premium of uninsured period from the contractors within fifteen (15) days and get it verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.4)

Performance

14.4.3 Inordinate delay in the completion of scheme and non-pursuance of financial phasing of the PC-I involving huge escalation cost - Rs 805.28 million

PC-I of the scheme provides that the project is the part of schemes of the government for providing housing facilities to the workers. This scheme aimed to providing shelter to 5312 workers and their families with allied services. The project was planned to be completed within thirty-six (36) months period with annual phasing 2007-08 (20%), 2008-09 (40%) and 2009-10 (40%).

Audit noted that Sindh Workers Welfare Board launched 6 housing schemes for workers for the provision of shelter to 5,312 workers and their families at various locations of Karachi, Hyderabad, Kotri, Nooriabad and Larkana in May-June, 2007. These schemes were required to be completed in December 2008, December 2009 and April 2010. A review of the progress report prepared by the Works Wing of SWWB for the month of June 2014 indicated that despite expiry of four to six years over the stipulated completion period, 100% completion and handing over of these schemes could not be materialized. This abnormal delay denied the very purpose/objective envisaged in the PC-I for providing shelter/housing facility to 5312 workers families despite incurring huge expenditure of Rs 4,579.23 million.

Audit maintained that non-adherence to financial phasing in pursuance of the PC-I caused inordinate delay in the completion of scheme which resulted in cost escalation of Rs 805.28 million.

Audit pointed out the irregularity in September 2014. The management replied that due to non-release of funds on time the works were delayed and the cost was increased. In reply it was conceded that the projects were delayed and could not be completed in time depriving the workers of the benefits envisaged in the PC-I.

DAC meeting was convened on 8th January, 2015 but the para remained undiscussed because no responsible officer from SWWB attended the DAC. The PAO took a serious note of the absence of officers concerned from SWWB and issued directions for conveying displeasure and re-convening of the DAC.

Audit stresses upon early completion of the projects to avoid further time and cost overruns.

(DP.30)

14.4.4 Non-completion of Matric-Tech Project and non-evaluation of performance - Rs 76.92 million

As per minutes of the 102nd meeting of Governing Body held on 22nd October, 2009, Matric-Tech project life is initially fixed for three (3) years. On completion of time period, the project performance would be reviewed and the fate of project would be determined accordingly. On approval of the PC-I implementation of various components of the project could be carried out such as civil work, procurement of equipment and recruitment of staff. Whole exercise would be completed in one year and classes may start in 2nd year. Workers Welfare Fund will provide all the required funds out of its own source.

Audit noted during review of the accounts record of WWF that an expenditure of Rs 76.92 million was incurred in the year 2013-14 on account of implementation of Matric-Tech programme. PC-I provides the completion period of the project three (3) years i.e. 2010 to 2013. Audit observed that incurring of expenditure in the year 2013-14 indicated that the project could not be completed within approved timelines of three years. Thus, the desired objectives could not be achieved.

It was further observed that on completion of three years, project performance was to be reviewed but no such evaluation/assessment was made. Non-evaluation and monitoring has rendered the whole expenditure doubtful.

Audit maintained that lack of internal controls and inadequate oversight mechanism resulted in non-adherence to provision of PC-I and Governing Body decisions.

Audit pointed out the non-evaluation of performance in August 2014. The management replied that the Project Director did not prepare completion report.

The matter was discussed in the DAC meeting held on 8th January, 2015 wherein the management produced an unsigned performance evaluation report. The DAC expressed displeasure and directed CFAO, Ministry of Overseas Pakistanis and Human Resource Development to evaluate the entire programme and prepare a performance evaluation report within three (3) months.

Audit stresses that DAC's directive be implemented at the earliest.
(DP.45)

Internal Control Weaknesses

14.4.5 Recruitment of staff for non-functional schools - Rs 218.05 million

Workers' Welfare Fund (Employees Service) Rules, 1997, Part-I provides that all cadre appointment in the Fund shall be made against sanctioned posts. Part-II provides that initial appointment to posts in pay scale-18 and below, shall be made by the appointing authority on recommendations of the Selection Committee concerned. The vacancies shall be advertised in the national press. Appointment to posts, included in the cadre concerned, shall be made on regular basis by one or more of the following methods, namely:-

- (a) by initial appointment, in accordance with Part II of this Chapter;

- (b) by promotion in accordance with part III of this Chapter;
- and (c) by transfer.

Finance and Accounts Committee in a meeting held on 26th April, 2012 approved an allocation of Rs 187.49 million under the head “Employees Related Provisions” with WWF Secretariat and recommended that these funds would be released to the Board after completion of recruitment process and on provision of complete information/record to WWF Secretariat.

Audit noted that Sindh Workers Welfare Board, Karachi appointed 136 employees for Education Wing in 2010 on adhoc basis without adopting proper procedure as quoted above and afterward these employees were got regularized under the cover of recruitment carried out in response to advertisement published in April 2011 on the basis of appearance in the interview only.

Audit observed that these appointments were made for posting in the newly established schools at Mirpur Mathelo, Ghotki, Dehrki, Nooriabad and Karachi but these schools could not become operational uptill April 2014 as evident from Chairman SWWB letter.

Audit maintained that unjustified recruitment of staff against non-functional schools occurred due to lack of internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations involving Rs 218.05 million.

Audit pointed out the unjustified recruitment of staff in September 2014. The management replied that appointment of the staff was made as per laid down procedure and appointments were made against all vacant posts. The reply was not tenable as appointments were made on adhoc basis without provision in the Service Rules 1997. The staff was deployed against non-functional schools as observed by the Chairman SWWB.

DAC meeting was convened on 8th January, 2015 but the para remained undiscussed because no responsible officer from SWWB

attended the DAC. The PAO took a serious note of the absence of officers concerned from SWWB and issued directions for conveying displeasure and re-convening of the DAC.

Audit stresses upon investigation in irregular appointments and deployment and fixing responsibility.

(DP.33)

14.4.6 Irregular appointment and subsequent promotion caused unjustified payment on account of pay and allowances - Rs 19.33 million

Workers' Welfare Fund (Employees Service) Rules, 1997, Part-I provides that all cadre appointment in the Fund shall be made against sanctioned posts. Part-II provides that initial appointments to the posts in pay scale-18 and below, shall be made by the appointing authority on recommendations of the Selection Committee concerned. The vacancies shall be advertised in the national press. Appointment to posts, included in the cadre concerned, shall be made on regular basis by one or more of the following methods, namely :- (a) by initial appointment, in accordance with Part II of this Chapter; (b) by promotion in accordance with part III of this Chapter; and (c) by transfer.

Audit noted during review of the personal files of officers of SWWB that certain officers were appointed on adhoc basis in lieu of transfer and additional charge of the posts. Subsequently, they were regularized from the date of appointments without advertisement of the posts in National Press, adopting the recruitment process and recommendation of the selection committee. The recruitment and subsequent regularization of the personnel were made in contravention of the Workers Welfare Fund Service Rules, 1997. This resulted into unjustified appointment, promotion and payment on account of salary and other allowances for Rs 19.33 million.

Audit pointed out the irregular/unauthorized appointments in September 2014. The Board replied that employees at S. No. 6 to 8 were

appointed after fulfillment of codal formalities, however, employees at S. No. 1 to 5 were initially appointed on adhoc basis which were regularized by the competent authority. In reply it was conceded that adhoc appointments were made and subsequently regularized without fulfillment of the procedure, criteria in pursuance of Service Rules 1997 as such these appointments were termed irregular/unauthorized.

DAC meeting was convened on 8th January, 2015 but the para remained undiscussed because no responsible officer from SWWB attended the DAC. The PAO took a serious note of the absence of officers concerned from SWWB and issued directions for conveying displeasure and re-convening of the DAC.

Audit stresses upon investigation in irregular appointments/promotions and fixing responsibility.

(DP.36)

14.4.7 Irregular/unauthorized utilization of receipt and non-maintenance of receipt account - Rs 4.40 million

Rule 26 of GFR provides that subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the department controlling officers to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Department Account. No department receipt shall be utilized towards contingent expenditure.

Audit noted during review of the cash book of Sindh Workers Welfare Board that an amount of Rs 4,401,368 was received on account of rent installment, down payment of sold flats on subsidized rates and tender fee during the year 2013-14. The amount was required to be credited/remitted to the receipt account of SWWB/WWF but entire amount remained in the same account and was utilized to meet contingent requirement.

Audit maintained that unauthorized utilization of receipt occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the unauthorized utilization of receipts in September 2014. The management replied that as per procedure in vogue, all the income earned by the Board during any quarter was reported to the WWF which adjusts the same while releasing next quarterly installment to the Board from the approved budget. The reply was not tenable as receipt cannot be utilized toward contingent expenditure as per rules, therefore, procedure adopted by the Board was not in conformance with the standard financial rules.

DAC meeting was convened on 8th January, 2015 but the para remained undiscussed because no responsible officer from SWWB attended the DAC. The PAO took a serious note of the absence of officers concerned from SWWB and issued directions for conveying displeasure and re-convening of the DAC.

Audit stresses upon investigation and fixing responsibility.

(DP.28)

14.4.8 Overpayment due to incorrect calculation of design fee - Rs 2.14 million

As per PEC standard bidding documents for consultancy, design fee is calculated/assessed on the basis of cost estimates prepared by the consultant provided in the PC-I of the project.

Audit noted that consultancy contract of construction of 1024 Flats at Sukkur was awarded to M/s Shahzad Associates wherein design fee amounting to Rs 15.08 million was paid which was 55% of 1.94% of approved estimated cost of project (Rs 1,413,120,000 x 1.94% x 55%). A review of the 6th running bill indicated that consultant was paid Rs 17.22 million on account of design fee by re-calculating the fee on construction cost which was irregular/unjustified.

Audit held that as per standard bidding documents general engineering practice design fee is only payable on estimated cost instead of tendered cost. Non-adherence to standard bidding documents resulted in overpayment of Rs 2.14 million.

Audit maintained that the overpayment was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in August 2014. The management replied that the WWF was paying to consultant as per the terms and conditions of the contract under the rules and regulations of PEC and PPRA.

The matter was discussed in the DAC meeting held on 8th January, 2015 wherein the management explained that payment was made as per terms and conditions of the contract. The DAC expressed displeasure for execution of defective contract and directed to amend the contract as per standard terms and conditions of the PEC and effect recovery from the next IPC. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon early compliance of the DAC's directive.

(DP.42)

CHAPTER 15

BUREAU OF EMIGRATION AND OVERSEAS EMPLOYMENT

(MINISTRY OF OVERSEAS PAKISTANIS AND HUMAN RESOURCE DEVELOPMENT)

15.1 Introduction

The Bureau of Emigration and Overseas Employment (BE&OE) was setup on 1st October, 1971, by amalgamating three federal government departments namely National Manpower Council, Protectorate of Emigrants and Directorate of Seamen's Welfare. The Bureau started functioning under the Emigration Act, 1922 and Emigration Rules, 1959 which were subsequently repealed by the Emigration Ordinance, 1979 and Emigration Rules, 1979 respectively. The Bureau is under the administrative control of Ministry of Overseas Pakistanis and Human Resource Development.

The Bureau is a centralized agency of the Federal Government for processing recruitment demands of the Pakistani manpower through licensed Overseas Employment Promoters (OEPs) etc. for the different manpower importing countries in the world. The Bureau, being a regulatory body, controls, regulates, facilitates and monitors the emigration process applied by the OEPs in the private sector.

The foremost tasks of the Bureau encompass collection, compilation and tabulation of emigration data of all those Pakistanis who proceed abroad for employment purpose, only. In fact, the Bureau has been engaged in maintaining comprehensive statistical record of all the migrant workers since 1971, which serves as the crucial basis for planning and policy formulation by the Economic Division and other interested government departments.

The Bureau is headed by a Director General, appointed by the Federal Government. There are seven Regional Offices/Protectorates of Emigrants at Peshawar, Rawalpindi, Karachi, Lahore, Quetta, Multan and Malakand.

An insurance scheme of overseas Pakistanis was introduced in February 1982 on the directive of the President of Pakistan which is being implemented by the Bureau. To implement the scheme a contract was signed between the Bureau and State Life Insurance Corporation of Pakistan (SLIC) on 19th June, 1982. An agreement was also signed between the Bureau and SLIC on 3rd July, 1985 for utilization of insurance profit. A detailed procedure was approved for optimum utilization of insurance profit through Resolution dated 19th November, 1992 and State Life Emigrants Insurance Fund Expenditure Rules, 2007. A Management Committee is responsible to make recommendations for the utilization of the Fund and the Secretary, Ministry of Overseas Pakistanis and Human Resource Development will approve utilization of the fund. After approval by the Secretary, the Director General BE&OE issues sanction and instruct State Life Insurance Corporation of Pakistan for release of funds. The Fund is subject to audit by the Auditor General of Pakistan in terms of Rule 5(iv) of SLEIF Expenditure Rules, 2007.

Directorate General Audit Works (Federal) conducted audit of State Life Emigrant Insurance Fund as per direction of Auditor General of Pakistan conveyed vide letter No. 44/03/P&C/1-C/2013 (P.F.I) dated 3rd March, 2014 in pursuance of the request of Ministry of Overseas Pakistanis and Human Resource Development vide letter No. 4-1/2011-E-1-Vol-III dated 17th January, 2014. Audit of State Life Emigrants Insurance Fund covered a period of five years (2008-09 to 2012-13).

15.2 Comments on Budget and Accounts (Variance Analysis)

The source of State Life Emigrants Insurance Fund is amount of profit commission (excluding all claims paid or payable in respect of insured emigrants) earned under the contracts signed on 19th June, 1982 and 3rd July, 1985 between the Bureau and the State Life Insurance

Corporation of Pakistan to implement the scheme of compulsory group insurance of the emigrants. Position of collection and utilization of funds from 1st July, 2008 to 31st March, 2014 was as under:

Opening balance on 01.07.2008	Rs 54.77 million
Receipts since 01.07.2008	Rs 774.46 million
Profit/interest since 01.07.2008	Rs 44.32 million
Total Receipts	Rs 873.55 million
Total Expenditure	Rs 852.54 million
Balance on 31.03.2014	Rs 21.01 million

As per contract agreement with State Life Insurance Corporation, the commission profit was required to be transferred to Bureau's account on yearly basis. However, the Bureau received funds from SLIC for expenditure on need basis and the accumulated profit commission was not transferred to the Bureau's account on yearly basis. As evident from SLIC letter dated 29th November, 2013 a sum of Rs 877.39 million was lying in SLEIF which was yet to be transferred to Bureau's account.

Year-wise detail of expenditure was as under:

(Rs in million)

Year	Development Project	Others	Procurement	Total
2008-09	41.86	0.95	0	42.81
2009-10	237.58	2.89	3.82	244.29
2010-11	251.54	6.79	3.34	261.67
2011-12	144.48	8.09	1.84	154.41
2012-13	108.66	6.37	0	115.03
2013-14 (upto March 2014)	27.80	6.53	0	34.33
Total	811.92	31.62	9.00	852.54

Major expenditure was incurred on development project "Construction of Emigration Tower" which constitutes 95.23% of the total expenditure.

15.3 Brief comments on the status of compliance with PAC's directives

Directorate General Audit Works (Federal), Islamabad conducted audit of the accounts of Bureau of Emigration and Overseas Employment (Construction of Emigration Tower and State Life Emigrants Insurance Fund) for the first time and results are being reported to the PAC through this report.

15.4 AUDIT PARAS

Non-Production of Record

15.4.1 Non-production of record

In terms of Section 14 (2) of Auditor General’s Ordinance, 2001 non-production of record amounts to hindrance in the auditorial functions of the Auditor General of Pakistan. Section 14(2) states that “the officer in-charge of any office or department shall afford all facilitates and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition”.

Audit requisitioned record for audit of the accounts of Construction of Emigration Tower and State Life Emigrants Insurance Fund (SLEIF) vide requisition dated 04th April, 2014. However, management of Bureau of Emigration and Overseas Employment (BE&OE), Islamabad did not provide following record despite issuance of several requisitions.

- i. Year-wise detail of funds invested in short/long term Government Securities, Government Guaranteed Securities and interest bearing terms deposits in terms of Rule 4 (iv) of SLEIF Expenditure Rules, 2007 (for the year 2008-09 to 2012-13).
- ii. Detailed Annual budget, considered by the Management Committee and approved by the Secretary of the Ministry for the year 2008-09 to 2012-13 in terms of Rule 4(v) of SLEIF Expenditure Rules, 2007.
- iii. Reconciliation statements of fund with State Life Insurance Corporation of Pakistan for the year 2008-09 to 2012-13 under the Rule 4 (vii) of SLEIF Expenditure Rules, 2007.

- iv. Vouchers, Ledger, Contractor Ledger, Works Register etc. pertaining to income and expenditure for the year 2008-09 to 2012-13 in terms of Rule 5 (i) of SLEIF Expenditure Rules, 2007.
- v. Annual Internal Audit Reports conducted for the years 2008-09 to 2012-13 in terms of Rule 5 (iii) of SLEIF Expenditure Rules, 2007.
- vi. Detailed estimates prepared for Civil Works of Construction of Emigration Tower.
- vii. Rate analysis of non-scheduled items.
- viii. Drawings/Building Plan of Emigration Tower approved by CDA.
- ix. Detail of vehicles alongwith user name and their Movement Register and Log Books.

In the absence of above record, the authentication of expenditure could not be ascertained. The non-production of record created doubts on the actual existence of any such record at all, which made the public money vulnerable to misuse.

Audit maintained that non-production of record was due to flagrant violation of rules.

Audit pointed out the non-production of record in April 2014. The Bureau did not reply.

DAC meeting could not be convened despite best efforts made by this office.

Audit stresses upon action against the responsible(s) for non-production of record.

(DP.40)

Irregularity and Non-Compliance

15.4.2 Non-transfer of funds amounting to Rs 961.08 million to the Bureau and less earning of interest - Rs 238.28 million

According to Clause-11 of the agreement executed on 19th June, 1982 between BE&OE, Islamabad and State life Insurance Corporation of Pakistan (SLIC) at the expiry of one year after the first contract year and thereafter every year the Corporation shall pay to the Bureau by way of Profit Commission, 90% of the Corporation's net profit under the contract, the net profit shall deemed to be 90% of the total premium received during the contract year less all claims paid or payable in respect of the members insurance for that contract year under the contract subject to the provision that 20% of the amount becoming so payable to Bureau shall be retained by the Corporation as a 'Contingent Reserve'. Through a revised agreement dated 9th December, 2010, the percentage of profit commission was raised to 92.50% w.e.f. 1st January, 2011.

According to para 4 of minutes of 37th meeting of the Management Committee of State Life Emigrants Insurance Fund (SLEIF), dated 4th December, 2009, (Agenda item No.1) "the Committee, in view of the higher rates of profit offered by National Bank of Pakistan decided to invest balance amount of Rs 600.00 million available with State Life Insurance Corporation of Pakistan in National Bank of Pakistan, on one month basis @12.50% interest".

Audit observed that the management of Bureau did not implement the Management Committee's decision dated 4th December, 2009 to get the funds transferred from SLIC to Bureau of Emigration's account for investment in National Bank of Pakistan at higher rate of profit. This deprived the Bureau from its capital of Rs 961.08 million and resulted in less earning of interest of Rs 238.28 million as calculated below:

(Rs in million)

Year	Investment (Accumulative)	Profit to be earned on investment		Interest credited by SLIC		Loss
		Rate	Amount	Rate	Amount	
2009	600.00	12.5%	75.00	11.5%	69.00	6.00
2010	675.00	12.5%	84.37	12.5%	83.62	0.75
2011	759.37	12.5%	94.92	3.85%	28.98	65.94
2012	854.30	12.5%	106.79	3.85%	30.09	76.70
Dec, 2013	961.08	12.5%	120.14	3.85%	31.25	88.89
Total			481.22		242.94	238.28

Audit maintained that accumulated balance was lying with SLIC on account of Profit Commission in SLEIF upto December 2013. The Profit Commission along with interest was required to be transferred to Bureau's account on yearly basis but the same was not transferred by SLIC.

Audit pointed out the non-transfer of funds/loss in April 2014. The Bureau did not respond to the audit observation.

DAC meeting could not be convened despite best efforts made by this office.

Audit stresses upon immediate transfer of accumulated balance of profit commission along with interest besides recovery of loss of Rs 238.28 million.

(DP.28, 34)

Performance

15.4.3 Loss due to delay in completion of Emigration Tower - Rs 635.72 million

Clause 4.1.4 of the contract agreement provides that M/s PRIMACO (the Project Executing Agency) shall act at all times so as to protect the interests of the client and shall take all reasonable steps to keep all expenses to a minimum consistent with sound economic and engineering practices. As per clause 4.1.7, the Project Executing Agency shall assist the client in obtaining approvals for construction from CDA and shall coordinate with the consultant on behalf of the client.

Audit noted that the Bureau appointed M/s PRIMACO as executing agency on 24th July, 2008 and M/s NESPAK as consultant in 2006, respectively. The designing and supervision contract for “Construction of Emigration Tower” was awarded to M/s NESPAK on 23rd January, 2006.

Audit observed that M/s NESPAK took nineteen (19) months for preparation of estimates and necessary design/drawing. After approval of PC-I in August 2007, more than one and half year for pre-qualification of contractor and preparation of tender documents and first contract of civil work was awarded in March 2009, whereas other contracts i.e. HVAC system and lifts were awarded in September 2010 and October 2010, respectively. The consultant took three (3) years from signing the agreement and award of civil works and took more than four and half years for awarding of remaining works. On the other hand, the contractor also failed to get the approval of Architecture Design Plan from CDA which was gross negligence and non-fulfillment of obligations in its true spirit. This resulted into huge loss of Rs 635.72 million to the client in the form of prospective rental revenue of Emigration Tower and cost escalations.

Audit maintained that loss occurred due to lack of commitment to protect Bureau's interest, disregard to implement canons of financial propriety and weak contract management.

Audit pointed out the loss in April 2014. The Bureau replied that the delay in award of works occurred due to delay in approval of PC-1 and approval of design by CDA, which does not fall under purview of M/s NESPAK. The reply was not accepted because the project was not properly handled by the consultant. M/s PRIMACO was responsible of getting approval of design from CDA and while other formalities were to be fulfilled by M/s NESPAK.

DAC meeting could not be convened despite best efforts made by this office.

Audit stresses upon fixing of responsibility against the responsables for delay in completion of the project.

(DP.14)

Internal Control Weaknesses

15.4.4 Doubtful payment due to violation of rules and non-reconciliation of bank accounts with cash book - Rs 661.79 million

According to Rule 4 (ii) of State Life Emigrants Insurance Fund Expenditure Rules 2007, cheques will be drawn with the signatures of the Director General BE&OE and two authorized Officers of the Bureau".

Audit observed that the cheques amounting to Rs 661.79 million were issued to the payees by violating the laid down rules as below:

- i. Twenty five (25) cheques for Rs 95.70 million were issued without indicating the names, designation of the cheques signatory.

- ii. Eighty-four (84) cheques for Rs 379.89 million were issued to the concerned parties under one signature.
- iii. Thirty-three (33) cheques for Rs 165.38 million were issued under the signature of two officers jointly.
- iv. Fifteen (15) cheques for Rs 13.93 million and seven (7) cheques for Rs 6.89 million were issued to the concerned parties under one signature.

This resulted in doubtful payments of Rs 661.79 million.

Audit maintained that the violation of rules regarding drawing cheques and non-reconciliation was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the doubtful payment in April 2014. The Bureau did not reply.

DAC meeting could not be convened despite best efforts made by this office.

Audit stresses upon reconciliation of the transaction made with bank, enforcement of the financial discipline in the Bureau and disciplinary action against those responsible for violation of rules.

(DP.39)

15.4.5 Unjustified payment due to higher rates for excessive quantities without analysis of rates - Rs 25.46 million

According to preamble to BOQ item No.5, “the whole cost of complying with the provisions of the Contract shall be included in the items provided in the priced Bill of Quantities, and where no items are provided, the cost shall be deemed to be distributed among the rate and prices entered for the related items of the works”.

Further clause 3.6 of consultancy agreement provides that the consultant shall also clear with the client, before commitments or any action they propose to take while issuing variations orders in respect of:

- i. Additional items of works as determined by the Engineer to be necessary for the execution of works.
- ii. Any new item of the works not envisaged in the Contract Documents and which is determined by the Engineer to be necessary for the execution of Works.
- iii. Any item of Works covered under Provisional Sums.

Audit noted that the Bureau made payment for excessive quantities and against non-BOQ items at higher rates for Rs 25.46 million. The payment also includes Rs 14.00 million paid to the contractor on account of additional cost of metallic false ceiling. Audit observed that payment of BOQ items was made at higher rates than as provided in the contract agreement. Moreover, no cost break up/analysis of paid rates was prepared. This resulted in an unjustified payment of Rs 25.46 million.

Audit maintained that unjustified payment occurred due to violation of contract provisions and weak internal controls.

Audit pointed out the unjustified payment in April 2014. The Bureau did not reply.

DAC meeting could not be convened despite best efforts made by this office.

Audit stresses upon due recovery besides justification of payment with reference to analysis of rates of the paid items.

(DP.37)

15.4.6 Irregular hiring of contract staff - Rs 19.96 million

According to Section 16 (1) and (2n) of Emigration Ordinance, 1979 the Federal Government may, by notification in the official gazette,

make rules for carrying out the purpose of this Ordinance and such rule may provide for creation of welfare fund and measures for the welfare of emigrants and their dependents and establish of machinery at home and abroad for the implementation of such rules.

Audit noted that State Life Emigrants Insurance Fund Management Committee, in its 41st meeting held on 8th March, 2011 recommended release of Rs 1.33 million on account of expenditure on pay and allowances for appointment of eighteen (18) Data Entry Operators for a period of six (6) months out of SLEIF as approved earlier in 38th meeting of the Management Committee. Further, as per Agenda Item No.14 (41st meeting), establishment of Operational Management Section for Emigration Tower was recommended alongwith appointment of 38 officers and staff. In the 51st meeting dated 7th August, 2013 the case of extension of contracts and pay and allowances of above officers and staff was discussed. Financial Advisor (Overseas Pakistanis and Human Resource Development) gave dissenting note that employment of all the persons may not be covered under the expenditure of Funds contained in SRO dated 16th February, 2007 issued by the Ministry of Labour, Manpower and Overseas Pakistanis (State Life Emigrants Insurance Fund Expenditure Rules 2007). The minutes were not signed by the Financial Advisor of the Ministry and Chairman of the Committee. The Committee could not reach on consensus on this Agenda item and it was decided that the case would be submitted along with clarification by DG BE&OE to Secretary (Overseas Pakistanis and Human Resource Development) for decision. The decision of Secretary was still awaited but the BE&OE incurred an expenditure of Rs 18.49 million on account of pay and allowances of these employees upto April 2014.

Further an amount of Rs 1.47 million was incurred on account of honoraria from SLEIF which was not payable out of SLEIF fund because honoraria was payable out of the budget from which pay and allowances are drawn. Thus, payment of honorarium from SLEIF was also irregular.

Audit maintained that the irregularity occurred due to inadequate oversight mechanism for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the irregularity in April 2014. The Bureau did not reply.

DAC meeting could not be convened despite best efforts made by this office.

Audit stresses disciplinary action against those responsible for incurring irregular expenditure.

(DP. 38)

15.4.7 Non-recovery of water charges from the contractor - Rs 9.57 million

According to clause 17.3.1 of the contract agreement special provision (SP-9), “The contractor shall supply in sufficient quantity all necessary potable and other water for construction purposes for all trades at points within a reasonable distance of any building being constructed. The contractor shall make arrangements and pay charges for water service installation, maintenance and removal thereof, and pay the costs of water for all trades”.

Further clause 34.7 of particular condition of contract part II states that the contractor shall, so far as is reasonably practicable, having regard to local conditions, provide on the site, to the satisfaction of the Engineer or his representative, adequate supply of drinking and other water for the use of his staff and labour, .

Audit noted that in the PC-I of the project, “Construction of Emigration Tower” there was no provision for installation of tube well. The Bureau got installed a tube well in November 2009 from M/s GeoHunt at a cost of Rs 1.764 million. The contractor (M/s Guarantee Engineers) of civil, electrical and plumbing works (Construction of

Emigration Tower) used water from the tube well for construction works. The contractor was liable for deduction on account of water charges @ Rs 1.5% on total work done but no such deduction was made by the executing agency (M/s PRIMACO) as well as by BE&OE from the bills of the contractor. The contractor was paid for total work done amounting to Rs 638.175 million. This resulted into non-recovery of water charges amounting to Rs 9.57 million (Rs 638.175 million × 1.5%).

Audit maintained that the non-recovery of water charges was due to weak internal controls.

Audit pointed out the non-recovery of water charges in April 2014. The Bureau did not respond to the audit observation.

DAC meeting could not be convened despite best efforts made by this office.

Audit advises for recovery of the water charges from the contractor and verified by the Audit.

(DP.42)

CHAPTER 16

PAKISTAN MEDICAL AND DENTAL COUNCIL

(MINISTRY OF NATIONAL HEALTH SERVICES, REGULATIONS AND COORDINATION)

16.1 Introduction

Pakistan Medical and Dental Council (PM&DC) was constituted under Pakistan Medical and Dental Council Ordinance 1962, as a corporate body. The Council consists of 34 members headed by a President. The Council has an Executive Committee comprising of eight members. Being an autonomous regulatory body it does not get any grant-in-aid/loan from the Federal/Provincial/Local Government. As per clarification by the Establishment Division its employees are neither civil servants nor government servants.

The primary objective of the PM&DC is to register/recognize the government and private medical colleges with the approval of respective ministry as per prescribed criteria/policy besides registration/renewal of local and foreign undergraduates/graduates/postgraduates in medical and dentistry disciplines and registration of medical faculty. In order to govern day to day activities with regards to the service and administrative matters, PM&DC has framed certain rules and regulations under section 33 of the Ordinance. PM&DC is under the administrative control of Ministry of National Health Services, Regulations and Coordination.

16.2 Comments on Budgets and Accounts

Audit of the accounts of the Council was conducted during Phase-II of the Audit Year 2013-14 and accounts for the year 2012-13 were subject to audit. The position of budget allocation and expenditure of PM&DC for the financial year 2012-13 is narrated below:

(Rs in million)

Description	Budget	Expenditure	Excess/ (Saving)	Excess/ (Saving) %
Non-Development	298.30	227.08	(71.22)	(23.87)
Development	8.13	8.13	-	
Total	306.43	235.21	(71.22)	(23.24)

Non-development budget constituted 97.35% of the total budget. There was a saving of Rs 71.22 million under non-development head which constituted 23.87% of the allocation. Main reason for saving was less expenditure on account of pay and allowances, TA/DA and POL.

Receipts

(Rs in million)

Head of Receipt	Estimated Receipts	Actual Receipts	Variation Excess/ (Shortfall)	Variation in %
Registration Fee	111.97	148.47	36.50	32.60
Inspection Fee	14.94	22.00	7.06	47.25
Faculty Registration and Experience Recognition	3.01	12.93	9.92	329.57
Verification Fee/Others	70.06	7.21	(62.85)	(89.02)
Total	199.98	190.61	(9.37)	(4.68)

Actual receipts on account of Registration Fee, Inspection Fee and Faculty Registration were more than the estimated receipts. Under these heads of receipt, a sum of Rs 183.40 million was realized against estimated receipt of Rs 129.92 million. This recorded an excess collection of 41.16%. However, there was a shortfall of Rs 62.85 million (89.02%) against the head "Verification Fee/Others".

16.3 Brief comments on the status of compliance with PAC's directives

Directorate General Audit Works (Federal), Islamabad has conducted a special audit of the accounts of Pakistan Medical and Dental Council during 2012-13 and Special Audit Report is under process of approval. Results of audit conducted during 2013-14 are being reported to the PAC through this report.

16.4 AUDIT PARAS

Irregularity and Non-Compliance

16.4.1 Non-provision of free education to the students by private medical and dental colleges - Rs 181.95 million

According to Rule 32(2) of Medical and Dental Institutions Regulations, 2012, to a minimum of five percent (5%) students in a private college, the institution shall provide scholarship or reduction in fee or free education to selected deserving students with good academic record as determined by scholarship awarding committee of the Council which shall co-opt a member from the concerned institution while deciding its cases.

Audit observed that the Pakistan Medical and Dental Council (PM&DC) did not provide scholarship, reduction in fee or free education to the deserving students. Seventy-four (74) private medical and dental colleges enrolled 5,780 students but did not provide facility of reduction of fee to 289 students (5% of the total students) as required under above rules. This resulted in non-provision of free education involving Rs 181.95 million during the year 2012-13.

Audit maintained that the non-provision of the facility to the deserving students was due to flagrant violation of laid down rules and procedures by the private medical and dental colleges.

Audit pointed out the issue in March 2014. The Council admitted the audit observation and replied that letters for compliance were written to all Medical/Dental colleges.

DAC meeting to discuss the para could not be convened despite best efforts by this office.

Audit stresses upon compliance with the regulations besides appropriate action against the concerned institutions.

(DP.01)

16.4.2 Non-recovery of penalty from unrecognized medical/dental college - Rs 120.00 million

According to decision of the Executive Committee of Pakistan Medical and Dental Council circulated vide No.PF.15-F-2013(Student Registration)/261767 dated 16th January, 2014 to register passed out graduates, without student registration of unrecognized medical/dental college which later on recognized by PM&DC, the college shall pay Rs 200,000 per graduate and fulfill other pre-requisite as per admission criteria of PM&DC or all those graduates have to undergo PM&DC NEB examination.

Audit noted that Ghulam Muhammad Mehr Medical College, Sukkur enrolled 100 students every year since 2003-04 for imparting medical education (MBBS). Audit observed that the college was recognized in 2009 vide Government of Pakistan, Ministry of Health Notification No. F.3-46/2008-MER dated 13th May, 2009. The enrollment of students since 2003-04 prior to the approval of PM&DC and Federal Government was unauthorized and irregular. The PM&DC did not take any action up till enrollment of 5th Batch of students. After ten (10) years the Council came to know the facts when the graduates approached PM&DC for registration. The Council decided to charge penalty on the college @ Rs 200,000 per graduate but the decision had not been implemented. This resulted into non-recovery of penalty of Rs 120.00 million.

Audit maintained that the penalty was not recovered due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-recovery in March 2014. The Council admitted that the Medical College started admissions during session 2003-2004 but college was recognized in 2009. The students of first batch passed their final professional exam in 2008-09. The reply was not

relevant because no recovery on account of penalty was made as per decision of the Council.

DAC meeting to discuss the para could not be convened despite best efforts by this office.

Audit stresses upon recovery of the penalty from the college at the earliest.

(DP.06)

16.4.3 Non-refund of fee to the students admitted in violation of PM&DC Rules - Rs 67.65 million

Section 12 of the Medical and Dental Council (Amendment) Act, 2012 (regarding recognition of medical institutions and qualifications) provides that the Federal Government shall forward the application to the Council after being satisfied that application is complete and is in accordance with the prescribed procedure. The Council shall form recommendations for the Federal Government after assessing the institution and the qualification as per prescribed procedure. Upon receiving recommendations from the Council, the Federal Government shall grant recognition.

Audit noted that the PM&DC conducted a comprehensive inspection of Rahbar Medical and Dental College, Lahore on 5th September, 2013. The inspectors found that the college did not fulfill the criteria for registration and accreditation. Request of the college was not approved by PM&DC for registration and admission of the students.

Audit further noted that the PM&DC afforded an opportunity to the college owners for personal hearing during which they failed to satisfy the Council. In spite of refusal by the PM&DC to accord registration to the college, Rahbar Medical and Dental College admitted 83 students (at annual fee Rs 815,000 per student) without any lawful authority. The Council further directed the college to stop the admissions and return fee to the students immediately.

Audit maintained that the admission of the students and refusal to refund the fee of Rs 67.65 million was due to flagrant violation of laid down rules and procedures.

Audit pointed out the irregularity in March 2014. The Council replied that the PM&DC conducted a comprehensive inspection of the College on 5th September, 2013 and pointed out some deficiencies including return of fees to the students. The reply was not tenable because status of refund of fee by the college/action taken by the Council was not intimated along with evidence.

DAC meeting to discuss the para could not be convened despite best efforts by this office.

Audit stresses upon investigation into the matter and early refund of fee to the students.

(DP.02)

Annexure-1: MFDAC

Nine hundred and sixty (960) Proposed Draft Paras of under-mentioned departments/organizations have been placed in MFDAC for further follow up and compliance on the part of Principal Accounting Officers which are to be complied through Departmental Accounts Committee/verification within the year. In case of non-compliance and after further improvement, paras deemed appropriate will be included in next Audit Report.

S. No.	Name of Department/Organization	No. of PDPs
1.	Capital Development Authority	249
2.	Civil Aviation Authority	108
3.	National Highway Authority	274
4.	Pakistan Public Works Department	152
5.	Estate Office	11
6.	Federal Government Employees Housing Foundation	9
7.	National Construction Limited	8
8.	Pakistan Housing Authority Foundation	15
9.	Evacuee Trust Property Board	7
10.	Frontier Corps	1
11.	Pakistan Coast Guards	0
12.	Pakistan Rangers (Sindh)	1
13.	Higher Education Commission	37
14.	Workers Welfare Fund/Boards	44
15.	Bureau of Emigration and Overseas Employment	36
16.	Pakistan Medical and Dental Council	8
	Total	960

Annexure-2: Audit Impact Summary

S. No.	Change in Rules/Systems/Procedures	Audit Impact
A. Capital Development Authority		
1.	Conduct inquiries to fix responsibility for award of work without possession of site, allowing higher rates, non-accountal of equipment, non-functioning of tube wells, inefficient utilization of funds etc (Paras 2.4.4, 2.4.13, 2.4.20, 2.4.25)	This will improve accountability environment in the organization.
B. Civil Aviation Authority		
1.	DAC directed CAA to take action against those responsible for frequent postings and transfers of Project Directors on a mega project. The Committee further directed CAA to get regularized the payments allowed by the unauthorized Project Directors. (Para 3.4.3)	This will improve financial and regularity framework.
2.	DAC directed CAA to take measures to control time and cost overruns, increase revenue stream through realization of billed amount, extension of commercial activities in a transparent and efficient manner, improve financial forecasting, strategic planning, project monitoring and explore other revenue generating sources to complete the mega project and other development and non-development activities. (Para 3.4.15)	This will improve financial and regularity framework.
3.	Conduct inquiries to fix responsibility for unjustified provision of additional passenger boarding bridges at airport, award of construction supervision services to design consultants, irregular appointment of chief Project Director,	This was likely to improve financial and regularity framework in CAA through enhanced accountability.

S. No.	Change in Rules/Systems/Procedures	Audit Impact
	irregular lease of land etc (Paras 3.4.5, 3.4.6, 3.4.8, 3.4.10, 3.4.14)	
4.	DAC directed CAA to implement Air Navigation Order regarding clearance of dues be ensured before renewal of licences in all cases (Para 3.4.2)	This will increase CAA's revenue due to improvement of commercial policies.
5.	DAC directed that the Consultants be penalized for faulty design and increase in quantities due to design fault. (Para 3.4.25)	This was likely to improve financial and regularity framework in CAA through enhanced accountability.
C. National Highway Authority		
1.	DAC directed NHA to devise a Standard Operating Procedure for the appointment of "The Engineer". (Para 4.4.9)	This will improve financial and regularity framework.
2.	DAC directed NHA to present the matter in NHA Executive Board regarding amendment in NHA Code for approval of the variations by the Authority that accorded technical sanction of the estimate. (Para 4.4.1)	This will improve financial and regularity framework.
3.	Conduct inquiries to fix responsibility for change in design/deviation from standard design, non-completion of works/non-imposition of liquidated damages, award of work at higher rates, unauthorized inclusion of price escalation clause in the contract agreement, etc (Paras 4.4.6, 4.4.11, 4.4.37)	This is likely to improve project management and contract administration in NHA.
D. Pakistan Public Works Department		
1.	In Pak. PWD, PLA-I is maintained to place development budgetary grants. There was a common practice to transfer funds of PLA-I (lapsable) to PLA-III (non-lapsable) to avoid lapse.	This will improve financial and regularity framework.

S. No.	Change in Rules/Systems/Procedures	Audit Impact
	<p>As a result of efforts by Audit, Budget and Accounts Directorate, Pak. PWD has issued direction that no budgetary grants would be kept in PLA-III and before placing funds in PLA-III, a certificate duly signed by Executive Engineer and Divisional Accounts Officer of the concerned division must be obtained to the effect that funds pertain to the non-budgetary grant. (DBA letter No. DBA/WAD/ Circular/ 2014-15 dated 27th October, 2014)</p>	
2.	<p>During audit of accounts of Pak. PWD, Audit pointed out that expenditure against the cheques issued during the financial year from lapsable PLA, which could not be paid/encashed during the year was not being reversed back and resultantly expenditure was booked twice, once in the year of issuing of original cheque and secondly on issue of new cheques during the next year. To overcome the problem and set right the accounts, DBA has advised all the Executive Engineers that expenditure against cheques could not be paid in the respective year of issue, it must be reversed back in June Final account every year. (DBA letter No. DBA/C&A/Misc./2014-15 dated 16th December, 2014)</p>	<p>This will improve financial and regularity framework.</p>
3.	<p>In another issue pointed out by Audit regarding payment of composite rate of item “excavation/cutting in soft rock including sorting and stacking of the excavated stuff despite the fact that component of sorting and stacking was</p>	<p>This will improve financial and regularity framework.</p>

S. No.	Change in Rules/Systems/Procedures	Audit Impact
	not applicable in execution of the item Pak. PWD has notified a reduced rate of the item vide O.M. No. SE(S)/R&C/Schedule/R/2004 dated 25 th June, 2014. The new rate will be applicable for all the works awarded on the basis of Schedule of Rates 2004	
E.	Federal Government Employees Housing Foundation	
1.	Record detailed measurements of work done in the Measurement Books duly certified and test checked by the engineers (Para 6.4.2)	This will improve financial and regularity framework.
F.	Higher Education Commission	
	DAC directed universities to transfer funds of development projects to Current Accounts to be maintained with National Bank of Pakistan in pursuance of instructions of Finance Division (DP. 19)	This will improve financial and regularity framework.

Annexure-3: Comments on Internal Controls

Internal controls are the set of rules, regulations, technical memos, policy instructions and standard operating procedures which have been prescribed by the departments/organizations to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and timely preparation of reliable financial information.

The management of CDA, CAA, NHA, Pak. PWD/Estate Office, FGEHF, NCL, PHA, ETPB, Frontier Corps, Pakistan Coast Guards, Pakistan Rangers, HEC, WWF/Bs, Pakistan Bureau of Emigration and Overseas Employment and Pakistan Medical and Dental Council did not take adequate measures for the effective implementation of internal controls in their respective organizations. Audit observed recurrence of many irregularities, reported over the last many years, generally stemming either from absence of an effective oversight mechanism or the weak implementation of internal controls.

The ministries/organizations did not avail the services of their internal audit wings to create effective internal controls environment. The workload of external audit could have been reduced by utilizing existing internal audit capacity of the departments in addition to the enforcement of financial discipline. It is proposed that prior to the start of external audit, the internal audit reports should be made available to the external auditors help them in delineating the potential audit risk areas. Hence, Audit emphasizes to enhance the role of internal audit wings of these Ministries/organizations and suggests establishment of independent internal audit wings under the direct supervision/control of PAOs/heads of the departments.

Significant breach of internal controls included:

- Weak internal controls often result in loss to government. Such cases occurred due to failure of laid down controls like acquisition/safeguard of assets, performance reviews, monitoring process, financial and administrative delegation of powers, information technology system, pre-audit checks, internal audit, maintenance of record, budgeting, accounting process, reconciliation, tendering for grant of lease/award of concessions and works, invoking of contract clauses/specifications, etc.
- There are cases of non-transparent bidding process, award of works/consultancy without tendering, non-retrieval of encroached land, execution of projects without approval of ECNEC, non-insurance of works, post-bid amendments to the contracts, undue financial aid to contractors, irregular appointments, defective execution of work, improper planning, unauthorized transfer of funds from lapsable to non-lapsable account, payments without recording detailed measurements of work done in MBs, wasteful expenditure, etc.
- There are cases of overpayment due to allowing higher/incorrect rates, allowing excessive quantities and payment due to fictitious measurements, non-deduction of rebate, separate payment for inbuilt items, allowing inadmissible premium, incorrect escalation, extra-contractual decisions of “The Engineer”, difference of foreign currency, etc.
- During the audit exercise on a test check basis, cases of non-recovery on account of licence fee, commercialization charges, rent, penalty, taxes, risk and cost charges, cost of plots, secured advance, mobilization advance, etc. were noticed which have been highlighted in this report.

Annexure-A

Ref. to Para 4.4.1.2

Detail of expenditure without approval of ECNEC/CDWP/revision of PC-I

(Rs in million)

S. No.	DP No.	Name of Work/Project	Excess Expenditure
1.	DP. 19	Construction of Peshawar Northern Bypass Project(Package-1)	190.40
2.	DP. 205	Rehabilitation of Kohala Muzaffarabad Road “S-2” Package-I Damaged due to Rain and Flood 2010 (KM 0+000 to 20+000)	32.58
3.	DP. 211	Rehabilitation of Rohri-Panu Aqil Road (N-5) (South bound) KM 457 to 497, FERP Loan 2742 PAK	4.67
4.	DP. 212	Rehabilitation of Jacobabad to Dera Allah Yar Bypass from KM 83 to KM 95 and Jacobabad city to Dera Allah Yar from KM 75 to KM 80	101.51
5.	DP. 215	Rehabilitation of Sarhad Bypass to Dherki Road N-5 (KM 552 to 576)	18.78
6.	DP. 221	Construction of Bridge over Vadoor Nullah at Km 96-97 (N-70), FERP	05.79
7.	DP. 385	Rehabilitation and Reconstruction of Earthquake Damaged Roads (N-35)	1,487.02
Total			1,840.75

Annexure-B

Ref. to Para 4.4.1.4

Un-authorized and infructuous expenditure on stone protection works for
Rs 825.01 million

(Rs in million)

S. No.	Contract No.	Contractor	Amount
1.	Contract No.PW-(M-1)-03-12/13 Protection work from KM 86+040 to 90+280 Left side on Islamabad-Peshawar Motorway M-1.	M/s Abid Associates	18.80
2.	Contract No.PW-(M-1)-01-12/13 Protection work from KM 86+040 to 90+280 Left side on M-1.	M/s Abid Associates	3.34
3.	Protection on Embankments Slopes of Charsadda Interchange and Approaches (Left Side).	M/s Al-Mansoor Construction Co.	28.68
4.	Protection Works from km 0+000 to 37+000	M/s Mount Star Construction Co.	15.79
5.	Protection/Ancillary Works at km 80+000 to 110+500	M/s Lawaghar Construction Co.	19.35
6.	Protection of Embankment Slopes of Charsada and Approaches (Right side).	M/s Lawaghar Construction Co.	33.44
7.	Dry Riprap from km 66+960 to 80+000	M/s Unee Traders	10.79
8.	Protection Work from km 37+000 to 64+000	M/s International Business and Co.	31.76
9.	Protection/Highway Safety Work at km 56+700 to 80+000	M/s Gul Construction Co.	6.18

S. No.	Contract No.	Contractor	Amount
10.	Protection Work of Fly Over No.09 at km 90+340 and Earthen Dykes Km 99+887	M/s Ramcon	10.91
11.	Highway and Safety Work of Km 0+000 to 64+800	M/s Niaz Brothers	15.35
12.	PW-73-2008	M/s Shahan Enterprises	9.11
13.	Drainage and Protection work at Km 1+000 to 4+000 North Bound	M/s Shahan Enterprises	31.73
14.	PW-74-2008	M/s Ali's Engg. Construction Co.	7.61
15.	PW-57-2007.	M/s Sheikh Iqbal Akhtar and Co.	6.52
16.	PW-64-2008	M/s H. Ali Construction Co.	17.26
17.	PW-56-2007.	M/s Taimoor Shah Construction Co.	5.76
18.	PW-72-2008	M/s Taimoor Shah Construction Co.	11.70
19.	PW-61-2007	M/s Ittehad Construction Co.	6.13
20.	PW-75-2008	M/s Isfahan Sheraz and Co.	15.82
21.	PW-79-2008	M/s Malik Ijaz Amjad and Co.	48.12
22.	Drainage and Protection work from Km 02 to Km 04 on M-1.	M/s Malik Ijaz Amjad and Co.	30.49
23.	PW-76-2008	M/s Nouman Construction.	14.33
24.	PW-65-2008	M/s Ikan Engineering Services.	17.14

S. No.	Contract No.	Contractor	Amount
25.	PW-54-2007	Javed Mumtaz (Pvt.)Ltd.	17.23
26.	Highway Safety Works from km 111+500 to 134+300 Including Rashakai and Charsada Interchange.	Javed Mumtaz (Pvt.)Ltd.	17.42
27.	Protection/drainage works from 80+000 to Km 110+500 (P-3) M-1	-	27.54
28.	Protection /Drainage works from KM 111+500 to KM 134+300 Including Rashakai and Charsada Interchange (P-2) M-1	-	13.85
29.	Contract No.PW-4-(M-I)-2011/12 (M-I) Protection Works L/S at KM 84+000 To 84+400 Left side M-1.	M/s Rahat Construction Co.	4.71
30.	Protection Works at KM 150+200 to KM 152+200 (R/S) Contract No. PW-(M-I)-2011/12 M-1.	M/s Yar Muhammad Khattak and Co.	4.14
31.	Protection work from KM 81+400 to 83+500 R/s Contract No.PW-(M-I)-2011-12/05 on M-1.	M/s Technas (Pvt) Ltd	45.26
32.	Protection work from KM 126+850 to128+000 R/s Contract No.PW-(M-I)-2012-13/05 on M-1.	M/s Technas (Pvt) Ltd	5.00

S. No.	Contract No.	Contractor	Amount
33.	Contract No.PW-(M-I)-03-12/13 Protection work from KM 86+040 to 90+280 L/S on M-1.	M/s Abid Associates	18.80
34.	Contract No.PW-(M-I)-01-12/13 Protection work from KM 86+040 to 90+280 Left side on M-1.	M/s Abid Associates	25.29
35.	Protection Work on Indus Bridge on M-1.	M/s Agha Sher Ali Khan	2.00
36.	Protection Works and Causeway Swabi Interchange at Km 77+000 ~KM 80+600 M-1.	M/s Tri Ess Corporation	46.57
37.	Contract No.PW-(M-I)-01-12/13 Protection work from KM 102+000 to 105+400 Right side on M-1.	M/s Ismail Shah and Co.	15.08
38.	Contract No.PW-(M-I)-KSK-06-12/13 KM 126+870 to Left side M-1.	M/s United Awan Company	3.50
39.	Contract No.PW-(M-I)-KSK-03-12/13 KM 92+300 to NBC M-1.	M/s Taimoor Shah Const. Co	4.36
40.	Contract No.PW-(M-I)-KSK-01-12/13 KM 92+300 to NBC M-1.	M/s Taimoor Shah Const. Co	2.25
41.	Q-M-1-2012-13/14	M/s Nazir Associates	15.73
42.	Protection work of fly over approaches and drain in Swabi interchange	M/s Nazir Associates	39.65
43.	Contract No. PW-(M-1)-01	M/s Ismail Shah	12.11

S. No.	Contract No.	Contractor	Amount
44.	Protection Work at Km 69+500 to 79+000	M/s Abid Hussian	25.24
45.	EM-(M-1)2012-13/01 350-400 NBC-SBC	M/s Khan Associates	10.43
46.	EM-(M-1)2012-13/21 480-488 NBC-SBC	M/S Lawaghar Const.	10.26
47.	EM-(M-1)2012-13/34 387-388 NBC-SBC	M/s Civil Eng. Solution	3.24
48.	EM-(M-1)2012-13/32 388-700 SBC	M/s Friendship Const. Co.	3.66
49.	EM-(M-1)2012-13/19 479-480 NBC-SBC	M/S Lawaghar Const.	12.11
50.	EM-(M-1)2012-13/41 145+200 SBC	M/s Nazir	11.47
51.	EM-(M-1)2012-13/18 350-400 NBC-SBC	M/s Nazir	12.00
Total			825.01

Annexure-C

Ref to Para 4.4.2.1

Statement showing the details of execution of works through irregular variation orders

(Rs in million)

Project No.	Name of Project	Contractor	Project Cost		Date of	Completion Date		VO #	Description	Amount
			Original	Revised	Start	Original	Revised			
1 (RI)	Hyderabad-Hala (SB)	Lilly Intl.	772.96	786.46	12-Oct-04	11-Oct-06	29-Jan-08	3	Cost of pedestrian. bridge (2 No.)	16.66
								4	Additional Drain	0.96
									Total	16.66
3 (RI)	Moro-Ranipur (SB)	SKB	1,110.20	1,207.60	8-Aug-05	7-Jan-08	16-Dec-12	3	Additional work	6.86
								7	Repair work due to flood	11.35
									Total	18.20
7 (RI)	Mianchannu-Sahiwal (N&SB)	SAMBU Const. Co.	863.35	873.32	8-Aug-05	15-Mar-08	14-Jul-08	1	Increase in contract length	22.53
								2	Const. of by-passes (additional)	64.40
									Total	86.93
8 (RI)	Lahore - Gujranwala (N&SB)	M/s HCL	4,974.98	5,573.53	18-Feb-06	18-Aug-08	30-Jun-13	1	Const of Pavement Research Lab.	3.17
								7	Const of RCC drain instead of earth drain	3.46
								8	Treatment of saturated sub soil	3.19
								9	Const of Pavement Research Lab.	7.49
								14	Extra length of service road	137.25

Project No.	Name of Project	Contractor	Project Cost		Date of	Completion Date		VO #	Description	Amount
			Original	Revised	Start	Original	Revised			
								16	Improvement (solar light)	29.01
								17	Renewable energy pilot scheme	15.86
								21	Const of Kalashah Kaku Interchange	358.44
									Total	557.86
9 (RI)	Tarnol-Chablat (N&SB)	Lilly Intl.	1,193.77	1,460.45	17-Aug-05	16-Dec-07	5-Mar-13	1	Const. of extra 3 lane (flexible to rigid)	121.88
								2	Diversion of traffic (2-lane/2 way)	16.06
								3	Addl. Pedestrian underpasses	61.52
								5	Seepage drain work	2.82
								6	Change in U-turns	30.95
								11	Intersection improvement	36.71
								12	Revised pavement marking	7.45
								14	Transitional bridge approaches	16.54
								15	Change in rehabilitation strategy	33.71
								16	Raising profile of median filling	13.40
								17	Addl. Drainage (settlement)	16.81
								18	Modification of pedestrian under passes	2.72

Project No.	Name of Project	Contractor	Project Cost		Date of	Completion Date		VO #	Description	Amount
			Original	Revised	Start	Original	Revised			
									Total	360.55
12A (RS)	Gujranwala-Kharian (NB)	M/s HCL	218.03	181.22	11-Jun-04	9-Sep-05	19-Nov-08	2	Change in scope	32.06
12C (RS)	Gujranwala-Kharian (NB)	M/s HCL	162.65	167.61	11-Jun-04	9-Sep-05	31-Mar-06	2	Change in scope	26.26
12D (RS)	Gujranwala-Kharian (SB)	M/s HCL	233.66	185.03	11-Jun-04	9-Dec-05	5-Sep-08	2	Change in scope	22.36
13 (RS)	Kharian - Rawalpindi (N&SB)	M/s HCL	902.05	955.18	17-Aug-06	16-Aug-08	30-Oct-11	2	Design services	12.15
								5	SIAP work in 03 times	16.56
								6	Increase in scope of work	102.38
									Total	131.09
14 (RS)	Nowshera - Peshawar (N&SB)	Put Sarajevo	512.24	1,127.70	26-Aug-04	25-Apr-06	31-Oct-12	2	Change in aggregate source	271.85
								4	Revised quantities and new Items	141.64
								5	Flood repair work	189.23
								6	Security relocation cost	7.38
									Total	610.10
C-15	Battal-Batgram-Thahkot (N35)	FWO	922.312	1358.550	25-May-07	24-May-09	31-May-13	1	clearance of land slide (new items)	7.72
								2	Change in pavement design	27.84
								3	Replacement of Kass bridge	20.28

Project No.	Name of Project	Contractor	Project Cost		Date of	Completion Date		VO #	Description	Amount
			Original	Revised	Start	Original	Revised			
								4	Revision in quantities of work	154.80
								8	Repair of Chappergran bridge	4.53
								9	Bio Engineering works	17.50
								10	Repair of flood damages works	202.30
									Total	434.97
C-16	Basian-Balakot-Naran (C-16)	M/s FWO	2,311.62 2	3,889.62 7	30-Mar-07	30-Sep-09	30-Apr-13	3	Stone masonry for retaining wall	9.65
								4	Slide clearance (new items)	100.81
								6	Under-paving retaining wall	43.64
								7	By-pass Malakand side	14.19
								8	Revision of quantities	584.72
								11	Repair of damaged (flood) work	210.93
								12	Flood repairs (Mohamdri) Naran	375.19
								14	Semi-permanent by-pass Malakand side	67.36
									Total	1,406.49
C-17	Kohala-Mazaffarabad-Chakothei(C-17)	M/s FWO	1,649.64 9	4,374.22 3	24-Apr-07	24-Apr-09	15-Jun-13	2	clearance of land slide (new items)	96.10
								3	pavement re-designing	172.24
								4	new bridge (KM-50)	65.22

Project No.	Name of Project	Contractor	Project Cost		Date of	Completion Date		VO #	Description	Amount
			Original	Revised	Start	Original	Revised			
								6	Repair of split bridge (KM-41.350)	3.08
								7	Under paving retaining wall	5.24
								8	New rate for raised pavement marking	11.55
								9	Paso slide rock protection gallery	137.62
								10	Revision in quantities	1,360.24
								11	Bio engineering works	194.85
								12	Rigid pavement in urban area	44.14
								13	Road widening (Chinari bazar)	64.14
								14	Re-construction of flood	569.34
									Total	2,723.75
									G. Total	6,427.28

Statement showing the details of irregular grant of extension of time (EOT)

contract #	Work	Contractor	Cost				Stipulated Period					
			Original	Revised	Increase		D.o.S	D.o.C	days	EOT	days	%age of EOT
					Amount	%age increase						
C-3	Moro-Ranipur (C-3) SB	M/s SKB	1,110.200	1,207.600	97.400	8.77%	8-Aug-05	7-Jan-08	882	16-Dec-12	1805	204.65%
C-5	Ubaro-Shaikh Wahan (SB)	M/s Lilly Int.	1,199.890	1,220.250	20.360	1.70%	17-Aug-05	16-Aug-08	1095	27-Sep-09	407	37.17%
C-7	Mianchannu-Sahiwal (N&SB) (C-7)	M/s SAMBU	863.350	873.320	9.970	1.15%	8-Aug-05	15-Mar-08	950	14-Jul-08	121	12.74%
C-8	Lahore-Gujranwala (C-8) N&SB	M/s Hussnain Cotex	4,974.980	5,573.530	598.550	12.03%	18-Feb-06	18-Aug-08	912	30-Jun-13	1777	194.85%
C-9	Tarnol-Chablat (C-9) N&SB	M/s Lilly Int.	1,193.770	1,460.450	266.680	22.34%	17-Aug-05	16-Dec-07	851	5-Mar-13	1906	223.97%
C-11B	Mianchannu-Sahiwal-Okara (11-B)	M/s SKB	1,217.040	1,551.920	334.880	27.52%	17-Aug-06	16-Aug-08	730	28-Feb-12	1291	176.85%
C-13	Kharian-Rawalpindi (C-13) N&SB	M/s Hussnain Cotex	902.050	955.180	53.130	5.89%	17-Aug-06	16-Aug-08	730	May-13	1719	235.48%

contract #	Work	Contractor	Cost				Stipulated Period					
			Original	Revised	Increase		D.o.S	D.o.C	days	EOT	days	%age of EOT
					Amount	%age increase						
C-14	Nowshera-Peshawar (C-14)N&SB	M/s Put Sarajevo	512.240	1,127.700	615.460	120.15%	26-Aug-04	25-Apr-06	607	31-Oct-12	2381	392.26%
C-16	Basian-Balakot-Naran (C-16)	M/s FWO	2,311.622	3,889.627	1,578.005	68.26%	30-Mar-07	30-Sep-09	915	30-Apr-13	1308	142.95%
C-17	Kohala-Muzaffarabad-Chakothi (C-17)	M/s FWO	1,649.649	4,374.223	2,724.574	165.16%	24-Apr-07	24-Apr-09	731	15-Jun-13	1513	206.98%
	Total		15,934.791	22,233.800	6,299.009							

Annexure-E
Ref to Para 4.4.11.2

Loss due to grant of extension of time

Sr. #	Work/ contract No.	contractor	original cost	Revised cost	Stipulated Period			Work done in stipulated period		Escl. paid in stipulated period	Escl. %age (avg) in stipulated period	Total Work Done paid	Total Escl. paid	Escl. To be paid @ of original completion period	Loss due to EOT
					D.o.S	D.o.C	EOT	Amount	%age						
1	Tarnol- Chablat (C-9) N&SB	M/s Lilly Int.	1,193.770	1,460.450	17-Aug-05	16-Dec-07	5-Mar-13	324.891	27.22%	92.368	28.43%	1,488.268	1,068.602	423.121	645.481
2	Lahore- Gujranwala (C-8) N&SB	M/s Hussnain Cotex	4,974.980	5,573.530	18-Feb-06	18-Aug-08	30-Jun-13	1,985.075	39.90%	573.529	28.89%	4,899.522	3,134.008	1,415.573	1,718.435
3	Kharian- Rawalpindi (C-13) N&SB	M/s Hussnain Cotex	902.050	955.180	17-Aug-06	16-Aug-08	May-13	103.714	11.50%	35.746	34.47%	955.177	992.363	329.211	663.152
4	Moro-Ranipur (C-3) SB	M/s SKB	1,110.200	1,207.600	8-Aug-05	7-Jan-08	16-Dec-12	478.023	43.06%	112.164	23.46%	1,207.601	900.754	283.353	617.401
5	Nowshera- Peshawar (C-14)N&SB	M/s Put Sarajevo	512.240	1,127.700	26-Aug-04	25-Apr-06	31-Oct-12	188.452	36.79%	68.040	36.10%	1,055.147	876.370	380.957	495.413
6	Mianchannu- Sahiwal- Okara	M/s SKB	1,217.040	1,551.920	17-Aug-06	16-Aug-08	28-Feb-12	121.162	9.96%	64.540	53.27%	1,551.924	1,650.457	826.672	823.785
7	Basian- Balakot-Naran	M/s FWO	2,311.622	3,889.627	30-Mar-07	30-Sep-09	30-Apr-13	1,019.180	44.09%	460.021	45.14%	3,537.070	2,655.228	1,596.506	1,058.722
8	Kohala- Muzaffarabad- Chakothei	M/s FWO	1,649.649	4,374.223	24-Apr-07	24-Apr-09	15-Jun-13	622.272	37.72%	234.765	37.73%	4,172.817	2,957.026	1,574.282	1,382.744
Total												18,867.526	14,234.808	6,829.674	7,405.134

Annexure-F
Ref to Para 4.4.12

Status of projects under Larkana Package

S. No.	Name of Project	Contract Cost (Original) Rs in million	Contract Cost (Revised) Rs in million	Up to date expenditure certified (Rs in million)	Planned Date of Completion	Physical Progress	Remarks
1.	Construction of Bridge Over River Indus along with Approach Roads	5,823.94	10,286.88	9,613.53			
	Construction of Bridge	1,252.00	1,252.00	1,252.00	30.04.2010	Completed	
	Approach Road Package-I	2,767.52	4,016.00	5,615.25	15.06.2010	90%	Land Award recently passed.
	Approach Road Package-II	1,424.34	1,422.538	1,142.29	01.07.2010	Completed	Land Award not passed
	Approach Road Package-III	1,484.51	1,485.773	1,485.77	01.07.2010	Completed	
	Construction of four bridges P-IV	147.571	147.571	118.22	15.2.2010	95%	
2.	Improvement and Rehabilitation of Lakhi-Naudero-Larkana	2,218.54	3,062.805	2,915.77			Land Award not passed.
	Lakhi-Madeji Package-I	1,098.54	1,814.735	1,790.00	09.07.2010	Completed	
	Madeji-Larkana Package-II	1,120.00	1,559.621	1,364.68	14.07.2010	Substantially completed	

S. No.	Name of Project	Contract Cost (Original) Rs in million	Contract Cost (Revised) Rs in million	Up to date expenditure certified (Rs in million)	Planned Date of Completion	Physical Progress	Remarks
3.	Improvement and Rehabilitation of Larkana-Moenjodaro Road Project	2,653.69	3,062.805	2,915.77			Land Award not passed.
	Larkana-Bakrani Package-I	1,300.00	1,529.448	1,504.52	14.05.2010	85%	
	Bakrani-Moenjodaro Package-II	1,353.69	1,533.357	1,411.25	14.05.2010	78%	
4.	Rehabilitation of Ratodero-Naudero via Garhi Khuda Bux Road Project (N655)	787.90	791.21	789.89	29.11.2010	Completed	
5.	Rehabilitation of Larkana-Kamber Road Project (N-455)	829.11	783.412	579.00	24.09.2010	76%	Land Award not passed.
6.	Rehabilitation of Kamber-Shahdadkot Road Project	1,034.34	1,043.34	588.00	19.04.2011	81.50%	
7.	Rehabilitation of Larkana-Naseerabad via Rasheed Waigen Road Project	1,363.90	1,587.148	725.280	23.01.2012	56.50%	
Total				18,366.150			

