Auditor-General of Pakistan

February 2026

Audit Report on

Construction of Bharakahu Bypass,
Islamabad

Capital Development Authority, Islamabad

Report No: DGAWF-26-004

(Financial Years 2022-23 to 2024-25)
Audit Year 2025-26

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PREFACE

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

This report is based on audit of the project 'Construction of Bharakahu Bypass, Islamabad' executed by Capital Development Authority. The Directorate General Audit Works (Federal) conducted the audit of the project during the year 2025-26 for the period covering 2022-23 to 2024-25 with a view to make an independent assessment of the project's status and performance, highlight potential gaps, issues and risks in project implementation and identify areas for improvement. The report also aims at improving the internal controls system of the project, thereby allowing the management to take corrective action and improve effectiveness of the overall project management processes.

At the outset, the report provides key facts and details about the project followed by an audit snapshot summarizing the reasons for conducting the audit, findings on various matters and actionable recommendations. The Audit Report covers a variety of aspects of the project including project objectives, project planning, Human Resource Management, financial management, procurement, contract management, monitoring and evaluation and physical/on-site progress. The report also includes conclusion and recommendations for executive action.

Most of the audit findings were discussed with the PAO in Departmental Accounts Committee meeting held 17th February, 2025 and outcome of the meetings has been incorporated in the report.

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 both houses of Majlis-e-Shoora (Parliament).

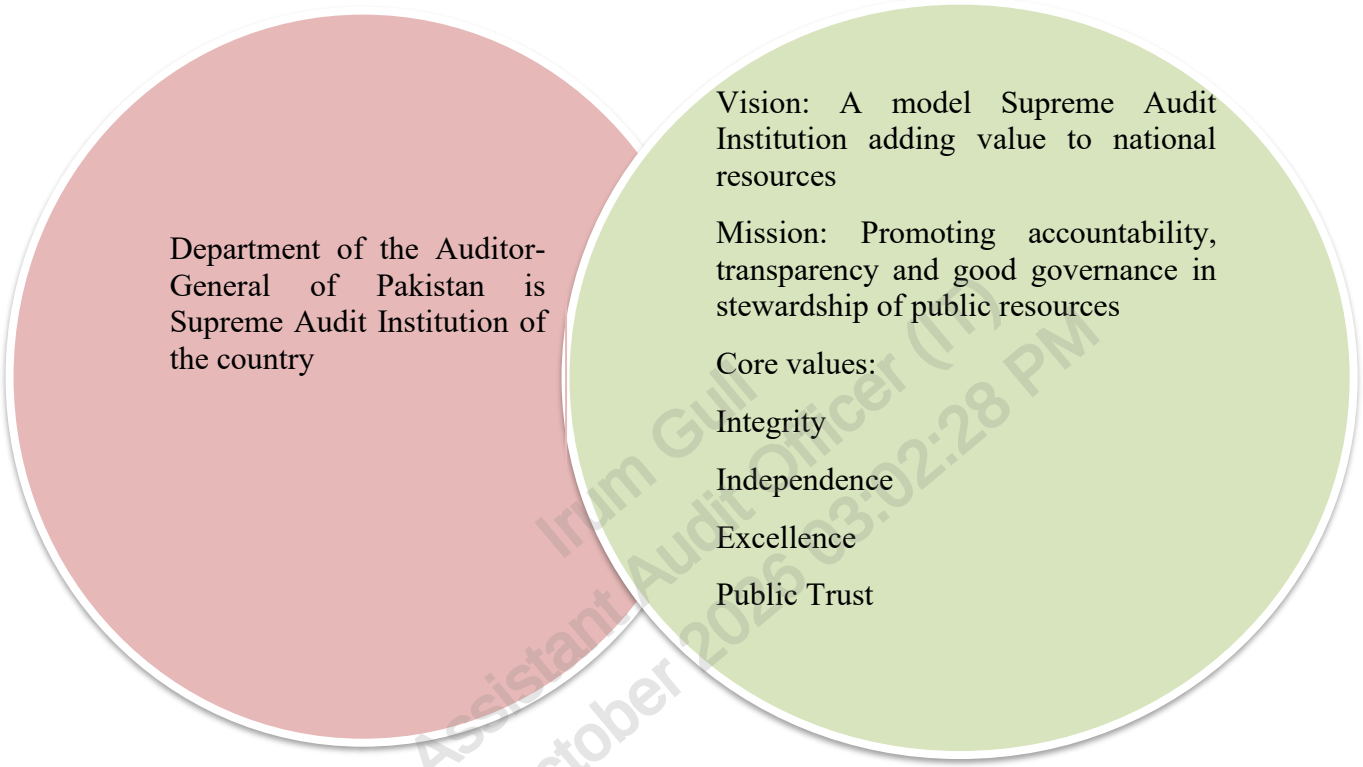
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Sd/-
(Maqbool Ahmad Gondal)
Auditor-General of Pakistan

Islamabad
Dated: 24th February, 2026

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Department of the Auditor-General of Pakistan



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The Auditor-General of Pakistan is appointed under Article 168 of the Constitution of Islamic Republic of Pakistan. The reports of the Auditor-General are laid before the legislature and are discussed by the Public Accounts Committees of the respective Assemblies. The constitutional mandate enables the Auditor-General to strengthen legislative oversight by providing an independent, reliable and objective assessment of the process of governance at the federal, provincial and district level.

AUDIT SNAPSHOT

Audit Report on Construction of Bharakahu Bypass, Islamabad

DGAWF 26-004
February 2026

Why did we do this Audit	What did we find?
The audit of the Project was conducted to evaluate financial discipline, regulatory adherence, and the management of the project with a view to assess potential gaps, issues and risks in project implementation.	1. Non-fulfillment of conditions of award through direct contracting under Rule 42 (f) of Public Procurement Rules 2. Non-finalization of accounts and non-issuance of TOC of the project 3. Non-carrying out of International Roughness Index tests 4. Excess payment of BOQ Items of granular sub base and aggregate base course 5. Non-adjustment of advance payments
Key Assessment	**What do we recommend?**
i. Non-fulfillment of conditions of award through direct contracting under Rules 42 (f) of Public Procurement Rules ii. Project is open for traffic in August, 2023 with a delay of five months. iii. The contractor of civil works was paid Rs 4,503.656 million against contract cost of Rs 6,515.079 million. Account of the project has not been finalized due to non-issuance of TOC. iv. International Roughness Index test of road smoothness was not performed.	• Observance of public procurement rules in letter and spirit. • Measures be taken to ensure that timelines are fulfilled in future projects. • Finalization of accounts to determine project cost and liabilities. • Carrying out IRI to ensure riding quality.

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Audit Report on Construction of Bharakahu Bypass, Islamabad

Highlights

DGAWF 26-004 February 2026

Data Summary Sheet

Description	Details
Project Name and Code (if, any)	Construction of Bharakahu Bypass, Islamabad
Location	Bharakahu, Islamabad
Approving Forum & Dates	CDA-DWP, September 2022
Executing Entity	Capital Development Authority, Islamabad
Feasibility Study	August 2022
Funding Sources (Govt/Donor agency)	CDA's own financial resources
Approved cost	Rs. 7,004.55 million (PC-I)
Total Allocations (year-wise)	• Rs. 2,499.998 million for the year 2022-23 • Rs. 2,481.958 million for the year 2023-24 • Rs. 24.199 million for the year 2024-25
Total Releases and Expenditure (Year-wise & date-wise)	• Rs. 2,499.998 million for the year 2022-23 • Rs. 2,481.958 million for the year 2023-24 • Rs. 24.199 million for the year 2024-25
Expenditure up to date	Rs. 5,006.160 million
Was procurement made through e-PADS (Yes or No)	No
Status of project i.e. Completed or Ongoing	TOC is under process
Cost Over-run	Within approved PC-I and contract cost
Stated Completion date	Original 08.02.2023, EOT's 23.03.2023 & 31.07.2023
Status of PC-II to V	PC-II approved in August 2022. PC-III, IV & V not prepared
Time over-run	Five Months
Scope of work (Targets / Deliverables of project)	3.85 KM road (6 lane); 1.5 KM elevated Highway; 1 Bridge; 5 underpasses
Sustainability	Project has a design life of 20 years for road pavement and 50 years for bridges and underpasses. The annual

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Description	Details
	operational cost of the project is 2% of construction cost.
Outcome of the project	As per PC-I, the projected outcome is smooth traffic flow
Physical Progress in terms of %	100%
Financial Progress in terms of %	71%
Composite (risk) Rating (derived from audit finding to provide at-a-glance summary of project integrity and performance)	Medium Risk

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20 October 2026 03:02:28 PM

CONTENTS Page No.

Abbreviations and Acronyms i

Background and Overview of the Project iii

FINDINGS

1. Procurement 1
2. Contract Management 3
3. Monitoring and Evaluation 7
4. Sustainability Assessment 8
5. Conclusion 9
6. Recommendations 10

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20 October 2026 03:02:28 PM

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Abbreviations and Acronyms

AJ&K	Azad Jammu & Kashmir
CSR	Composite Schedule of Rates
CDA	Capital Development Authority
CPWA	Central Public Works Accounts
DAC	Departmental Accounts Committee
EOT	Extension of Time
FWO	Frontier Works Organization
IRI	International Roughness Index
JMF	Job Mix Formula
NHA	National Highway Authority
NLC	National Logistic Cell
PEC	Pakistan Engineering Council
PAO	Principal Accounting Officer
TOC	Taking over Certificate

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20 October 2026 05:02:28 PM

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Background and Overview of the Project

The project is part of an overall traffic management scheme for uninterrupted traffic along Bharakahu-Murree road. The road serves as a link between Islamabad, Murree/Galiyat region and Azad Jammu & Kashmir (AJ&K). Over recent years, traffic volume has increased significantly due to population growth, urban expansion, and increased tourism, especially from Rawalpindi and Islamabad to Murree.

As per PC-I of the project, the existing dual carriageway was deteriorated and insufficient to handle the growing traffic load causing delays, pollutions and associated socio-economic problems to the commuters. To mitigate these issues, the project was initiated to deliver a grade-separated traffic movements through the construction of bypass. This intervention was essential for ensuring smooth, uninterrupted traffic flow and reducing delays, emissions, and noise pollution. The project also aimed at improving public health outcomes and reduce economic losses associated with traffic congestion.

Beyond mobility improvements, the project was aimed at generating employment opportunities for local residents, thereby enhancing their living standards. The total length of the bypass is 5.4 kilometers, offering an alternative route to the existing E-75 highway.

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FINDINGS

1. Procurement

1.1 Award of contract in violation of Rule 42(f) of Public Procurement Rules

Rule 42 (f) of the Public Procurement Rules, 2004 provides that a procuring agency may engage in direct contracting with state owned entities such as professional, autonomous or semi-autonomous organizations or bodies of the Federal or Provincial Governments for the procurement of such works and services, including consultancy services, which are time sensitive. The procuring agency shall devise a mechanism for determining price reasonability to ensure that the prices offered by the state-owned entities are reasonable for award of the contract.

Audit noted that CDA awarded contract for "Construction of Bharakahu Bypass Islamabad" on Design and Built basis to M/s NLC Islamabad at agreed cost of Rs 6,515.079 million through direct contract under rule 42(f) on 22.09.2022. The work commenced on 11.10.2022 with stipulated completion period of four (04) months.

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20 October 2026 03:02:28 PM

Audit observed that:

- The procuring agency did not devise a mechanism for determining price reasonability to ensure that the prices offered by the state-owned entities are reasonable for award of the contract.
- The work was awarded on the plea of a time-sensitive project with the completion period of four (04) months. However, the project was not completed within the stipulated period and five months extension of time was granted up to 31.07.2023.

The Authority replied that the project was to be completed in four months as directed by the Prime Minister. The bids were called from state owned organizations under Rule 42 (f) and awarded to M/s NLC. The rate of 15.81% above NHA CSR-2022 quoted by M/s NLC was found reasonable keeping in view the price hike. The reply is not acceptable because conditions of direct contracting regarding rate reasonability and time sensitivity were not fulfilled prior to award of work.

The matter was discussed in DAC meeting held on 17.02.2025 wherein the management apprised that the Prime Minister Office issued directives for starting and completing the Bharakahu Bypass project in four months strict time period requiring the project to be executed on fast-track basis. Subsequently, tenders were invited from state-owned organizations under Rule 42 (f) of

Public Procurement Rules. M/s FWO and M/s NLC participated in the tendering and offered their rates wherein M/s NLC stood lowest bidder and the project was awarded to M/s NLC at a contract cost of Rs. 6,515.079 million. After the award of work, certain unforeseen and unexpected issues including litigations, encountering underline services, etc. impacted the work progress. In this regard extension of time was granted up to 31.07.2023. Despite these challenges, the project was completed and opened for traffic within the approved extended period. The project was completed successfully and inaugurated by Honorable Prime Minister in August 2023.

DAC directed the management that all relevant record be shared with Audit along with status of Taking Over Certificate.

Audit recommends full compliance of all conditions of Rule 42(f) in addition to provision of record in line with DAC directives dated 17.02.2025.

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20 October 2026 03:02:28 PM

2. Contract Management

2.1 Non-conducting of IRI (International Roughness Index) Tests

Capital Development Authority prepared PC-I of the project based on NHA General Specifications 1998 and NHA CSR. NHA specification 305.3.2, provides that the surface of the wearing course shall be tested by the Engineer using a 5-meter straight edge at selected locations. The variation of surface from testing edge between any two contracts shall at no point exceed 5 millimeters. All humps or depressions exceeding the specified tolerance shall be corrected by removing the defective works and replacing with new material.

Audit observed that the CDA did not conduct required roughness tests to ensure riding quality of the road as per NHA specifications.

The matter was discussed in DAC meeting held on 17.02.2025. The management apprised that all the requisite quality tests were duly performed during execution of the project. Audit contended that CDA did not conduct International Roughness Index (IRI) test to determine road smoothness for quality traveling. The DAC directed the management to conduct IRI test within thirty days and share the same with Audit.

Audit recommends compliance of DAC directives.

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20 October 2026 03:02:28 PM

2.2 Non-recording of detailed measurements of work done in Measurement Book

As per Para 119 of CDA Procedure Manual (Part-III), payments for all work done are made on the basis of measurements recorded in the Measurement Book (Form-23) in accordance with general instructions given for recording detail measurements in Para 120 of the said Procedure Manual. The Measurement Books should, therefore, be considered as very important accounting record. All measurements should be neatly taken in a Measurement Book (Form 23) and nowhere else.

Audit observed that the Authority did not maintain the measurement book for the Project as per the instructions detailed in the CDA Procedure Manual. The quantities were not written in the measurement books. This led to non-maintenance of actual work done against payments made for verification. Had the measurements been entered as per the instructions, the quantities could have been verified easily by a third party.

The Authority replied that the payment stands released upon certification by the Resident Engineer acting on behalf of the Engineer. Record entry on measurement books is not a contractual requirement as per PEC standard documents.

Audit recommends fixing of responsibility for non-maintenance of measurement book. (Observation No.04 of AIR 2024-25)

2.3 Excess payment of BOQ Items of granular sub-base and aggregate base course

As per typical cross section of the work, the cross-sectional area of granular sub-base for road slips was 2.6 square meter (sq.m) and for loop was 3.3 sq.m. Similarly, the area for aggregate base course for road slip was 2.75 sq.m and for loop was 5.5 sq.m.

Audit observed that the project management measured item of work 'granular sub-base' for road slip and for loop by taking area 3.7 sq.m and 7.2 sq.m respectively. The Authority also measured item of work 'aggregate base course' for road slip and for loop by taking area 3.086 sq.m and 6.06 sq.m respectively in violation of typical cross section. In this way the Authority paid 30% excess quantities than admissible as per approved drawings, for both items of the work.

This resulted overpayment of Rs. 55.50 million. (Sub-base Qty 34,295 cubic meter amounting to Rs 71.92 million and aggregate base course quantity 43,478 cubic meter for Rs. 113 million = Rs 184.92 x 30% = Rs 55.50 million).

The Authority replied that the areas and quantities have been executed as per project drawings and specifications duly verified by the project consultants. The reply was not acceptable because more than admissible quantities were paid.

Audit recommends recovery of excess amount. (Observation No.08 of AIR 2024-25)

2.4 Excess payment of BOQ item of Formation of Embankment

As per profile of the earthwork provided in tender drawing of the project, the maximum filling area for embankment was 180 square meters (sq.m).

Audit observed that CDA paid item of work, 'Formation of Embankment from borrow excavation in common material' for Rs. 290.5 million. The Authority measured and paid item of work (formation of embankment) by taking area of 400 sq.m average instead of admissible area of 180 sq.m as provided in profile of work. This resulted in excess payment of Rs. 139.00 million.

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20 October 2026 03:02:28 PM

The Authority replied that the areas and quantities have been executed as per project drawings and specifications duly verified by the project consultants. The reply was not acceptable because more than admissible quantities were paid.

Audit recommends recovery of excess amount. (Observation No.09 of AIR 2024-25)

2.5 Non-adjustment of advance payments

According to para 72 of Central Public Works Accounts (CPWA) Code, as a general rule, every payment including repayment of money previously lodged with government for whatever purpose, must be supported by a voucher setting forth full and clear particulars of claim and all information necessary for its proper classification and identification in the account.

Audit observed that the CDA made advance payments of Rs 512.671 million to M/s IESCO and SNGPL for relocation of utilities and shifting of services under the work. Const. of Bharakahu Bypass during the financial year 2022-23. Vouched account in settlement of advances and actual work performed has not been obtained.

The management replied that the payments have been made to concerned Govt. departments after obtaining approval by competent authority & allocation of funds by Finance Wing CDA in the interest of projects. The reply does not correspond with audit observation.

Audit recommends that vouched accounts from the departments concerned be obtained for the final adjustment of the advance payments. (Observation No. 12 of AIR 2023-24)

2.6 Non-provision of proper traffic diversion

Clause-30 of Special Provisions/Condition of the contract provides that the contractor shall be responsible for providing asphaltic road diversions at site and shall ensure proper traffic safety, information & warning signs including lightning etc. No separate payment will be made against these arrangements.

Audit observed that the contractor did not provide proper asphalted traffic diversions, the cost of which was included in the bid cost of the contractor, for the safety of traffic and work, due to which a fatal incident occurred during construction causing loss of human lives and structure. The cost of asphaltic diversion was neither determined nor recovered from the contractor.

The management replied that there was no available option for the diversion of main/heavy traffic on Murree Road. The incidents happened due to external reasons and there was no negligence of supervisory consultants. The reply was not accepted because the asphaltic diversion

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20 October 2026 03:02:28 PM

was neither arranged by the contractor as required under the contract nor the cost thereof was determined and deducted from the contractor.

In the DAC meeting held on 17.02.2025, the management apprised that the Prime Minister Office constituted an inquiry commission to investigate the two incidents happened during project execution. Outcome of the inquiry has not yet been communicated.

Audit recommends adjustment of the cost on account of non-provision of traffic diversions besides sharing outcome of the inquiry commission.

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20 October 2026 03:02:28 PM

3. Monitoring and Evaluation

3.1 Non-finalization of accounts and non-issuance of TOC of the project

The Planning Commission's Project Management Guidelines (Para 3.33 & 3.34) and Rule 45 of Public Procurement Rules 2004 require that once a project is completed or a Taking Over Certificate (TOC) is issued, accounts must be finalized and PC-IV (Completion Report) and PC-V (Evaluation Report) must be submitted. This process includes closing supplier contracts, releasing securities, and formally closing bank accounts.

Audit observed that the project was operationalized and opened for traffic on 8th August 2023, but CDA neither finalized the project accounts nor prepared PC-IV & PC-V of the project. TOC of the project was also not issued resulting in non-conducting of inspection of the project on completion to ensure the quality of works at site.

The management replied that TOC is under process.

Audit recommends early finalization of accounts, issuance of TOC and preparation of PC-IV & PC-V of the project.

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4. Sustainability Assessment

As per PC-I, the project has a design life of 20 years for road pavement and 50 years for bridges and underpasses. The annual operational cost of the project is 2% of construction cost. The project has defined sustainability objectives like economic, social and environmental.

1. Environmental Sustainability

- As per requirements of environmental sustainability, project should provide for using materials that have a lower carbon footprint, ensuring proper drainage to prevent soil erosion, and minimizing the destruction of local flora and fauna during construction. Audit observed that the PC-I contains a provision of horticulture and landscaping work amounting to Rs 50.00 million to address the requirements of environmental sustainability.

2. Social Sustainability

- The project provides for improving road safety for locals, reducing noise and air pollution in the bazaar area and ensuring that the bypass doesn't unfairly cut off neighborhoods from essential services.
- The project has prima facie reduced the travel time from Islamabad to Murree & AJK and other heavy traffic destinations. Access to educational, recreational and health facilities has become more feasible and reliable.

3. Economic Sustainability

- Fuel Economy: Fuel consumption has reduced due to free flow of traffic through the bypass.
- Business promotion: Access to Islamabad has improved business/employment opportunities for the community.
- Tourism: During tourism seasons the frequent traffic jams has been reduced and now the tourist can freely move to tourist destinations.

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5. Conclusion

The project underwent delay in implementation, monitoring & supervision and failure to conduct IRI test to ensure smoothness of road. The contract was awarded in violation of conditions of Rule 42 (f) of Public Procurement Rules. Though the project was awarded on the plea of time sensitivity, it was not completed within given timelines and two EOTs were granted by the Employer. The Project has been opened for traffic since August, 2023, however, TOC and finalization of accounts of the project have not been processed.

Though the project has visibly delivered on social and economic aspects and carries positive impacts on people's lives by reducing travel time and promoting business and housing sectors, the corporate social responsibility aspects of the project are required to be ensured to mitigate adverse impacts on environment along with impact assessment studies to quantify where possible its social, economic and environmental benefits.

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20 October 2026 03:02:28 PM

6. Recommendations

- Full compliance of all conditions of Rule 42(f) in direct contracting be ensured.
- The IRI test be conducted for smoothness of road quality.
- Early finalization of account, processing of TOC and preparation of PC-IV and PC-V be ensured.

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