



**AUDIT REPORT
ON
THE ACCOUNTS OF
EARTHQUAKE RECONSTRUCTION AND
REHABILITATION AUTHORITY (ERRA)
AUDIT YEAR 2012-13**

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AGP	Auditor General of Pakistan
AGPR	Accountant General Pakistan Revenues
AIT	Assistance and Inspection Team
AJ&K	Azad Jammu and Kashmir
BCDP	Bagh City Development Project
BoQ	Bill of Quantity
CB	Cash Book
CNIC	Computerized National Identity Card
CPWD	Central Public works Department Code
DAC	Departmental Accounts Committee
DG	Director General
DMO	Duplicate Machine Operator
DRAC	District Reconstruction Advisory Committee
DRU	District Reconstruction Unit
EBRFA	Extra Budgetary Resource Fund Account
ERC	Emergency Relief Commissioner
ERRA	Earthquake Reconstruction and Rehabilitation Authority
FTR	Federal Treasury Rules
GCC	General Condition of Contract
GDSP	German Debt Support Program
GFR	General Financial Rules
GOP	Government of Pakistan
GPS	Girls Primary School
IDA	International Development Association
IDB	Islamic Development Bank
IPC	Interim Payment Certificate
IPSAS	International Public Sector Accounting Standards
KHA	Kashmir Highway Authority
KP	Khyber Pakhtunkhwa
LD	Liquidated Damages
LDC	Lower Division Clerk
MCDP	Muzaffarabad City Development Project
MOU	Memorandum of Understanding
MRDEA	Medical Rehabilitation of the persons with Disabilities in Earthquake Affected Areas
NAM	New Accounting Model

NESPAK	National Engineering Services Pakistan
NOC	No Objection Certificate
OM	Office Memorandum
PACRA	Pakistan Credit Rating Agency
PCC	Particular Condition of Contract
PDMA	Provincial District Management Authority
PEC	Pakistan Engineering Council
PERRA	Provincial Earthquake Reconstruction and Rehabilitation Agency
PHED	Public Health Engineering Department
PLA	Personal Ledger Account
PMIU	Project Management Implementation Unit
PMU	Project Management Unit
POL	Petrol Oil and Lubricant
SDMA	State District Management Authority
SDA	Special Drawing Account
SERRA	State Earthquake Reconstruction and Rehabilitation Agency
SFD&KF	Saudi Fund for Development and Kuwait Fund
SP	Superintendent Police
T&C	Transport and Communication
TSS	Temporary Shelter Support
UC	Union Council
UDC	Upper Division Clerk

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, read with section 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 receipts and expenditures of the Federation and the Provinces or the accounts of any authority or body established by the Federation or a Province.

The Report is based on audit of the Accounts of Earthquake Reconstruction and Rehabilitation Authority (ERRA), Provincial Earthquake Reconstruction and Rehabilitation Agency (PERRA) in Khyber Pakhtunkhwa and State Earthquake Reconstruction and Rehabilitation Agency (SERRA) in AJ&K for the financial year 2011-12. Some observations pertaining to the financial year 2010-11 are also included in this Report. The Directorate General of Audit (ERRA) conducted audit during audit year 2012-13 on 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. 1million or more. Relatively less significant issues are listed in Annexure-I of the Audit Report. The Audit observations listed in Annexure-I shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the inadequate adherence to the regularity framework of the Government of Pakistan, besides identifying a need to urgently institute and strengthen internal controls to avoid recurrence of similar violations and irregularities.

No Departmental Accounts Committee (DAC) meeting was arranged by the executive authorities till finalization of the Report.

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

Dated: 28 February 2013

[Muhammad Akhtar Buland Rana]
Auditor-General of Pakistan

EXECUTIVE SUMMARY

In the aftermath of the devastating earthquake of October 2005, the Government of Pakistan undertook the reconstruction/ rehabilitation activities in the affected districts of Khyber Pakhtunkhwa and AJ&K on fast track basis. For this purpose Earthquake Reconstruction and Rehabilitation Authority (ERRA) was established on 24th October 2005 under ERRA Ordinance, 2006 (No. XXVIII of 2006). Subsequently, the provincial and state level agencies i.e. PERRA and SERRA were also established at Peshawar and Muzaffarabad, respectively, to implement and coordinate reconstruction and rehabilitation activities.

Auditor General of Pakistan established the office of Director General Audit ERRA in September 2006 in order to conduct the audit of receipts and financial utilization of ERRA. The office is mandated to conduct regularity audit, financial attest, compliance with authority audit, audit of sanctions and propriety and performance audit of ERRA, PERRA and SERRA. The DG Audit (ERRA) has a human resource of 40 personnel constituting 6500 man days available. The annual budget of the DG Audit ERRA for the financial year 2012-13 is Rs 24.496 million.

There is one PAO and 65 formations of ERRA. Audit Plan for 2012-13 included audit of both expenditures and receipts of these formations. In phase-I of audit plan 39 formations out of 40 planned were audited showing 98 % achievement. Remaining 26 formations would be audited in phase-II.

Audit of 36 formations of Phase-II for Audit Plan year 2011-12 was planned against which all formations were audited. Key issues highlighted in these audits have also been incorporated in this Report. The achievement for this phase is 100%.

a. Scope of audit

During the financial year 2011-12, the total expenditure of ERRA was Rs 14,827.082 million. Out of total expenditure of Rs 14,827.082 million, regularity audit on test check basis was conducted for Rs 11,257.005 million. In addition, Performance Audit of Education Sector of ERRA is in process. The Audit Plan contains Project Audit of EEAP and Special Study on Receipt Profile of ERRA which are to be executed in Phase-II.

b. Recoveries at the instance of audit

Recoveries of Rs 104.089 million effected during year 2012-13 (up to 31st December 2012).

c. Objectives:

To express opinion on the accounts of the entity/sector to the effect that:

- The financial statements properly present, in all material respects, the government's financial position, the results of operations, cash flows and expenditures and receipts by appropriation; and
- The sums expended have been applied, in all material respects, for the purposes authorized by Parliament and have, in all material respects, been booked to the relevant grants and appropriations.
- Analyze financial statements and other record to really understand and report on the financial condition of the organization. Examine relevant accounting and non accounting records and comment on the appropriateness of financial management practices in the auditee organization.

d. Methodology:

The financial audit of ERRA and its formations was carried out by examining permanent files, computer generated data and other related documents along with the policies and rules followed. This facilitated the understanding of systems, procedures and audit entity. In addition risk assessment was carried out performing the analytical procedures, testing controls, substantive testing and evaluating the results.

e. The key audit findings of the Report are as under:

- i. Irregular/ unauthorized payments/ violation of rules were observed in 17 cases¹ involving Rs 6,146.199 million and brought to the notice of auditee.
- ii. Unjustified payment of Rs 28.788 was made to a contractor in 2 cases² on fake/false documents.

- iii. A closing balance and unlawful investment in term deposit receipt amounting to Rs 1,000.000 million³ was not disclosed.
- iv. Lack of internal controls was observed in 21 cases⁴ amounting to Rs 1,038.935 million.
- v. Recoverable were pointed out in 20 cases⁵ amounting to Rs 2,196.942 million.
- vi. There were 3 cases⁶ of negligence/other issues valuing Rs 469.006 million.

¹Para 1.4.1, 1.4.2, 1.4.7, 1.4.8, 3.2.2., .2.12, 3.2.16, 4.2.3, 4.2.4, 4.2.5, 4.2.13, 4.2.15, 4.2.21, 4.2.22, 4.2.25, 4.2.27, 4.2.34

²Para 3.2.4, 4.2.1

³Para 2.2.1

⁴Para 1.4.6,3.2.8, 3.2.9, 3.2.10, 3.2.11, 3.2.13, 3.2.17, 3.2.21, 4.2.9, 4.2.10, 4.2.16, 4.2.17, 4.2.20, 4.2.24, 4.2.26, 4.2.28, 4.2.29, 4.2.30, 4.2.32, 4.2.33, 4.2.37

⁵Para 1.4.3, 1.4.4, 1.4.5, 3.2.6, 3.2.7, 3.2.14, 3.2.18, 3.2.20, 4.2.2, 4.2.6, 4.2.7, 4.2.8, 4.2.12, 4.2.14, 4.2.18, 4.2.19, 4.2.23, 4.2.31, 4.2.35, 4.2.36

⁶Para 3.2.1, 3.2.22, 4.2.11

f. Recommendations

The Principal Accounting Officer needs to take necessary steps to evaluate the financial management and strengthen and institutionalize the internal controls.

The corrective measures required are:

- i. Unspent balances transferred into “Extra Budgetary Resource Fund Account” at the close of financial year to avoid laps of funds should be treated as Federal Government Receipts and deposited into Federal Government Treasury.
- ii. Operation of unauthorized Personal Ledger Accounts (PLA) has been stopped. The unutilized amount should be deposited into Government Treasury.
- iii. Ensure completion of the development projects as well as implementation of the service delivery to the earthquake affected population according to approved project documents/ PC-I etc.
- iv. Resettlement of the displaced people as per PC-I/ policy and completion of city development projects.
- v. Through effective monitoring and evaluation ensure standard and quality in all the construction works, rehabilitation programs and delivery of services to the earthquake affected people.
- vi. Ensure economy, efficiency and effectiveness in the utilization of all funds by implementing and strengthening Internal Audit System.
- vii. Evolve mechanism to ensure the recovery/ adjustment and recording of advances and commitments without fail.
- viii. Recovery of overpayments through pay bills/ salary/ interim payment certificates etc should be ensured.
- ix. Adequate disclosure of all assets and liabilities should be added to the AFS.

SUMMARY TABLES AND CHARTS

Table 1: Audit work statistics (Rs in million)

S. No.	Description	No.	Budget
1	Total entities (Ministries/PAO's) in Audit jurisdiction	1	10,246.124
2	Total formations in audit jurisdiction	65	10,246.124
3	Total entities (Ministries/PAO's) audited	1	-
4	Total formations audited	39	-
5	Audit and Inspection Reports	39	-
6	Special Audit Reports	1*	-
7	Performance Audit Reports	1*	-
8	Other Reports	-	-

* Special Audit of EEAP sector and Performance Audit of Education Sector are in the process of finalization.

Table 2: Audit observations regarding financial management

Sr. No.	Description (Areas)	Amount placed under Audit observation (Rs in million)
1	Asset management	35.367
2	Financial management	1,482.249
3	Internal controls relating to financial management	2,446.388
4	Others	5,915.866
	Total	9,879.870

Table 3 Outcome statistics**(Rs in million)**

Sr. No.	Description	Expenditure on acquiring physical assets (procurement)	Civil works	Receipts	Others	Total current year	Total last year
1	Outlays audited	*	*	*	*	11,257.005	15,996.000
2	Amount placed under Audit observations /irregularities of Audit	35.367	9,091.909	152.290	600.304	9,879.870	6,047,083
3	Recoveries pointed out at the instance of Audit	-	1,977.276	152.290	172.550	2,302.116	1,621,474
4	Recoveries accepted /established at the instance of Audit	-	-	-	-	-	25.825
5	Recoveries realized at the instance of Audit	-	104.089**	-	-	104.089	25.825

* ERRA does not record expenditure as per the heads stated in table-3.

**The amount pertains to previous years observations which were realized during this year.

Table 4: Table of irregularities pointed out (Rs in million)

S. No.	Description	Amount placed under Audit observation
1	Violation of Rules and regulations, violation of principle of propriety and probity in public operations.	6146.199
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	28.788
3	Accounting Errors (accounting policy departure from IPSAS, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	1,000.000*
4	If possible quantify weaknesses of internal control systems.	1,038.935
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money	2,196.942
6	Non –production of record.	0
7	Others, including cases of accidents, negligence etc.	469.006

*This amount has already been reported in Management Letter for audit year 2012-13.

Table 5 Cost-Benefit

S. No.	Description	Amount (Rs in million)
1	Outlays audited (Items 1 of Table 3)	11,257.005
2	Expenditure on Audit (Budget)	24.496
3	Recoveries realized at the instance of Audit	104.089
	Cost-benefit ratio	1:4

CHAPTER 1

Chapter-1

Earthquake Reconstruction and Rehabilitation Authority

1.1 Introduction of Authority

On 8th October, 2005, the earthquake caused severe damage and massive loss of life and assets in the province of Khyber Pakhtunkhwa and the State of AJ&K. Geographically, five districts of Khyber Pakhtunkhwa (Abbottabad, Mansehra, Battagram, Shangla, and Kohistan) and four districts of AJ&K (Muzaffarabad, Bagh, Rawalakot and Poonch) were severely affected. Immediately after the earthquake, the Federal Relief Commission was established on 10th October 2005 to mobilize all resources and coordinate relief activities. Thereafter, on 24th October 2005, the Government of Pakistan established Earthquake Reconstruction and Rehabilitation Authority (ERRA) which took over all the activities from the Federal Relief Commissioner on 31st March, 2006. ERRA started its activities with its mission to “Plan, coordinate, monitor and regulate reconstruction and rehabilitation activities in the earthquake affected areas, encouraging self reliance through private public partnership and community participation and ensuring financial transparencies”.

1.2 Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

Financial Year	Grant No.	Original Grant	Supplementary Grant	Final Grant	Actual Receipts	Difference
2011-12	ID3840	246.124	-	246.124	246.124	-
	ID4029	10,000	-	10,000	11,219.901	(1,219.901)
Total		10,246.124	-	10,246.124	11,466.025	(1,219.901)

There is no difference between original and final grant. However the receipts of ERRA are more than the budget provided by GOP. During the financial year 2011-12, no funds were released from major donor i.e. World Bank. The difference in actual receipts and final grant was due mainly to the unspent balances of PLA account closed by ERRA during 2011-12 on advice of Audit. These unspent balances were transferred to

Extra Budgetary Resource Fund Account and utilized by ERRA in the current financial year. Therefore the actual receipts were more than the budget provided by GoP.

1.3 Brief comments on the status of compliance with PAC directives

The status of compliance with PAC directives, for report discussed so far, is given below:

S. No.	Audit Report year	Total paras	Compliance received	Compliance not received	Percentage of compliance
1	2005-06	44	42	02	95

1.4 Audit Para

Irregularity and Non compliance

1.4.1 Irregular deposit of unspent balance into Extra Budgetary Resource Fund Account - Rs 2.044 million

In accordance with GFR-95 and 96, all anticipated savings should be surrendered to Government immediately as they are foreseen but not later than 15th May of each year in any case, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time.

PC-1 of MRDEA was approved in 2007 which was subsequently revised and extended upto 30th June 2011 with a total cost of Rs 471.368 million. An amount of Rs 2.044 million being unspent balance was required to be surrendered to the Government but the same was credited to ERRA Extra Budgetary Resource Fund Account (EBRFA) vide cheque No. 435651 dated 30th July 2011.

The irregularity was pointed out to the management on 19th October 2012 but no reply was received.

Despite requests, no Departmental Accounts Committee (DAC) meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that unspent balance of Rs 2.044 million be deposited in Government Treasury immediately under intimation to Audit.

(AP-213, ERRA HQ Dev.)

1.4.2 Unjustified payment of Interim Payment Certificate (IPC) and escalation to contractor - Rs 8.195 million

According to clause 70.1 of the Particular Conditions of Contract agreement, the amount payable to the contractor, pursuant to sub-clause 60.1 shall be adjusted in respect of the rise or fall in the prices of labour, materials and other inputs to the works, whereas no clause existed in the contract regarding concession to be paid for damage due to rain or suspension.

An amount of Rs 8.195 million was paid to M/s Mumtaz Construction Company vide CB No. 344 dated 13th October 2011 on account of escalation against bill No. 27. The payment was made against variation order for damage work done by the contractor. The damage was due to rain and suspension of work for 13 months.

The payment of Rs 8.195 million was made without verification/certification of Project Director or availability of such clause/condition in the contract.

The irregularity was pointed out to the management on 19th October 2012 but no reply was received from the management.

Despite requests, no DAC meeting was arranged by ERRA Authorities till finalization of this Report.

Audit recommends that inquiry be conducted, responsibility fixed against the individual responsible for making payments without verifications and recovery be made under intimation to Audit.

(AP-214, ERRA HQ Dev.)

1.4.3 Irregular expenditure on account of provision of vehicles to contract employees - Rs 6.563 million

The appointment on contract basis has been made on terms and conditions agreed in the appointment letter. As per appointment letter, a lump sum salary package has been provided and no other facility shall be admissible.

ERRA provided vehicles on full time basis to the contract employees in violation of terms and conditions of contract agreement and paid a sum of Rs 3.335 million on account of POL, Rs 468,869 on repair/maintenance and Rs 2.760 million on pay and allowance of the drivers attached with the officers. The unauthorized expenditure needs recovery from the officers concerned.

The irregularity was pointed out to the management on 24th October 2012. In reply dated 21st November 2012 the department stated that certain contractual employees of ERRA have been allowed to use official vehicles for smooth performing of their duties. The department further stated as a result of similar audit observations ERRA board in its 15th meeting agreed to use of vehicles by the contract employees in lieu of recovery of equal amount of conveyance allowance of the officers.

The reply of the department is not acceptable. The ERRA Board in its 15th meeting decided to recover the conveyance allowance from the employees who have already utilized official vehicles in the past. The cost of running vehicles is much more than the conveyance allowance and Audit holds that the total expenditure needs to be recovered.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit holds that sum of Rs 6.564 million may be recovered and deposited into Government Treasury.

(AP-107, ERRA Non-Dev.)

1.4.4 Unjustified payment on account of price adjustment - Rs 8.494 million

According to clause 70.1 of the Particular Conditions of Contract agreement, the amount payable to the contractor, pursuant to sub-clause 60.1 shall be adjusted in respect of the rise or fall in the prices of labor, materials and other inputs to the works, by applying to such amount the formula prescribed in this sub clause and the sources of indices shall be those listed in Appendix C to bid. According to Appendix C to bid, the rates applied for labor, cement and reinforcing steel will be the rates of Government of Pakistan, Federal Bureau of Statistics (monthly statistical bulletin for Abbottabad).

A total payment of Rs 102.636 million was made to M/s Mumtaz Construction Company (MCC) out of which an amount of Rs 8.494 million was overpaid under price adjustment using Federal Bureau of Statistics monthly bulletin for Islamabad instead of Abbottabad. The over payment made was unjustified.

Audit holds that overpaid amount on all price adjustment bills may be calculated and recovered from the contractor under intimation to Audit.

The matter was brought to the notice of the management on 10th September 2012 and 24th October 2012. The department in its reply dated 20th November 2012 sated that rate of material at Abbottabad was on

higher side during 2005 and ex-price rate of Bitumen and Diesel were same throughout the country.

The reply is not cogent. The payment of the material at Islamabad based rates instead of Abbottabad Bulletin was against the provision of agreement.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that recovery of Rs 8.494 million may be made from the contractor and deposited into Federal Government Treasury.

(AP-110, ERRA NBCDP)

1.4.5 Irregular payment of escalation charges to the contractor Rs 22.936 million

According to Planning Commission guidelines, escalation charges will not be allowed in first year of contract. Moreover no provision existed in PC-1 for escalation in first year.

An amount of Rs 22.936 million was paid to the contractor as price adjustment during first year from July 2007 to June 2008 of the contract which is against the Planning Commission guidelines and PC-1. Hence payment stands irregular and needs to be recovered from the contractor under intimation to Audit.

The irregularity was pointed out to the management on 19th October 2012. The department in its reply dated 20th November 2012 stated that it is no where mentioned in the instructions of Pakistan Engineering Council (PEC) that first year escalation should not be paid.

The reply is not satisfactory as the payment has been made in the absence of provision in the PC-I as well as against the guidelines of Planning Commission.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that recovery may be made from the contractor and deposited into Government Treasury.

(AP-109, ERRA NBCDP)

Internal Control Weaknesses

1.4.6 Irregular issuance of stockpiles to unauthorized persons Rs 12.981 million

According to Para 4(e) of Disaster Risk Management (DRM) Programme, a Union Council level committee consisting of Union Council Secretary, Patwari and Chairman Union Council Disaster Management Committee (UCDMC) was authorized to take over stockpiles of their UCs. Criteria for issuance of stockpiles showing number of stockpiles to be issued to each UC were prescribed.

A PC-1 for phase-II of Disaster Risk Management Programme was designed with a cost of US \$ 3.63 million for a period of 23 months from July 2009 to May 2011. An amount of Rs 12.981 million was paid on account of purchase of stock piles of emergency nature. The stockpiles were required to be delivered to 303 affected Union Councils for effective response in any emergency.

ERRA issued stockpiles to unauthorized and irrelevant persons instead of concerned UC. The necessary identification i.e. NIC and official stamp and dates of delivery of stock was not mentioned on record. In some cases the store was handed over to unauthorized persons in more than one UC. The delivery challans of the store were required to be delivered at UCs level by the supplier, whereas stockpiles were delivered at ERRA Headquarter and then shown as handed over to Khyber Pakhtunkhwa and Azad Jammu and Kashmir. The transportation cost was required to be recovered from the suppliers.

The department in its reply dated 23rd November 2012 stated that as per MOU stockpiles were required to be delivered/ handed over to the Deputy Commissioners. Further distribution and transportation to UCs was the responsibility of the District Administration. Due to shortage of storage space at District Headquarters PD DRR has decided to deliver the stock at UC level through vehicle hired for transportation of programme staff. The distribution of stores of more than one Union Council is the discretion of Deputy Commissioner and not the ERRA DRM programme.

The reply is not satisfactory. The stockpiles were required to be delivered at UCs level by the supplier as evident from delivery challans. As per MOU, the responsibility of SDMA/ PDMA was to ensure proper taking over of stockpiles inventory, its operations and maintenance. The stockpiles were provided to unauthorized persons which is irregular.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit holds that issuance of stockpiles to unauthorized persons, and also beyond approved limit, be investigated and responsibility be fixed on the person(s) at fault.

(AP-208, ERRA HQ Dev.)

1.4.7 Irregular hiring of residential accommodation other than specified stations Rs 1.260 million

Ministry of Housing and Works vide its O.M No. F-4 (8)/92-Policy dated 18th October 2011 specified six stations for hiring of residential accommodation.

ERRA paid hiring for residential houses other than the specified stations during the financial year 2011-12 as detailed below:

Sr. No	Name of employee	Address of house hired	Rate per month (Rs)	Total payment (Rs)
1	Maj. Iftikhar Hussain Deputy Director M&E	House # 44/5, Street No.04, Habib ullah colony Abbottabad	25,000	300,000
2	Maj. Qazi M. Yousif Siddique	House # D-360, upper Chattar Muzaffarabad	25,000	300,000
3	Maj. Ishtaq Khattak Deputy Director	House # 895/3, Raza Road, Habib ullah colony Abbottabad	25,000	300,000
4	Raja Mustansir Javid Zonal Director M&E Abbottabad	House # 53/4, Street No.03, Habib ullah colony Abbottabad	30,000	360,000
Total				1,260,000

The irregularity was pointed out to the management on 19th October 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that payments made during current and previous financial years on account of hiring at unauthorized stations be recovered and deposited into Government Treasury. Responsibility for irregular payment may also be fixed.

(AP-212, ERRA HQ Dev.)

1.4.8 Irregular appointment in excess of sanctioned strength resulting into expenditure - Rs 23.015 million

As per list of sanctioned strength of ERRA as on 30th June 2012 provided by the Advisor/ DG Human Resource Wing, the sanctioned strength of DMOs, Drivers, Naib Qasids, LDCs and Sanitary workers is 2, 84, 73, 12 and 4 respectively.

ERRA appointed staff on secondment/ contingent basis in excess of sanctioned strength and paid an amount of Rs 23.015 million as salary during financial year 2011-12 as detailed below:

Sr. No.	Name of post	Approved Sanctioned strength	Appointed	Extra	Monthly pay	No. of months	Payment (Rs)
1	DMOs	02	14	12	11,500	12	1,656,000
2	Drivers	84	140	56	11,500	12	7,728,000
3	Naib Qasids	73	144	71	9,200	12	7,838,400
4	LDCs	12	18	06	Different rates	12	3,032,460
5	Sanitary worker	04	29	25	9,200	12	2,760,000
Total							23,014,860

The irregularity was pointed out to the management on 20th September 2012. The department in its reply dated 21.11.2012 stated that the contingent appointments have been made after going through a study of expenditure involved through deputation in comparison with the expenditure incurred on appointment of contingent employees and by implementing this practice a huge saving has been made. As regards of appointment of LDCs department stated that 6 officials were working against the post of UDCs, Assistants and PAs etc. as per their skills huge amount has been saved.

The reply of the department is not satisfactory. The department did not provide the justification for appointment of staff on secondment/ contingent basis.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that appointment made over and above the sanctioned strength is irregular and needs to be rationalized / regularized.

(AP-101, ERRA Non-Dev.)

CHAPTER 2

Public Financial Management Issues (Earthquake Reconstruction and Rehabilitation Authority)

2.1 Audit Paras

2.1.1 Non disclosure in closing balance and unlawful investment in term deposit receipt - Rs 1,000 million

The reconciliation of bank balances with the entity's books is an important internal control over the expenditure. This process ensures that all transactions have properly been recorded in the books of accounts.

As per bank statements for Extra Budgetary Resources Fund Account (EBRFA) as on 30th June 2012 the actual balance available was Rs 279.150 million. Whereas the closing balance as per ERRA books as on 30th June 2012 was Rs 1,239.290 million. The Consolidated Fund Flow Statement also showed the same amount of Rs 1,239.290 million instead of actual balance of Rs 239.29 million. This resulted in overstatement of closing balance in ERRA books by Rs 1,000 million as detailed below:

(Rs in million)

Balance as per ERRA Books	Un-presented Cheques	Balance as per Bank	Overstatement / Difference
A	B	C	D=(A+B-C)
1,239.29	39.86	279.15	1,000

As Disclosed by the management, Rs 1,000 million had been invested in Term Deposit Receipt (TDR) in National Bank of Pakistan and an amount of Rs 60 million earned as interest on this investment. The interest earned has also been retained by the management in the EBRF Account instead of depositing the same with the Government Treasury. This investment was made at the time of severe cash constraints being faced by ERRA wherein outstanding bills of work done by contractors stood at more than Rs 1,471.413 million.

The incorrect disclosure due to understatement of receipts in Consolidated Annual Financial Statements and non disclosure of invested amount presented unfair picture of the financial health, leading to the doubts of misappropriation and losses.

Audit is of the view that the authority should disclose the investment of Rs 1,000 million in TDR in its financial statements and accord proper accounting treatment of the investment and the interest earned as per Government Rules.

The management replied that ERRA considers this investment to be as per ERRA Accounting Procedures and Policy of investment issued by Finance Division.

Audit recommends that irregular investment of the huge amount Rs 1,000 million in TDR by ERRA requires to be investigated and responsibility be fixed under intimation to Audit. Furthermore, the invested amount as well as interest earned on the same should immediately be deposited into the Government Treasury.

(Para No.5)

2.1.2 Non-reconciliation of accounts with Accountant General Pakistan Revenues – Rs 5,110.520 million.

According to ERRA Accounting procedure 18 (b), “All Government receipts routed/ processed through ERRA as well as releases of funds into the ERRA accounts will be reconciled with the AGPR on monthly basis”.

The departmental figures as appeared in the reconciliation statement do not match with those of AGPR, which resulted into differences as mentioned below:

(Rs in millions)

Description	Balance as per ERRA as on 30.06.2012	Balance as per AGPR as on 30.06.2012	Differences
Receipts	11,466.025	10,246.124	(1,219.901)
Expenditure	14,827.082	10,936.463	(3,890.619)

This resulted in overstatement of expenditure and receipts leading to booking of transactions over and above the approved budget. This made the whole accounting and budgeting process of the Government of Pakistan ineffective in terms of ERRA. The weak financial management and non adherence to approved Government policy led to Accounting errors and lapses.

Audit is of the view that reconciliation of ERRA accounts should be carried out on monthly basis with all concerned i.e. AGPR, Economic Affairs Division, Prime Minister Secretariat and Ministry of Finance to reflect a clear picture.

The management replied in the DAC meeting held on 29th November 2012 that ERRA reconciled the releases of Rs 11,496.239 million with AGPR and the AGPR has been requested to book the expenditure. The outcome would be informed to the Audit.

The Annual Budget as approved by the National Assembly is a tool for effective financial management. Recording of transactions beyond the budget violates the Government policy. Therefore the management should process all changes in the budget through competent forum. Reconciliation of ERRA accounts be completed on annual basis before finalizing the AFS and only reconciled amounts should be reported. Responsibility should be fixed for recording un-reconciled figures.

(Para No. 01&04)

2.1.3 Unauthorized transfer of unspent GoP funds from PLA to EBRF account Rs 3,503.773 million

As per para (ii) and (iv) of Finance Division O.M. No. F.3(4)-DS(BR-II)/2008 dated 6th October, 2008 “the existing Personal Ledger Accounts (PLAs)/Special Drawing Accounts (SDAs) would be replaced with the Assignment Account to be opened by Ministries, Divisions and Departments under FTR 170-B with effect from 1st October, 2008”. Moreover, “unspent cash balance, out of releases from Federal Consolidated Fund, lying either in PLAs/SDAs or in Commercial Banks shall be deposited back to Government Account, as provided under the FTR 170-B(10).”

ERRA retained saving of Government of Pakistan (GoP) funds amounting to Rs 3,503.773 million unauthorizedly since 2008 in Personal Ledger Account. The amount was transferred to EBRF Account in July 2011 instead of depositing the unspent GoP balance into Government Treasury as per advice of Audit.

Sr. No.	Check No./ Ref	Date	Description	Amount (Rs)
1.	XFR000000088	2-Jul-11	Transfer from GoP PLA	3,347,000,000
2.	XFR000000099	5-Jul-11	Transfer from GoP PLA	155,000,000
3.	XFR000000100	5-Jul-11	Transfer from GoP PLA	1,773,342
Total				3,503,773,342

Audit is of the view that the amount of GoP funds should be surrendered to the GoP and practice of placing the GoP funds in the EBRF Account should be discontinued forthwith.

The management replied in the DAC meeting held on 29th November 2012 that the EBRF Account which was opened with the approval of Finance Division provides the platform for managing the financial transactions of ERRF Fund. The Development Funds available with PERRA & SERRA under Housing Cash Grant were called for to meet the immediate requirements of Development Works and pay off matured liabilities.

The reply is not correct because EBRF Account was established for depositing the specific funds received from individual donors to be spent on defined purposes. GoP funds are not allowed to be transferred or retained in EBRF Account as per specific notification issued by the Finance Division.

Audit recommends that strong internal control procedure be implemented to avoid such lapses in future. Unauthorized transfer from PLA to EBRF Account be deposited into Government Treasury.

(Para No. 2)

2.1.4 Fixed assets / liabilities policy

As per Para 21 of ERRF's Accounting Procedure, ERRF shall prepare monthly accounts as well as statement of assets and liabilities. Moreover as per GFR-155, a reliable list, inventory or account of all stores in the custody of Government officers should be maintained in a form prescribed by competent authority to enable a ready verification of stores and check of accounts at any time and transactions must be recorded in it as they occur. Further as per NAM Para-13.4.1.2, the information that is required to be kept on the Fixed Assets Register for each asset besides other requirement also contain asset identification number.

Contrary to the above the Authority provided a list of available items with ERRF, SERRA, PERRA and DRUs without mentioning/ allotting any number to the assets for identification. Due to non-mentioning/ allotting of asset identification numbers, ready verification could not be made. The non-observance of the provisions mentioned above is unjustified.

Proper system of asset management and tagging is required to be adopted for tracking the assets existence besides arranging physical verification of assets to ensure the existence of store/ stock assets.

The management replied that system for identification and inventory of assets was adopted by ERRF in 2006-07 and internal audit regularly carryout inventory verification exercises. A comprehensive

exercise for inventory verification has been initiated by the Internal Audit as per notified policy of ERRRA.

The reply is not cogent as no record regarding physical verification of assets list of stock with proper coding was available with the authority. Non maintenance of proper statement of assets and liabilities leads to a high risk of pilferage of Government assets.

Audit recommends that responsibility for non maintenance of assets record be fixed and complete verification be made under intimation to Audit.

(Para No.35)

2.1.5 Expenditure in excess of GoP receipts - Rs 4,201.083 million

As per article 78 & 79 of the Constitution of Islamic Republic of Pakistan, all revenues received by the Federal Government, all loans raised by that government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund to be known as the Federal Consolidated Fund, and all matters connected with or ancillary to the matters aforesaid shall be regulated by Act Parliament or, until provision in that behalf is so made by rules made by the president. Moreover, in terms of Para-12 and 88 of GFR, the expenditure needs to be contained within the authorized Grant / Appropriation.

It was observed from consolidated funds flow statement (source wise) that Rs 3,162 million were received from GoP, whereas Rs 7,363.083 million were expended by the entity. This resulted into an excess expenditure of Rs 4,201.083 million, which was met out of previous year's receipts placed in EBRFA and PLA which had not been deposited into Government Treasury at the closing of financial year 2010-11.

Audit is of the view that unauthorized expenditure of Rs 4,201.083 million may be got regularized from the competent forum under intimation to Audit.

The department in the DAC meeting held on 29th November 2012 replied that Government of Pakistan, Cabinet Division, and Emergency Relief Cell closed the President's Relief Fund for Earthquake Victims 2005 in June 2011 at their own accord. Balance of Rs 2.69 billion available in the PLA of ERC, Cabinet Division was transferred in to the PLA of ERRRA on the last working day of the financial year 2010-2011. Later on, these funds were utilized against reconstruction works in the Earthquake Affected Areas (EQAA). Depositing of ERC funds into

Government Treasury would be contrary to the very spirit of creation of President's Relief Fund and the mandate of ERRA.

The reply of the department is not acceptable as any expenditure beyond allocated budget requires the approval of the competent forum through Ministry of Finance.

Audit recommends that necessary action may be taken under intimation to Audit.

(Para No.37)

2.1.6 Improper procedure adopted for liabilities (retention money) – Rs 1,262.462 million

Para 21 of ERRA's Accounting Procedure 2006 states that on the basis of expenditure and financial data provided by the Reconstruction Agencies of the Government of KPK and AJ&K and various autonomous bodies involved in the reconstruction and rehabilitation work and on the basis of data generated by ERRA itself, the ERRA shall prepare the monthly accounts as well as the statement of assets and liabilities.

SERRA & PERRA has deducted an amount of Rs 1,262.462 million from the contractors' bills as retention money upto June 2012. The amount retained is the liability of the authority. The amount is required to be paid to the contractors upon successful completion of maintenance period but the amount was not reflected in any of the account given in the Annual Financial Statements. Creation of such liability involving huge amount without making any provision of funds is against the provision of accounting procedure.

Audit is of the view that the matter may be looked into and proposed proper mechanism may be devised for recording and clearance of the liabilities besides reflecting the amount in financial statements for true and fair view of the financial statements.

The department in the DAC meeting held on 29th November 2012 replied that accounts of ERRA family are prepared on the IPSAS Cash Basis Accounting. The expenditure is booked when it is actually paid and receipts are booked when these are actually realized. It is different from accrual basis of accounting as accrual basis of accounting requires disclosure of payables and receivables.

The reply of the department is not satisfactory as disclosure of complete financial position as per approved format of AGP office, the liability is required to be disclosed.

(Para No.43)

2.1.7 Non refund of closing balances – Rs 108.583 million

Para 170-B (10) of FTR states that the unspent cash balances, out of releases from Federal Consolidated Fund, lying either in PLA/SDA or in Commercial Bank shall be deposited back to Government Account in a manner and within a time frame as decided by Finance Division that no cheque out of GoP fund will be cleared for payment after 30th June.

Funds were transferred to the implementing agencies for development work during the year. The unspent balances at the close of the financial year were required to be refunded to GoP through ERRA at the closure of the year as per provision mentioned above. However, ERRA retained an amount of Rs.108.583 million under GoP Development account in Fund Flow Statement of Annual Financial Statements of ERRA.

The retention of unspent balance is gross violation of Government Treasury Rules. The unutilized funds could have been used by the government in areas of need had they been made available to the GoP during the year.

The department replied that amount comprised of the balances with PERRA and SERRA lying in second generation current account and non lapsable in nature.

Audit is of the view that all amounts provided in the Assignment Account are lapsable. Illegal, unlawful and unauthorized retention of unspent balances is a clear cut violation of Government Rules which needs to be regularized. Strong internal control should be in place to ensure financial discipline in future.

(Para No.12)

CHAPTER 3

PROVINCIAL EARTHQUAKE RECONSTRUCTION AND REHABILITATION AGENCY (PERRA)

3.1 Introduction of the Agency

Provincial Earthquake Reconstruction and Rehabilitation Agency (PERRA) was established to implement and coordinate reconstruction and rehabilitation activities in the earthquake affected areas of Khyber Pakhtunkhwa. PERRA acts as the Secretariat to the Khyber Pakhtunkhwa Steering Committee. It performs such duties and powers as determined by the Steering Committee, ERRA Council and the Khyber Pakhtunkhwa Government.

Five (5) District Reconstruction Units (DRUs) at Abbottabad, Mansehra, Battagram, Shangla and Kohistan were established in April, 2006 for implementation of reconstruction and rehabilitation activities in their respective districts. The DRUs function under the advice of the District Reconstruction Advisory Committees (DRAC). The Committee approves the Annual Work plans and the projects costing below Rs 100 million, scrutinizes projects over Rs 100 million, holds quarterly review meetings and forwards the progress to PERRA.

3.2 Audit Paras

Fraud/ Misappropriation

3.2.1 Illegal transfer to contractor's account - Rs 200 million

Para 23 of GFR Vol-I requires that 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 govt. officer. FTR-290 requires that no money shall be drawn from treasury unless it is required for immediate disbursement.

Deputy Director EEAP (Education) Battagram paid an amount of Rs 200 million to M/s A&ACC Build Core PEB (JV) through account No. 0111-79002109-03 Circular Road Habib Bank Ltd Gujrat in December 2011 against bank guarantee vide IPC No. 84. Audit observed that payment was made in advance without any work done. Such advance payment against work not done is undue favour to contract and not covered under

the provisions of the contract. This action was done to avoid lapse of grant as contract was officially going to be closed even though work was not complete.

This is clear violation of rules. The department was responsible to get the work completed in time and make payments for work done only.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that disciplinary action may be taken against the responsible person(s) for violation of rules for making unlawful payment. The same may be recovered from contractor along with compound interest.

AP # 305 (EEAP-Edu-BTG)

3.2.2 Non-deposit of forfeited performance guarantee - Rs 4.500 million

Para 10 (i) of GFR Vol-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.

Contracts for Rs 225.264 million and Rs 444.952 million (Lot-I and Lot-II respectively) were awarded to M/s Karkun Company by Deputy Director EEAP (Education) Battagram. But these contracts were later terminated and the bid security of Rs 4.500 million for both contracts was forfeited. The forfeited amount was not deposited into Government Treasury despite lapse of 4 years.

When issue was reported the management replied that the bid security amounting to Rs 4.500 million was forfeited, however, the contractor got stay order from Court against forfeiture.

The reply of the management is not tenable as documentary evidence regarding Court stay order as well as active pursuance thereof by the department was not produced to Audit.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that Court case may be pursued vigorously so that forfeited amount be deposited into Government Treasury under intimation to Audit.

AP # 316 (EEAP-Edu-BTM)

3.2.3 Non recording and deposit of sale proceeds of the tender forms / bidding documents

Para 23 of GFR Vol-I requires that 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 govt. officer.

The Deputy Director IDB awarded 69 contracts funded by IDB to various contractors during 2009 onward. Record relating to sale of bidding documents was provided for the period from December 2011 onward while no document relating to sale of bidding documents prior to that date was produced. As per advertisement, cost of bidding documents was Rs 2,000. No entry of such sale proceeds was found elsewhere. It appears that entire amount of sale proceeds of bidding documents was misappropriated by the concerned officials.

Since previous record is not available, Audit could not ascertain the total amount so received. This money is Government receipt, therefore non recording/ depositing of the same created a loss for public exchequer.

The irregularity was reported in August 2012 but no reply was received.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit holds that an inquiry be conducted to identify as to how much amount has actually been collected from the sale of bidding documents and necessary disciplinary action taken besides depositing the actually received amount. A fool proof system for issuance of bidding / tender documents and collection of tender form fee may be developed by ERRA under intimation to Audit.

(AP # 160 (IDB-ATD) 3.2.4

3.2.4 Unjustified payment for reconstruction of water supply schemes - Rs 3.518 million

Clause 315 of CPWD Code states that subject to the terms of the contracts and such subsidiary instructions as may be laid down by the local administration to ensure that the work are executed in accordance with the prescribed specification, plans and drawing, payments for work done are not made to the contractor otherwise than on the certificates of the officer incharge of the work. Furthermore, clause 2.4 (17) A (iv) of

water and sanitation strategy of ERRA states that pipes will be laid underground unless it is not technically or financially feasible to do so.

Public Health Division District Shangla paid Rs 2.873 million upto June 2010 to M/s Shangla Hills Pvt. Ltd for reconstruction of water supply scheme Alpuri. This scheme is main and only source for water supply for Alpuri city. During physical verification of said scheme it was found that:

- i. The supply pipe line was lying open on earth and in drainage on various places without any excavation.
- ii. Major portion of the pipe line was broken.
- iii. The work was still incomplete.

In this situation, the entire expenditure was wasteful.

Likewise payment of Rs 0.645 million was made for construction of two water supply schemes Chowga and Balalai in February 2008 by the Department vide bill No 48. The Program Manager DRU, Shangla letter dated 3rd June 2011 reveals that no work was done on these two schemes and advised to take disciplinary action against all those who approved and made the payment. But no action was taken by the management.

Audit of the view that in both these cases Rs 3.518 million had unjustifiably been paid, without work done.

This matter was reported to the management in June 2012 who intimated that the contractor has been directed verbally and also issued a notice to rectify the damages and restore the water supply. The contention of the management is not satisfactory.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that disciplinary action may be taken against persons responsible for unjustified payments and recovery may be effected from the contractors under intimation to Audit.

AP # 235 (PHE-SHG, 2010-11)

Non Production of Record

3.2.5 Concealment of record

Section 14 of the Auditor General's Function & Power Ordinance 2011 provides:

- i. The officer incharge 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.

- ii. 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.

EEAP Battagram was scheduled to be audited during October 2011 as per program intimated to the audittee in advance. However record was not made available on the plea that the office had been merged with Deputy Director Reconstruction Shangla / Battagram. Resultantly Chief Engineer (PERRA) Abbottabad being Head of all engineering units of PERRA was requested for provision of record to Audit as per letter dated 27th February 2012. The Chief Engineer vide notification dated 8th March 2012 nominated Deputy Director EEAP Shangla/ Battagram for tracing the record and providing it to audit but despite requests, the record was not produced for Audit.

Matter was reported for disciplinary action against responsible(s) on 5th July 2012 and again on 30th October 2012 but no response was received.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit holds that non provision of auditable record is violation of provision of the Act governing Functions and Powers of Auditor General of Pakistan. The matter needs investigation and administrative action against responsible person(s) under intimation to Audit. Record is also required to be provided to conduct audit immediately.

AP No. 01 (EEAP-Battagram)

Irregularity & Non compliance

3.2.6 Loss due to non deduction of income tax - Rs 11.688 million

As per Income Tax Ordinance 2001, income tax at source shall be deducted from contractor/ suppliers and employees' bills according to specified rates.

A number of cases came to notice of Audit, where payments were made but income tax was not deducted/ deposited by offices as detailed below:

- a. The Deputy Director Reconstruction office, Shangla awarded the work of Package No. 3A to M/s Act International but income tax amounting to Rs 0.019 million was not deducted from IPC-2 and 3 for the work done. Similarly, the same office made payments for IPC No. 12 for Rs 3.315 million to M/s Competent Engineering and income tax of Rs 0.199 million was not deducted from the bill.
- b. PMIU, Abbottabad made payment of salary to different officers but income tax amounting to Rs 0.269 million was not/ less deducted from their pay.
- c. In the office of Deputy Director Reconstruction Wing Mansehra, income tax of Rs 11.097 million from six contractors was not deducted.
- d. In the office of Deputy Director EEAP (Education) Battagram, income tax of 0.105 million was less deducted from the salary of various officers.

The irregularities were reported to concerned organizations during July 2012 to October 2012 but no reply was received.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that recovery of income tax amounting to Rs 11.688 million may be made immediately and deposited into Government Treasury under intimation to Audit. Disciplinary action may be taken against person (s) responsible for none/ less deduction of income tax and corrective action may be initiated to avoid the recurrence of such irregularity in future.

(AP # 103 & 125 DDR-SHG, AP 164 PMIU-ATD, AP-284 DDR Man, AP-308 DD EEAP (Edu) Btg, 2010-11)

3.2.7 Loss due to non imposition of liquidated damages - Rs 733.777 million

As per General Conditions of Contract, liquidated damages upto maximum 10% of contract price for delay in completion of work will be imposed.

Various organizations/offices of PERRA, Deputy Director SFD Project and Deputy Director IDB Project, Abbottabad awarded different works to the various contractors with specific period for completion of work. The contractors could not complete the work within stipulated period and no extension of time was granted. According to relevant

clauses of bidding documents/ contract agreements, 10% LD amounting to Rs 733.777 million was required to be imposed on contractors which was not done. Detail is as under:

S. #	Name of Organization	Package No.	No. of Schemes	Contract cost (Rs in million)	Amount of LD (Rs in million)
1	Dy. Director (Recons) Abbottabad	14,10	25	1329.684	132.968
2	DDR Kohistan	25,04	08	384.456	38.456
3	DDR Mansehra	--	116	2500.550	250.055
4	DD SFD Abbottabad	--	13	677.134	33.856
5	DD IDB Abbottabad	--	01	400.000	40.000
6	DDR Shangla	08,10,15,14,,01,01	60	1472.940	147.294
7	DDR Battagram	01	41	911.480	91.148
	Total				733.777

Non-imposition of LD was pointed out during July 2012 to October 2012, but no response was received from any organization.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that responsibility may be fixed for non-imposition of liquidated damages and recovery may be made from concerned contractors under intimation to Audit.

(AP-27 SFD Atd, AP-38,39,46,47 DD Rec Koh., AP-66,82,90,92DDR Atd,AP-107,108, 109,113(ii), 114, 118,120,122 DDR Shaangla, AP-138 IDB Atd , AP-198,204,214 DDR Btg. AP-260,289,294,297,298 DDR Man/(2011-12)

3.2.8 Overpayment on account of mobilization advance against permissible limit (15% instead of 10%) - Rs 4.515 million

According to contract agreement clause 60.12 an interest free mobilization advance upto 10% of the contract cost shall be paid to the contractor in two equal installments.

Deputy Director Saudi Funded Development Projects (SFD), Abbottabad awarded the work "Reconstruction of Ayub Medical College

Abbottabad, Package 1-B” to M/s Raja Adalat for bid cost of Rs 90.296 million on 2nd November 2010. Mobilization advance @ 10% Rs 9.029 million was required to be paid to the contractor. Instead Rs 13.544 million was paid to contractor @15% of the contract cost in two installments during November 2010 and February 2011. Thus Rs 4.515 million (Rs 13.545 – Rs 9.029) were overpaid as mobilization advance to the contractor by extending undue favor.

Overpayment of mobilization advance was pointed out on 1st October 2012 but no reply was received.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that over payment of Rs 4.515 million on account mobilization advance may immediately be recovered in lump sum from contractor. Inquiry to fix the responsibility against person(s) for over ruling the contract clause and providing undue benefit to the contractor may be conducted under intimation to Audit.

AP # 14 (DD SFD-ATD)

3.2.9 Loss due to non encashment / recovery of performance surety bond - Rs 2.305 million

As per Particular Condition of Contract Clause 10.1, performance security bond at the rate of 10% of contract price would be provided by the contractor. According to relevant clause of performance guarantee dated 12th May 2010, on non completion of work within due date the department shall take up the case with insurance company for encashment of the same.

The work for construction of Package No. 46 & 118-B was awarded to M/s Progressive Technical Associates (Pvt.) Ltd. on 20th April 2010 for a bid cost of Rs 13.128 million. One year completion period w.e.f. 1st June 2010 to 30th June 2011 was given to contractor to complete the work but the contractor failed to complete the work in time and left the work incomplete.

Deputy Director Reconstruction Abbottabad vide letter dated 24th November 2011 requested M/s New Jubilee Insurance Co. Ltd Karachi for encashment of performance surety bond of Rs 2.305 million in favour of Reconstruction Office Abbottabad. However the guarantee had still not been encashed which caused a loss of Rs 2.305 million to Government due to inadequate pursuance.

Non encashment of performance security was pointed out on 3rd September 2012 but no reply has so far been furnished by the department.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that recovery may be pursued vigorously from insurance company under intimation to Audit and responsibility may also be fixed for the negligence.

AP # 72(DDR-ATD)

3.2.10 Excess payment on account of non utilization of available material - 6.517 million

As per decision taken in meeting under Chairmanship of Deputy Chairman ERRA held on 5th April 2011, minimum quantity of hard rock cut deduction for all GOP and German Debt Swap Program (GDSP) projects may not be less than 25%.

According to Note 1 reflected in the BOQ being part of bidding documents the suitable rock material from roadway excavation shall be used in most effective manner in the construction of embankments, widening of road of any sort, granular sub base, aggregate base course, water bound macadam, backfill around/behind the structures, stone masonry of culverts, retaining walls, culverts, stone routed/plain riprap, stone gabion or any other work included in the project.

In Deputy Director Reconstruction Abbottabad office, it was noticed that Technical Sanction for Sajikot Satora road phase-II a pre-requisite of work was not available. Also the available excavated materials were not utilized as required in the contract.

Similarly the available rock material obtained from Namli Gali Khankalan Road was not utilized by contractor. This resulted into excess payment of Rs 0.832 million due to non utilization of available medium rock.

Irregularity was pointed out on 03rd September 2012 but no reply has so far been furnished by the department.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Excess payment of Rs 6.517 million on account of non utilization of available material may be recovered under intimation to Audit.

AP # 79 (DDR-ATD) AP # 85 (DDR-ATD)

3.2.11 Double payment for same work - Rs 7.034 million

Para 10 (ii) of GFR Vol-I provides that the expenditure should not be prima facie more than the occasion demands and Para 11 of GFR Vol-I, each head of the Department is responsible for enforcing financial order and strict economy at every step.

Deputy Director Reconstruction Shangla paid an item of work “Dismantling of existing building & rubble removal... (Schedule 4)” for Rs 40.838 million upto IPC No. 12 to M/s Competent Engineering for construction of 27-LG schools. Detailed analysis of the payment for Schedule-4 disclosed that two sub items were paid as under:-

- a. Dismantling & rubble removal for Rs 7.034 million
- b. Site clearance for Rs 7.034 million

The above two sub items are one and same because after dismantling of structures and its rubble removal, site becomes clear. This resulted into excess payment of Rs 7.034 million on account of double payment for one job.

Irregularity was pointed out on 18th October 2012 but no reply has been furnished by the department.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that payment for same work under two different heads may be investigated for fixing responsibility and recovery under intimation to Audit.

AP # 102 (DDR-SHG)

3.2.12 Loss due to non encashment of performance guarantee - Rs 2.142 million

According to Para 11 of GFR Vol-I, each head of the Department is responsible for enforcing financial order and strict economy at every step and Para 23 of GFR Vol-I requires that 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.

Deputy Director Reconstruction Shangla awarded the work of Package No.10-B (GPS Kaho Mayar and GPS Jurakh Zara) to M/S Fazal Karim & Co. on 19th May 2010 for Rs 10.713 million with one year

completion period. The contractor provided performance guarantee of Rs 2.143 million of ADAM JEE Insurance Company which expired on 13th June 2011. On 30th June 2012, physical progress of package was found zero as contractor was not willing to start the work. Neither the contract was cancelled nor was the performance guarantee encashed resulting into loss of Rs 2.143 million.

Irregularity was pointed out on 18th October 2012 but no reply has been furnished by the department.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit holds that responsibility may be fixed for non encashment of performance guarantee and disciplinary action be taken for causing loss to the Government under intimation to Audit.

AP # 105 (DDR-SHG)

3.2.13 Excess payment on account of non utilization of available material - Rs 72.339 million

As per decision taken in meeting under Chairmanship of Deputy Chairman ERRA held on 5th April 2011, minimum quantity of hard rock cut deduction for all GOP and German Debt Swap Program (GDSP) projects may not be less than 25%.

According to Note 1 reflected in the BOQ being part of bidding documents the suitable rock material from roadway excavation shall be used in most effective manner in the construction of embankments, widening of road of any sort, granular sub base, aggregate base course, water bound macadam, backfill around/behind the structures, stone masonry of culverts, retaining walls, culverts, stone routed/plain riprap, stone gabion or any other work included in the project.

Deputy Director Reconstruction Shangla paid Rs 72.339 million for phase-I and II of Yakhtangi Puran Mortong Road but rock material obtained from excavation was not utilized in other items of road work. Also Technical Sanction was not provided.

Excess payment of Rs 72.339 million (Rs 43.880 million for phase I + Rs 28.459 million for phase II) has been made thus favouring the contractors.

Irregularity was pointed out on 18th October 2012 but no reply has been furnished by the department.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit holds that matter of excess payment on account of non utilization of available excavated material may be investigated for fixing responsibility and recovery be made under intimation to Audit.

AP # 117 & 119 (DDR-SHG)

3.2.14 Non imposition of LD and irregular expenditure on account of price adjustment - Rs 3.688 million

As per General Conditions of Contract, liquidated damages upto maximum 10% of contract price for delay in completion of work will be imposed.

Deputy Director Reconstruction Shangla awarded the work of Package No.1-G (Tehsildar Office, Residence Chakesar, Civil Judge Alpuri, Tehsil Office Besham) to M/S Shaukat Khan & Co. on 31st October 2007 for Rs 25.847 million. One year completion period was allowed to contractor. Contractor failed to complete the work during the contract period and requested for extension of time which was not provided. As such 10% LD amounting to Rs 2.584 million was required to be imposed. Instead of recovering LD, the management allowed price adjustment of Rs 1.104 million up to IPC # 6 to contractor in December 2011. This resulted into a loss of Rs 3.688 million to Government.

Irregularity was pointed out on 18th October 2012 but no reply has been furnished by the department.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

It is recommended that liquidated damages be imposed and recovered in addition to recovery of price adjustment under intimation to Audit.

AP # 126 (DDR-SHG)

3.2.15 Non utilization of donor money – Rs 6,456.292 million

Para 23 of GFR Vol-I requires that 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 Govt. officer.

IDB sanctioned US \$ 93.000 million being equal to Rs 7,038.916 million for 70 projects in 2008-09. Out of this amount, only Rs 582.624 million were utilized for various projects during three years upto 30th June 2012. Only four projects out of 70 could be completed during this period, whereas remaining projects stand at below 20% progress. Thus due to this

poor performance, a huge amount of Rs 6,456.292 million could not be utilized, which could have been used to complete many strategic projects such as Thakot to Dassu road, construction of Grid Station, micro hydal power and electrification projects.

This matter was reported in August-2012 but reply is still awaited.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that a high powered committee may be constituted at ERRA level for investigating this poor performance and disciplinary action be taken against negligence under intimation to Audit.

AP # 130 (IDB-ATD)

3.2.16 Undue favour to contractor in works on Mada Khel to Belega Road (12-km) - Rs 3.916 million

FTR Rule 668 provides that recoveries of all payments made in advance may be watched by the officer allowing such payments himself.

According to clause 60.1 &2, General condition of Contract, second part of mobilization advance is to be paid subject to certain conditions.

Contract for the construction of Madakhail to Belega (12-km) road was awarded by Deputy Director IDB to M/s Mohammad Urfan khan & Co on 28th March 2011 with completion period of one year up to 29th March 2012 at bid cost of Rs 78.317 million. Even the progress report of June 2012 shows that the work was stopped due to court case, management had paid second part of mobilization advance in March 2012. Till date only 6% work has been completed. Evidence of court case was not produced.

The contractor was paid Rs 3.916 million as 2nd installment on 10th March 2012 despite knowing about his poor progress and court case which could not fulfill the conditions as required.

The matter was reported in August-2012 but intimation about any action on it is yet to be received.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

It is recommended that matter may be investigated and disciplinary action be taken against officials for providing favour to contractor on Government cost.

AP # 157 (IDB-ATD)

3.2.17 Irregular expenditure and misuse of Government vehicles by consultants for IDB projects – Rs 11.196 million

Para 151 of GFR Vol-I provides that the officer entrusted with stores should take special care for arranging for their safe custody. He should maintain suitable accounts and inventories and prepare correct returns in respect of the stores in his charge with a view to prevent losses through theft, fraud etc.

On closure of EEAP offices, 26 vehicles were received back by Chief Engineer PERRA and later the same were transferred by them to four firms of consultants supervising IDB projects during 2011. Out of these 26 vehicles, 9 are in use of lower staff i.e. Site Inspector, Surveyor and Office Manager etc. whereas 5 vehicles were shown parked. Moreover payment of Rs 11.196 million was made to consultants for purchase of vehicles in February 2012 for which detailed record was not provided to Audit. This expenditure has been met out of provision of following two construction works.

Sr. No.	Name of contract	Amount for purchase of vehicle (Rs)
1	Karat to Dumbaila Road	7,283,101
2	Chakasar-Mortang Road	3,913,000
Total		11,196,101

No clause in agreement is available regarding provision of any vehicle to consultants of these projects. Similarly these projects did not have any component for purchase of vehicles in PC-I.

All these vehicles have unlawfully been provided to the consultants while procurement of vehicles for the consultants was allowed in parallel.

The irregularities were brought to the notice of office concerned in August-2012 but reply is still awaited.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit holds that the vehicles should be retrieved and recovery of expenditure be made from unauthorized user(s). Procurement of vehicles without provision of PC-I may be got regularized.

AP # 161 (IDB-ATD)

3.2.18 Loss due to non deduction of 25% share of stone (hard rock) material Rs 23.274 million

As per decision taken in meeting under Chairmanship of Deputy Chairman ERRRA held on 5th April 2011, minimum quantity of hard rock cut deduction for all GOP and German Debt Swap Program (GDSP) projects may not be less than 25%.

According to Note 1 reflected in the BOQ being part of bidding documents the suitable rock material from roadway excavation shall be used in most effective manner in the construction of embankments, widening of road of any sort, granular sub base, aggregate base course, water bound macadam, backfill around/behind the structures, stone masonry of culverts, retaining walls, culverts, stone routed/plain riprap, stone gabion or any other work included in the project.

Payment was made by Deputy Director Reconstruction Mansehra to contractors on account of excavation in hard rock but no amount was deducted as 25% share of stone/ hard rock material used during stone masonry work. Thus the Government suffered financial loss Rs. 23.274 million as detailed below:

S. No.	Name of Road	Amount paid for hard rock	Masonry work paid	25 % Share of hard rock used (Rs)
1	Mangli Mittikot Road	1,380,000.00	2,552,480.00	638,120
2	Gavey to Bilyani road	3,034,784.00	1,822,854.00	455,714
3	Jabbar Changari narral ban Road	6,422,696.00	943,867.00	235,967
4	Batal to Sathan Gali Road	1,522,714.00	15,150,550.00	3,787,638
5	Bala kot Satbanikund Banglow	1,696,354.00	12,459,244.00	3,114,811
6	Phulra Lissan Nawab Road	1,701,415.00	14,090,556.00	3,522,639
7	Nawaz Abad Devli Road	2,706,036.00	19,788,709.00	4,947,177
8	Kaith Serash jabber Baggar Road	2,586,330.00	11,267,906.00	2,816,977
9	Kaith Serash jabber Baggar Ph-II	21,813,248.00	6,436,527.00	1,609,132
10	Plam Gali Kabal Road	667,821.00	1,184,578.00	296,145
11	Gari Habibullah to Buraj Road	1,154,280.00	647,894.00	161,974
12	Afzal Abad To Chiria Road	361,200.00	6,751,010.00	1,687,753
Total	45,046,878.00	93,096,175.00	23,274,044	

Non deduction of due amount from such number of contracts is a clear loss to Government.

This irregularity was reported in September- 2012 but no reply received so far.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

It is recommended that an inquiry committee be constituted to probe these cases, responsibility be fixed and recovery made under intimation to Audit.

AP # 270 (DDR-MAN)

3.2.19 Overpayment of amount made for use of cladding sheets of under-gauge

Para 23 of GFR Vol-I requires that 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.

Previous year's Audit pointed out that 9-mm cladding sheets were used in the inner side of the walls of 124 schools buildings of light gauge instead of 10-mm required as per specification. However the payment was made for 10-mm cladding sheets by Deputy Director EEAP (Education) Battagram which resulted in huge overpayment. The recovery of overpayment so pointed out was started by NESPAK but total recovery due and recovery already made has not been made known to audit despite repeated reminders.

Similar position of using 9-mm cladding sheets instead of 10-mm was observed during current audit of accounts of Deputy Director Reconstruction Mansehra in construction of 120 light gauge school buildings. This has also resulted in huge overpayment.

This irregularity was reported in September 2012 but required information is still awaited from the quarters concerned.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends to investigate overpayment of under-gauged sheets and take disciplinary action against responsible (s). Internal control should be strengthened to ensure that deviations are not allowed from specifications as given in the bid award documents. Total overpayment made by both the offices may be worked out, intimated to audit and recovered from contractors.

AP # 310 (EEAP-Edu BTM) & 291 (DDR-MAN)

3.2.20 Non imposition of LD and unjustified payment of price adjustment - Rs 40.725 million

As per General Conditions of Contract, liquidated damages upto maximum 10% of contract price for delay in completion of work will be imposed.

Payment of Rs 40.725 million was made by Deputy Director Reconstruction Wing Mansehra to the contractors during year 2011-12 on account of price adjustment. Since the contractors failed to complete contracts within stipulated time period, liquidated damages were required to be imposed instead of allowing them price adjustments. Audit also requested management to show time extension approved by the competent authority for all these cases but the same were not produced to Audit.

Payment of price adjustment when the works were not completed in time and time extension was also not granted was held irregular.

The irregularity was intimated to department in September 2012 but reply is still awaited.

Despite request, no DAC meeting was arranged by ERRRA authorities till finalization of this Report.

Audit recommends that matter may be investigated and recovery of price adjustment and LD be made under intimation to Audit.

AP # 295 (DDR-MAN)

3.2.21 Unjustified expenditure on plantation - Rs 20.175 million

As per PC-I for forestation in earthquake affected area in District Shangla, following targets were set to be achieved:-

- i. To impart awareness and create self reliance in the local population about increase in forest covered area.
- ii. To increase the availability of all types of wood, timber and other subsidiary.

Divisional Forest Officer Alpuri spent Rs 20.175 million during 2010-11 on purchase of grown up plants on various sites. During visits on two major site i.e. Surban and Ponyal of Korrora Forest Range where 68,000 and 30,450 plants were shown as shifted and planted only 15 to 20% plants were found available. Representatives of Forest also accompanied the Audit team.

Moreover record of Nurseries established with Rs 3.233 million from ERRRA Fund was not shown for audit despite request.

This issue was taken up with department in July 2012. The department replied that purchased plants were properly planted and also being looked after. The reply is not convincing as per site verification.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that inquiry may be conducted for mismanagement of forestation.

AP # 231 (DFO-Alpuri)

3.2.22 Non construction of district complex Shangla - Rs 262.965 million

Para 23 of GFR Vol-I requires that 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.

Payment of Rs 262.965 million was made from ERRA funds in June 2007 by DRU Shangla for land acquisition for District Complex Shangla but despite lapse of 5 years construction work even tendering process for this project had not been started. Moreover Rs 10.975 million were paid for build up property and trees which have also not yet been disposed off.

This issue was brought to the notice of management concerned in June 2012 who replied that tendering for construction of complex is the responsibility of Chief Engineer office, is not understood.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that a coordinated effort may be made involving all implementation agencies of ERRA to ensure completion of the project and availability of facilities to the affectees.

AP # 233 (DRU-SHG, 2010-11)

Performance and targets

3.2.23 Non achievement of targets and unconfirmed status of 1215 schemes having progress of less than 50%

As per Clause 1:2 of ERRA Operational Manual, ERRA is responsible for reconstruction and redevelopment of earthquake affected areas and rehabilitation of affected population. Also according to PERRA Notification No. NWFP-ERA/P&D/ERRA/01-2006/004, "PERRA will be

overall responsible and accountable for the timely and efficient execution of all programs activities in the area of its jurisdiction.”

The overall position of all sectors/ schemes with PERRA Abbottabad as on 30th June 2012 is as under:

Sector	Total schemes	Tender invited	Bid evaluated	Tender Awarded	Work started	0%	1-25%	26-50%	51-75%	76-95%	Completed
Education	2959	2629	2426	2391	2301	68	225	228	264	230	1286
Environment	338	338	328	328	326	6	41	17	46	40	176
Governance	479	474	463	462	457	7	10	12	41	41	346
Health	147	144	141	134	123	4	3	15	11	13	77
Livelihood	673	518	504	504	496	40	22	70	24	87	253
Social Protection	9	9	9	9	5	0	0	1	4	0	0
Med Rehab:	4	4	4	4	4	0	0	0	0	0	4
Power	4	4	4	4	4	0	0	0	2	0	2
Transport	150	148	145	145	145	4	9	11	20	17	84
WATSAN	1938	1938	1937	1937	1937	3	2	9	5	4	1914
Total:	6704	6206	5961	5918	5798	132	312	363	417	432	4142

Planned and approved targets could not be achieved despite instruction by ERRA for release of funds for the schemes having physical progress of more than 90%.

Non achievement of target was pointed out during July 2012 to October 2012 but no reply is received from any quarter.

Despite request, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that non achievement of planned and approved targets and inclusion of sponsors completed schemes in ERRA/ PARRA’s progress may be investigated for fixing responsibility upon defaulters and expedition of progress of work under intimation to Audit. Future planning for completion of the projects/ facilities may also be provided.

(AP-03 PERRA, AP-45DDRec Kohistan, AP-57,63 CE Atd, AP-237 DRU Btg, AP-246 DRU Atd AP 265, 268 DDR Man / 2011-12)

CHAPTER 4

STATE EARTHQUAKE RECONSTRUCTION AND REHABILITATION AGENCY (SERRA)

State Earthquake Reconstruction and Rehabilitation Agency (SERRA)

4.1 Introduction of the Agency

State Earthquake Reconstruction and Rehabilitation Agency (SERRA) was established to implement and coordinate reconstruction and rehabilitation activities in the earthquake affected areas of AJ&K. SERRA acts as the secretariat of the State's Steering Committee. It performs such duties and exercises powers as determined by the Steering Committee, ERRA Council and the State Government.

Three District Reconstruction Units (DRUs) viz. DRU Muzaffarabad, DRU Bagh and DRU Rawalakot were established in April, 2006 for the implementation of reconstruction and rehabilitation activities in their respective districts. The DRUs work under the advice of the District Reconstruction Advisory Committees (DRAC) which approves the Annual Work Plans upto Rs 100 million.

The audit findings on the accounts of SERRA and its DRUs for financial year 2011-12 are as under:

4.2 AUDIT PARAS

Fraud/Mis-appropriation

4.2.1 Irregular payments on fake / false documents – Rs 25.270 million

According to clause 10.1 of the Condition of Contract read with clause 32.1, Performance Security of 10 % of the contract cost is required to be submitted by the contractor within 14 days, after the receipt of the Letter of Acceptance.

The contract for construction of schools in Union Council Kot Kommi was awarded to M/s Gulzar Khan & Brothers under package No. 19/2007. The Performance Security bond of Rs 3.425 million in the name of M/s Pakistan General Insurance Company Limited, Lahore with expiry date of 7th February 2012 was provided by the contractor.

XEN PWD Muzaffarabad paid an amount of Rs 25.270 million to the contractor up to Interim Payment Certificates (IPCs) No. 20 till 17th October 2011. Pakistan General Insurance Company Limited denied the issuance of bond provided by the contractor and treated as false and fake vide their letter dated 13th February 2012.

The department replied that the contractor was directed to provide the valid performance guarantee which he has committed to provide the same. In case it is not received; action would be taken against him by taking into account the dues of contractor in other contracts.

The reply is not satisfactory. Audit holds the view that the contractor deceived the Government which is a criminal offense.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that:

- i. Detailed inquiry may be conducted and action be taken against the persons held responsible for negligence on the part of dealing staff who made the payment to the contractor on fake and false performance guarantee without seal and stamp.
- ii. Legal action against the contractor for submission of fake and false performance guarantee be taken.
- iii. Pakistan Engineering Council be approached for taking appropriate action on their part against the contractor for submitting fake performance guarantee.
- iv. The instructions may be issued by ERRA/ SERRA to all subordinate executing agencies to get the authenticity of all other performance guarantees of contractors verified from insurance companies/ bank etc. to ensure that valid and legal performance guarantees of all the contractors are available with the department.

(AP-189, XEN PWD, Mzd)

Irregularity and Non Compliance

4.2.2 Overpayment of salaries to project staff - Rs 2.636 million

As per Finance Division O M No F.4 (9) R-3/2008-499 dated 12th August 2008, pay package for staff directly recruited for the development

projects funded from PSDP should be on the standard pay package with 5% annual increment. Further as per Para 18 of revised PC-1, the staff of PMU shall be recruited on the basis of pay package as notified by Finance Division O. M. dated 12th August 2008.

PMU, MCDP allowed pay to its employees at the maximum of pay scale/ package instead of initial pay which resulted into over payment of salaries to the employees amounting to Rs 2.948 million.

The Department replied that pay of employees was fixed as per their qualification and experience. They also stated that contract employees were not willing to join at minimum of pay scale. The management also agreed to take up the matter with ERRA.

Audit holds the view that the payment made to the contract employees at the maximum of pay scale instead of initial of scale was irregular and unjustified.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that responsibility may be fixed for allowing maximum of scale instead of minimum at the time of appointment besides effecting recoveries of overpayments as per rules.

(AP No. 05, PMU-MCDP)

4.2.3 Irregular expenditure on account of purchase of vehicle – Rs 1.790 million

According to Rule-4 of Public Procurement Rules 2004, the procuring agency, while engaging in procurement, shall ensure that the procurements are conducted in a fair and transparent manner. According to Rule-12(2) of PPRs, all the procurement opportunities over rupees two million should be advertised on the Authority's web site as well as in other print media or newspapers having wide circulation. As per Rule-28(1), the date for opening of the bids and last date for submission of the bids shall be the same.

The Superintendent Engineer (SE) Building/ Reconstruction Circle Muzaffarabad issued an advertisement on 9th May 2009 through Information Department Muzaffarabad for procurement of vehicle. The date of opening of the tender was fixed as 14th May 2009. A corrigendum was printed which eliminated the word "Jeep" on 8th May 2009 and also extended the closing date from May, 14th 2009 to May 24th 2009. In response to the advertisement the department received bids which were opened on 26th May 2009, supply order issued on 27th May 2009 and

vehicle received on 28th May 2009. It was observed that the original invoice was received through fax on 20th May 2009 and financial sanction of payment was issued on 21st May 2009 i.e. five days before the presenting of bids to purchase committee.

Moreover, as per approved PC-I, Rs 3.000 million were allocated for purchase of operational vehicle (Land Cruiser). Against the PC-I provision, a luxury Toyota Saloon was purchased.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit considers the whole procurement process fictitious and suggests that the matter may be investigated in detail to fix the responsibility on the person(s) at fault for mis-procurement.

(AP No. 20, S. E. Build/ Reconst Mzd)

4.2.4 Loss to state due to acceptance of higher bids – Rs 61.851 million

As per Rule 38 of Public Procurement Rules 2004 the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the contract, within the original or extended period of bid validity.

Executive Engineer (XEN) PWD Highways Muzaffarabad awarded following contracts to the bidders other than lowest which resulted into loss of Rs 61.851 million as detailed below:

(Rs in millions)

S. No.	Work	Awarded to	Amount of award	Lowest bidder	Amount of bid	Difference
1	Airport Hoterary Road 16 Km	M/s Mukhtair Hussain Naqvi	156.621	M/s Shoukat Khan	155.214	1.407
2	Bridge over Jhelum river at Ghari Dupatta	Sachal Construction	198.912	M/s Rex Construction	140.140	58.772
3	Bridge over Jhelum river at Pulhar	M/s Kingcrete Builder Rawalpindi	264.086	M/s Rex Construction	262.414	1.672
Total						61.851

As per management contention, the contract was awarded to M/s Mukhtair Hussain Naqvi on the ground that the performance of the 1st lowest bidder i.e. M/s Shoukat Khan was not satisfactory. However, the performance of the same contractor had been declared satisfactory by

NESPAK, EEAP (Transport) and Japan International. The reasons for award of contract regarding S. No. 2 & 3 to the contractors other than lowest bidders were not informed.

The matter was brought the notice of the management on 12th March 2012 but no reply was received from the department.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit is of the view that the matter may be investigated for irregular award of contract under intimation to Audit.

(AP No. 23, XEN Highways, Mzd)

4.2.5 Excess purchase and retention of store - Rs 12.180 million

As per GFR 145, 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 store much in advance of actual requirements, if such purchase is likely to unprofitable to Government.

Upon closure of EEAP Power Sector AJK, Electricity Department AJK received un-used store amounting to Rs 57.948 million from EEAP Power vide letter dated 7th October 2010 for completion of its left over work. Audit observed the following:

- i) The store of Rs 0.684 million was received by Electricity Department AJK in excess of requirement which was not utilized for the projects.
- ii) Stocks worth Rs 20.605 million transferred to five Operation Divisions were still lying unused even after completion of projects and payment of final bills.
- iii) Electricity Department transferred PVC 7/52 cable costing Rs 12.180 million (40,000 meter x Rs 30 per meter) to Executive Engineer Store Division Mirpur on 15th January 2011 by spending an amount of Rs 180,000 on freight charges.

Audit holds that the stocks procured for emergency use years back should have been utilized in timely manner and their non utilization to date shows lack of prudent financial behavior by management.

The matter was pointed out on 27th March 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that cost of stores transferred to AJK Electricity Department i.e. Rs 33.469 million (Rs 12.180 million + Rs 0.684 million + Rs 20.605 million) may be deposited into Federal Government Treasury.

(AP No. 53 &56 CE Electricity, Mzd)

4.2.6 Non deduction of liquidated damages – Rs 894.502 million

As per General Conditions of Contract, liquidated damages upto maximum 10% of contract price for delay in completion of work will be imposed.

Different works of construction/ repair of buildings/ roads were awarded to contractors for completion within specified time as per contract agreements. The contractors failed to complete the work within time frame therefore liquidated damages of Rs 894.502 million were to be imposed by the departments as detailed below:

(Rs in million)

S. No.	Name of Department	AP No.	LD Charges (Rs)
1	Xen Highway, Bagh	42	26.855
2	EEAP-Education Muzaffarabad	62	428.673
3	EEAP-Health Muzaffarabad	76	43.409
4	PHED, Muzaffarabad	114	4.374
5	PWD, Bagh	127	300.816
6	EEAP (T&C) Muzaffarabad	179	4.038
7	EEAP (T&C) Muzaffarabad	182	29.739
8	PWD, Muzaffarabad	192	22.944
9	PWD, Neelum	200	29.205
10	MCM Muzaffarabad	227	4.449
Total			894.502

Non imposition of liquidated damages resulted into loss to the State due to inflation and additional operation cost. When requested by Audit, extension in time duly granted by competent authority was not produced.

When pointed out to the management, no reply was received till finalization of this report.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that the liquidated damages may be recovered from the contractors concerned under the relevant clauses of the contracts and deposited into Government Treasury under intimation to Audit.

4.2.7 Overpayment to contractors - Rs 40.279 million

As per clause 35.1 of GCC, the Bill of Quantities (BOQ) shall contain priced items for the works to be performed by the contractor. The BOQ is used to calculate the contract price. The contractor will be paid for the quantities of the work accomplished at the rate in the BOQ for each item. Moreover, as per clause 37.1 all variation shall be included in updated program.

In EEAP Health Muzaffarabad, payment of Rs 40.279 million was made to different contractors for items in excess of quantities approved in variation order (VO) as detailed below:

(Rs in millions)

S. No.	Package No.	Excess amount paid
1	07	21.310
2	09	8.956
3	10	3.429
4	12	4.241
5	15	2.241
Total		40.279

The irregularity was pointed out on 12th July 2012. The management replied that variation order was prepared before the final bill. There might be slight increase or decrease in quantities of items which was measured after the work was executed. The overall amount of the bill did not exceed from the variation order.

The reply is not satisfactory. The payment of items of work in excess of quantities approved in variation order was irregular as no revised variation order was got approved.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends to recover the amount irregularly paid and to initiate disciplinary action against the person(s) held responsible

(AP-72, 75, 81 EEAP-Health, Mzd)

4.2.8 Irregular deposit of recovered amount into Extra Budgetary Resource Fund Account instead of Government Treasury – Rs 1.503 million

Para 28 of GFR no amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be

irrecoverable the orders of competent authority for their adjustment, must be sought.

In EEAP Health Muzaffarabad, an amount of Rs 1.503 million was overpaid to contractor M/s Hastam Khan. The overpaid amount was subsequently recovered from the contractor through CDR No. 2537519/14 dated 10th February 2012. The amount was required to be deposited into Federal Government Treasury, instead the same was deposited into Account No. 887-9 (Extra Budgetary Resource Fund Account).

When pointed out on 12th July 2012, the department stated that the amount was deposited as advised by the ERRA.

The reply is not acceptable as the amount was to be deposited into Federal Government Treasury instead of extra budgetary account.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends an early action to transfer the amount into Government Treasury.

(AP-73, EEAP-Health, Mzd)

4.2.9 Irregular payment to the consultancy firm - Rs 3.294 million

In accordance with terms and Conditions of Contract, the consultant shall work full time and shall diligently and effectively complete the services under the TORs.

A contract agreement was signed with M/s Engineering Associates Pvt. Ltd. on 9th February 2008 for construction and supervision of one Rural Health Centre (RHC) and eight Basic Health Units (BHUs). The consultant was paid Rs 3.294 million vide cheque No. 6114271 dated 19th March 2012. The consultant was required to generate certain reports besides other field tests as per TORs but the same could not be made available to Audit and neither there appears any verification on the bills to this effect.

The management in its reply dated 1st August 2012 stated that the department has withheld the payment of consultant till submission of Project Completion Report (PCR) and there is no any irregular payment made to the consultant. After the receipt of PCR, the amount of the consultants will be released.

The stance is not satisfactory. The payment of Rs 3.294 million was made on 19th March 2012 whereas all the required documents were not available with the department.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that payment of Rs 3.294 million may be recovered and matter be investigated, responsibility fixed and Audit informed accordingly.

(AP-85, EEAP-Health, Mzd)

4.2.10 Implementation of variation orders in excess of original contract without concurrence of ADB - Rs 15.734 million

As per ADB Procurement Guidelines Para 3 of Appendix 1 to ADB Review of Procurement Decisions, in case of contracts subject to prior review, any change order or orders under such contract which would in aggregate increase the original amount of the contract by more than 15 percent of the original price, the borrower shall seek ADB's no objection to the proposed modification, or change order.

EEAP (Power Sector), Muzaffarabad awarded various contracts (packages) for rehabilitation of damaged office and residential buildings of Electricity Department in earthquake affected areas. The department issued variation orders in the following packages for increasing the cost by more than 15% of the original contract cost which resulted in excess payment of Rs 15.734 million as detailed below:

S. No.	Package No.	Award Amount (Rs)	Variation (Rs)	Difference (Rs)	Percentage (%)
1	3	37,493,463	45,096,587	7,603,124	20.28
2	9	6,601,868	8,122,927	1,521,059	23.04
3	10	3,847,754	5,381,438	1,533,684	39.86
4	11	12,838,003	17,914,031	5,076,028	39.54
Total				15,733,895	

The approval/ NOC from the ADB as required under above rules was not produced to audit.

When pointed out, the department stated that all the variation orders were implemented after approval of the ADB.

Departmental reply is not tenable because approval from ADB for variation orders exceeding 15% was not provided to Audit.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit holds that excess payment of Rs 15.733 million without approval from ABD may be got recovered from the defaulters.

(AP-87, EEAP-Power, Mzd)

4.2.11 Unjustified acceptance of performance securities – Rs 6.041 million

As per ERRA letter No. 1(1)/2006/Proc-I/ERRA (NESPAK) dated 17th September, 2009 and NESPAK letter dated 21st May 2009, insurance companies having at least AA credit rating from PACRA/ JCR are acceptable for provision of Performance Security. The companies who fulfill the criteria are National Insurance Co. Ltd, Adamjee Insurance Co Ltd, IGI Insurance Limited, New Jubilee Insurance Co Ltd and EFU General Insurance Limited.

The Executive Engineer PWD, Bagh awarded contracts to M/s Abbaseen Associates and M/s Shoukat Khan & Co for construction of education facilities under Package No.10 and 11. The contracts were recommended for termination by Director Design due to non-complying with obligations under contract. The contracts of both the contractors were terminated accordingly. On termination of contracts, the United Insurance Company was approached on 15th September 2011 for transfer the amount into account No. 24980 of XEN PWD, Bagh maintained in National Bank of Pakistan, Bagh but no confirmation was conveyed by the insurance company to the department. The performance bonds expired on 9th December 2010.

Due to non observance of instructions issued by the ERRA as well as by the consultants, the department suffered a loss Rs 6.041 million.

The irregularity was pointed out to the management on 15th August 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that the matter may be investigated for fixing responsibility on the person(s) at fault who accepted the bond from the non specified insurance company. Besides, the case may be registered against the defaulter insurance company.

(AP-125 XEN PWD, Bagh)

4.2.12 Non recovery on account of De-award of land – Rs 6.053 million

Para 28 of GFR no amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment, must be sought.

Collector Land Acquisition, Muzaffarabad issued awards to acquire land for Muzaffarabad City Development Projects. Later on, the land was de-awarded due to change of location. However, payment of Rs 6.053 million so made to the landlords was not recovered.

The irregularity was pointed out to the management on 5th October 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that the amount paid to the landlords may be recovered and deposited into Federal Government Treasury.

(AP-131, CLA Mzd)

4.2.13 Unlawful deposit of government money into private bank account Rs 6.256 million

As per ERRA's Accounting Procedures-2006, clause-16 states that all accounts shall be maintained in National Bank of Pakistan.

PMIU, Saudi Fund for Development & Kuwait Fund (SFD&KF), Muzaffarabad deposited Government funds into personal Current Account Number 1000550 of Mr. Niaz Ahmad Siddiqui S/o Muhammad Shafi Siddiqui, maintained in Muslim Commercial Bank, Chatter Branch, Muzaffarabad. As per bank statement, total amount deposited in July 2011 was Rs 6.256 million. The said amount was later on withdrawn in the month of October 2011 the whereabouts of which are not known.

The matter was brought to the notice of the management on 10th October 2012. The department in its reply dated 11th December 2012 stated that the current account was opened as official joint account in the name of Chief Engineer, PMIU and Deputy Director (Tech) in MCB. The statement was wrongly issued in the name of Mr. Niaz Ahmad Siddiqui which was corrected and verified by the bank.

The reply is not acceptable. The bank vide its letter dated 2nd July 2012 admitted that "the statement was wrongly issued in the name of Mr. Niaz Ahmed Siddiqui which has now been corrected". Whereas the bank

statement provided to Audit was issued on 27th September 2012 which clearly indicates that the title was not changed till that date.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that an enquiry may be conducted and action taken against person(s) who allowed deposit of government money in private bank account. Further, the whereabouts of the withdrawn amount may also be intimated.

(AP-140, PMIU SFD&KF)

4.2.14 Non forfeiture of performance security – Rs 3.092 million

Under terms and condition of contract, the Performance Guarantee will be encashed upon presentation before the due date without consulting or enquiring from the client in case the contractor fails to complete the work as per contract agreement.

M/s DMS & Ever shine were awarded contract under package No. 27 at a total cost of Rs 61.851 million on 27th August 2009. The firm submitted performance guarantee valuing Rs 3.092 million up to 4th October 2010 from M/s Jubilee Insurance Company.

The contract was terminated vide Chief Engineer letter No. SFD&KF/ CE/ 1718/ 5-92/2011 dated 23rd September 2011 due to poor performance. The work was re-tendered and awarded to M/s UCC (Pvt.) Ltd. for Rs 67.066 million at the risk and cost of the original contractor i.e. M/s DMS Ever shine on 22nd March 2012. The performance guarantee of original contractor amounting to Rs 3.092 million could not be encashed by the department immediately after termination of contract. Meanwhile, the contractor filed a case in the court of law on 14th June 2012.

The matter was brought to the notice of the management on 10th October 2012 and 5th November 2012. The department in its reply dated 20th December 2012 stated that after termination of the contract, notice was served to the insurance company for encashment of the performance security within the validity period, but the company has pleaded that encashment would be made after decision of the arbitration.

The reply of the department is not satisfactory as the insurance company informed that matter of arbitration is pending on the part of the department.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that matter may be investigated to fix responsibility for non pursuance of case for encashment of performance guarantee.

(AP-145, CE SFD&KF)

4.2.15 Irregular acceptance of a performance guarantee from unscheduled bank- Rs 224.527 million

As per clause 60.12 of contract agreement “an interest free mobilization advance shall be paid by the employer to the contractor upon submission of a bank guarantee for the full amount of the advance from a scheduled bank in Pakistan.”

Chief Engineer, SFD&KF, Muzaffarabad awarded a contract to M/s Habib Rafiq for re-construction of District Complex Rawalakot (Package-5) at a total cost of Rs 1,496.848 million on 18th October 2010. The contractor submitted mobilization advance guarantee of Rs 224.527 million from Trust Investment Bank, Lahore which is an unscheduled bank. The said guarantee was accepted by the management which is irregular and against the provision of the contract agreement.

The matter was brought to the notice of the management on 10th October 2012 and 5th November 2012. The department in its reply dated 20th December 2012 stated that the Trust Investment Bank is a schedule bank of Pakistan.

The reply is not satisfactory as Trust Investment Bank is a Non Banking Finance Company (NBFC). Audit holds that undue favour was extended to the contractor by accepting guarantee of non scheduled bank.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that reasons for accepting bank guarantee of the contractor issued by an unscheduled bank may be justified besides fixing responsibility on the person(s) at fault.

(AP-153, CE SFD&KF)

4.2.16 Award of contract outside the scope of ERRA and irregular payments Rs 743.981 million

The mandate of ERRA is to “Plan, coordinate, monitor and regulate reconstruction and rehabilitation activities in the earthquake affected area, encouraging self reliance through private public partnership and community participation and ensuring financial transparencies.”

Kashmir Highway Authority (KHA) awarded a contract regarding “Up-gradation, Widening and Construction of Kohala-Dhirkot Road” to M/s Ibex Engineering (Pvt.) Limited, Rawalpindi in July 2007 on single source basis. The contract was awarded at 30% above of the NHA Schedule Rates 2006, applicable for District Mansehra and it was directed to start the work in July 2007 under the supervision of Kashmir Highway Authority and consultancy contract signed with M/s ACC (Pvt.). The cost of project is as under:

i.)	Original PC-I	Rs 93.396 M (Funded through AJK)
ii.)	Revised PC-I	Rs 478.495 M (Funded through AJK)
iii.)	2 nd revised PC-I	Rs 993.113 M (ERRA Funding)

As per ERRA letter No. 5(11)/09-ERRA(P)-roads dated 17th June 2010 it was decided that an amount of Rs 292.355 million already paid out of AJK Annual Development Plan will not be reimbursed by ERRA to Government of AJK.

The said project of Kashmir Highway Authority was handed over to ERRA by signing an agreement on 18th June 2010 between M/s Ibex and M/s FWO with completion period of 2 years on the same rates. Audit is of the view that ERRA’s mandate was restricted to reconstruction and rehabilitation activities. Upgradation, widening and construction of Kohala Dhirkot road was new work which was outside the mandate of ERRA as it was not activity of rehabilitation.

The matter was brought to the notice of the management on 5th October 2012 but no reply was furnished by the department.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that ERRA may fix responsibility for taking over project beyond its mandate especially when it was facing a severe financial crunch and issuing instructions to line departments for not accepting any new projects.

(AP-158, PD Kohala Dheerkot Road)

4.2.17 Non rectification of damages at contractor cost for asphalt wearing course Rs 2.501 million

According to GCC 33.1 and GCC 34.1 before end of Defect Liability Period if the contractor has not corrected a defect within the time specified, the Project Manager shall assess the cost of having defects corrected and the contractor shall pay the damages.

M/s HAKAS was awarded contract No. NCB-03 (Bagh Arja Raod – 16.650 Km) which was completed on 30th June 2011 with Defect Liability Period (DLP) upto 31st December 2011 extended up to 15th April 2012 and 30th June 2012. A team consisting of representative of contractor, Resident Engineer (Consultant) and Executive Engineer EEAP (Div-I) inspected the road on 29th October 2011 and a punch list for remaining work was prepared. The contractor was requested by the consultant M/s ECIL and Program Manager DRU Bagh for removal of cracks measuring 01 to 20 meters at various chain-age of road.

The department released retention money and performance security against bank guarantee without getting the rectification of damaged work by the department at the contractor cost. The cracks would further increase with passage of time. The cost of damage was Rs 2.501 million as detail below:

Item	Unit	L	W	D	Quantity	Rate (Rs)	Amount (Rs)
Prime Coat	Sq.M	423.00	5.90	-	2,495.70	140.00	349,398.00
Asphalt	C.M	423.00	5.50	0.05	116.33	18,500.00	2,152,012.50
Total							2,501,410.50

The matter was pointed out to the management on 28th June 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit holds that rectification of damages may be carried out at the cost of or by the contractor who failed to perform the work after extension of Defect Liability Period twice. Responsibility may be fixed and disciplinary action may be initiated against the person (s) responsible for releasing the retention money and performance security without rectification of defects under intimation to Audit.

(AP-172, EEAP T&C)

4.2.18 Non recovery of insurance claim despite payment of premium - Rs 16.033 million

According to clause 13.1 of General Conditions of Contract (GCC), the contractor shall provide insurance cover from the start date to the end of the defect liability period, for loss or damage to the works, plant, and material, equipment, property in connection with the contract and Personal injury or death.

EEAP (T&C) Muzaffarabad lodged insurance claim for damage of the work done by M/s Design & Engineering System (JV). The insurance company returned the claim on the plea, that losses occurred during July-August 2010 were not covered under policy. The contract was already terminated and department had no security in hand for such lapses. The left over work was re-awarded to M/s HAKAS who claimed Rs 6.437 million for reinstatement of existing surface (base/ sub base with base course material) for which Rs 28.464 million were paid to M/s Design & Engineering System (JV).

The refusal by insurance company regarding claim of Rs 16.033 million resulted into loss to the government regarding damages of works left by M/s Design & Engineering System (JV).

The matter was pointed out to the management on 28th June 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that responsibility may be fixed against the person (s) at fault, Rs 16.033 million may be recovered from concerned and deposited into Government Treasury under intimation to Audit.

(AP-177, EEAP T&C)

4.2.19 Loss due to non recovery of 20% cost of remaining work from defaulting contractor - Rs 34.142 million

According to clause 58.1 of General Conditions of Contract (GCC), if the contract is terminated because of a fundamental breach of contract by contractor, the Project Manager shall issue a certificate for the value of the work done and materials ordered less advance payments received up to date of the issue of the certificate and less the percentage to apply to the value of the work not completed, as indicated in the PCC i.e. 20%.

EEAP (T&C) Muzaffarabad terminated contract of M/s Design (NCB-3 Bagh Arja Road) on 13th October 2010 and after verification/ measurement of work at site, final bill was prepared of Rs 1.333 million overpaid to the contractor for work upto 13th IPC. The contractor managed only 45% progress valuing Rs 130.892 million and left the balance work of Rs 170.710 million at the end of extended period of completion i.e. 30th June 2010.

As per clause of the contract mentioned above, 20% of the remaining work valuing Rs 34.142 million (Rs 170.710 million x 20%)

was required to be recovered from the contractor which was not done. This resulted into loss of Rs 34.142 million to the Government.

The matter was pointed out to the management on 28th June 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that Rs 34.142 million on account of 20% cost of remaining work may be recovered from the defaulting contractor as per contract agreement and deposited into Government Treasury under intimation to Audit.

(AP-178, EEAP T&C)

4.2.20 Loss to state due to amendment in contract - Rs 14.679 million

According to amendment No.01 dated 18th October 2010, existing figures/ price of Rs 85,000 were substituted for Rs 53,500 with reference to GCC 44 (Table of adjustment).

EEAP (T&C), Muzaffarabad awarded contracts of launching bridges to the under mentioned contractors on the terms and conditions agreed in the contract agreements. Afterward the base rate mentioned in the contract was reduced to Rs 53,500 from Rs 85,000 (37.06% reduced) for work at S. No. 01& 03 and reduced to Rs 53,500 from Rs 85,000 (34.12% reduced) for work at S. No.02 for calculation of escalation. Contrary to that, the rates quoted by the contractors for work was not reduced to the same percentage which resulted into loss to the state besides excess payment of escalation to the contractors. The detail of which is as under:

S. No.	Package No.	Contractor	Rate quoted (Rs)	Rate Reduce %	Quantity (tons)	Amount (Rs.)	Excess escalation (Rs)
1	2	3	4	5	6	78 (4x5x6)	8
1	NCB-AJK EBP-02 (Lot-02a)	M/s Masood Engineering & Construction	120,000	37.06%	92.741	4,124,378	3,844,692
2	NCB-AJK EBP-02 (Lot-02b)	M/s Geo Tech & Cheema Construction	130,000	34.12%	152.322	6,756,395	6,836,186
3	NCB-AJK EBP-02 (Lot-04)	M/s Rising Sun Construction	139,500	37.06%	73.476	3,798,614	2,892,051
Total						14,679,387	13,572,929

The amendment in the contract was made after completion of defect liability period against the rules. Reduction in base rate and that too after completion of projects resulted into excess payment of Rs 14.679 million on account of steel was paid to the contractors.

The matter was pointed out to the management on 28th June 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that responsibility may be fixed for amendments in the contract agreement at the belated stage after completion of project and the excess payment of Rs 14.679 million may be recovered from the contractors and deposited into the Government Treasury under intimation to audit.

(AP-180, 183 & 184 EEAP T&C)

4.2.21 Award of contract without getting technical sanction Rs 3,952.836 million

As per Para-50 of Central Public Works Department Code, for each individual work proposal to be carried out, a properly detailed estimate must be prepared for the sanction of competent authority. This sanction is known as technical sanction of estimates and must be obtained before the construction of work is commenced. The sanction is accorded by the officer of Public Works Department authorized to do so.

Different contracts for construction of building and roads of Rs 3,952.836 million were awarded without obtaining technical sanction.

(Rs in millions)

Sr. No.	Department	Project Name	Contract cost
1	XEN Highway, Bagh	Construction of Rawalakot via Shujabad Road	268.554
2	XEN PHED, Bagh	Reconstruction and Rehabilitation of Water Supply Scheme from Mahal River to Jaglari Top	135.954
3	XEN PWD, Bagh	106 Project of construction of buildings	3,548.328
Total			3,952.836

The matter was pointed out on 31st August 2012 but no reply was received.

Audit is of the view that award of contract without getting technical sanction was unauthorized and unlawful.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that responsibility for irregularity may be fixed besides regularization of expenditure by competent forum.

(AP No. 41, Xen Highway, Bagh) (AP-69, XEN-PHED, Bagh) (AP-126 XEN PWD, Bagh)

4.2.22 Unjustified issuance of technical sanction – Rs 347.376 million

As per Para 62 of CPWD, Technical Sanction is an order of the competent authority, sanctioning a properly detailed estimate of the cost of work of construction or repair proposed to be carried out. Ordinarily, such sanction can only be accorded by Government, or by such authorities of the Ministry to whom the power has been delegated by the competent authority.

In Bagh City Development Project, Bagh technical sanctions for the work as detailed below were accorded by the Project Engineer (P.E) who was not delegated the financial powers:

Sr. No.	Works	Amount (Rs in million)
1.	Construction of Intake and water treatment plant Part-A of Bagh Greater Water Supply Scheme	152.856
2.	Construction of Main from water treatment plant Maldara to grounds storage tank at Mohri Top Part-B of Bagh Greater Water Supply Scheme	194.520
Total		347.376

The matter required justification as work was started without approval / sanction from competent authority i.e. Chief Engineer. The specifications and base cost worked out by the un-authorized engineer may result into irregular benefit to the contractors and loss to the state.

The department replied that work started after approval of projects from the highest approving forum i.e. Program Steering Committee headed by Deputy Chairman and on the authority of Letter of Acceptance (LOA) issued by Project Director. As regard accord of technical sanction by Project Engineer, it is intimated that these certificates were erroneously attached which were withdrawn / cancelled.

The reply of the department is not satisfactory as the technical sanction is different from the approval of the activities by the approving authority. The award and commencement of contract without technical sanction was irregular.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that responsibility may be fixed for commencing of work without Technical Sanction and the irregular expenditure be got regularized by the competent authority. Remedial measure may be adopted to avoid recurrence of such lapses in future.

(AP-122, BCDP)

4.2.23 Non deposit of income tax into Government Treasury – Rs 137.819 million

Para-160 of the Income Tax Ordinance 2001 states that tax collected or deducted shall be paid to the Commissioner by the person making the collection or deduction within the stipulated time.

Following departments deducted income tax @ 6% from different contractors amounting to Rs 137.819 million but the said taxes were not deposited into Government treasury by the departments despite lapse of considerable time in violation of above rules:

(Rs in millions)

Sr. No.	Department	Income Tax
1	PMIU, BCDP, Bagh	4.016
2	PMIU, SFD&KF, Muzaffarabad	133.803
	Total	137.819

The matter was brought to the notice of the management. The PMIU BCDP maintained that they have been advised by ERRA Headquarter to withhold income tax deducted at source till finalization of case regarding exemption from appropriate level.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that responsibility for withholding income tax deducted from contractors at source may be fixed and unpaid taxes of Rs 137.819 million be deposited into Government Treasury under intimation to Audit.

(AP-119, BCDP) (AP-147, SFD&KF)

4.2.24 Double payment for aggregate base at same chain-age – Rs 3.475 million

In accordance with Rule 10 and 10(ii) of GFR every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety and the expenditure should not be prima facie more than the occasion demands.

M/s HAKAS was awarded the work of Bagh - Arja road (16.650 Km) after termination of contract of M/s Design Engineering & System (JV) by EEAP (T&C). The first contractor executed work valuing Rs 130.892 inclusive of sub base, base, asphalt etc. on various chain-ages. The second contractor M/s HAKAS executed remaining work along with repair/ reinstatement of 1st contractor's work especially for aggregate base course as per following details:

Distance/ RD	Work By M/s Design	Reinstated by M/s HAKAS	New work by M/s HAKAS
3+480 to 5+795 2315 m	3+480 to 5+795 2315 m	3+480 to 5+795 2315 m	3+480 to 5+795 2315 m 2,481.982 CM

The work on base at running distance (RD) 3+480 to 5+795 was executed by M/s Design which was reinstated by M/s HAKAS. In addition to that M/s HAKAS were paid Rs 3.475 million (2,481.982 CM x Rs 1,400) for lying new base on the same chain-age / RD. This resulted into excess payment of Rs 3.475 million on account of double payment for aggregate base course on same chain-age / RD.

The matter was pointed out to the management on 28th June 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that the excess payment of Rs 3.475 million may be recovered from the contractor and deposited into Government Treasury under intimation to Audit.

(AP-186, EEAP T&C)

4.2.25 Irregular acceptance of performance bond from under rating insurance company – Rs 89.014 million

According to Para 10.1 of the Conditions of Contract read with Para 32.1, Performance Security of 10% of the contract cost is required to

be submitted by the contractor within 14 days after the receipt of the Letter of Acceptance. The Performance Security acceptable to the employer should be from (i) National Insurance Co. Ltd (ii) Adamjee Insurance Co. Ltd (iii) Askari Insurance Co Ltd (iv) New Jubilee Insurance Co. Ltd. (v) EFU General Insurance Ltd. (vi) Premier Insurance Co. Ltd. (vii) Alpha Insurance Co Ltd. (viii) Reliance Insurance Co. Ltd. (ix) Central Insurance Co. Ltd.

Performance security bonds provided by the following contractors were not from the companies/ institutions mentioned in the contract agreement. Hence, payment amounting to Rs 89.014 million as detailed below on the bonds of United Insurance Company was held unauthorized:

Package	Name of Contractor	Insurance Company	Paid amount (Rs)
05/2007	M/s BKZ Construction (Pvt.) Ltd.	United Insurance Co.	58,464,045
08/2007	M/s Cade Creets Associates	United Insurance Co.	30,550,080
Total:			89,014,125

When pointed out, the department replied that contractors were asked to provide the performance guarantees from the companies mentioned in their contract agreement failing which, current guarantees provided by them would be sent for encashment.

The reply of the department is not satisfactory. The payment to the contractors of Rs 89.014 million on invalid guarantees was irregular and undue favour to the contractors.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that matter of acceptance of guarantees from the non specified insurance companies may be investigated and responsibility be fixed. Valid guarantees issued by the specified insurance companies may be secured from the contractors urgently.

(AP-191, XEN PWD, Mzd)

4.2.26 Loss to state due to acceptance of higher rates as compare to market rate – Rs 7.807 million

In accordance with Rule 10 (ii) of GFR every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety and the expenditure should not be prima facie more than the occasion demands.

Furthermore, as per Standard Procedure for Price Adjustment issued by PEC states that the base date price (or base date index) of any element shall be the price of the element which was prevalent twenty eight (28) days prior to the date of submission of the tender.

Three companies were awarded contracts for construction of schools and health facilities in District Neelum and Union Council Saidpur. The rates for steel as quoted by the contractors were 51 to 100% higher than the market rate as per Bulletin issued by Statistic Division at that time. Later on escalation was also claimed on the basis of the market rate quoted in the bid thus taking undue advantage. This led to overpayment as detail below.

Firm Name	Pkg No.	Bid Rate (Rs)	Market Rate (Rs)	Difference (Rs)	Qty (M. Ton)	Amount (Rs)
M/s BKZ construction		108,000	59,500	48,500	47.491	2,303,313
M/s Technocrat Inc.	02	120,000	50,500	69,500	32.355	2,248,673
M/s Shahi Khan	156	110,000	49,500	60,500	53.81	3,255,505
Total						7,807,491

The irregularity was pointed out to the management on 13th November 2012. The department replied that contracts were awarded by the competent authority as per the laid down procedures, rules and regulations by adopting formal process of competitive bidding. Rates were approved at the time of tendering by taking into consideration all the factors.

The reply of the department is not cogent as higher rate was approved which were over and above the market rates for steel.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends to conduct an inquiry with a view to fix responsibility on the person(s) at fault for accepting higher than market rate and paying escalation during currency of contract on the basis of lower market rate.

(AP-193, XEN PWD, Mzd) (AP-201, XEN PWD, Neelum)

4.2.27 Loss to state on account of non provision of insurance of work Rs 6.077 million

As per clause 21.2 of the condition of contract, “Insurance of works and contractors equipment may cover the employer and contractor against all loss or damages from whatsoever cause arising, other than as provided in sub-clause 21.4, from the start of the work at site until the date of issue of the relevant taking over certificate in respect of the works or any section or part thereof as the case may be”.

The following contracts for construction of Basic Health Units (BHU) in District Neelum were awarded to the contractors. An amount of Rs 6.077 million was incurred on construction of the facilities when the BHUs ruined in the flood of 2010 before completion of work.

Name of Contractor	Package No.	Award Amount (Rs in millions)	Expenditure (Rs in millions)
M/s Jamil & Co.	H76-Jagran	30.062	3.572
M/s Swat Construction Co.	H23-Kuttan	9.654	2.505
Total			6.077

As per contract requirement no insurance was provided by the contractor which resulted into loss of Rs 6.077 million. Audit held that the expenditure incurred on construction of two BHUs in District Neelum should be recovered from the contractors, as insurance cover as provided in contract agreement was not provided by the contractor for work.

The irregularity was pointed out on 13th November 2012 but no reply was received till finalization of report.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

The matter may be investigated as to why the department did not demand the insurance cover and extended undue favour to the contractors. Further, feasibility report for suitability of construction on such site may also be provided to Audit.

(AP-196, XEN PWD, Neelum)

4.2.28 Doubtful payment to the contractor due to non-availability of applications from community - Rs 51.191 million

As per clause-17 of Particular Condition of Contract, daily work will be recorded on site register jointly by the site Engineer and

Contractor/ Firm's representative. It remained policy of the Municipal Corporation Muzaffarabad towards debris removal that persons of the community who wanted to dismantle their damaged/ fully collapsed houses and to remove the loose debris from their surroundings, would apply for the said job. After approval of XEN Local Government and Administrator of Municipal Corporation Muzaffarabad the work was required to be executed.

Municipal Corporation Muzaffarabad paid Rs 51.191 million to the contractors on account of dismantling of damaged/ fully collapsed buildings and removal of loose debris even though no applications were received from the local community as required in the contract for removing of debris. No site register was maintained. In the absence of applications and its related documents and site register, the correctness of payments could not be ensured. Thus the work and payments appear to be doubtful. In one case, payment was made without submitting the bills from the contractor, which makes the doubt strong that there is something wrong in the bottom.

The irregularity was pointed out to the management on 20th September 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that a detailed inquiry may be conducted with a view to fixing responsibility on the person(s) at fault for making payments without fulfilling the documents as laid down in the contract. The results of inquiry be intimated to Audit.

(AP-219 MCM, Mzd)

4.2.29 Unjustified acceptance of machinery below specification - Rs 8.250 million

As per Annexure-III of PC-1 three water boozers with estimated cost of Rs 10.500 million for water sprinkling/ dust minimization was required to be purchased. As per S. No. 5 of Annexure-'A' to tender for purchase of machinery and equipment, the specification was "complete unit Diesel engine, water cooled 180- 215 HP, Capacity of tank more than 20,000 liters, heavy duty tyres, complete manuals, tools and accessories".

Municipal Corporation Muzaffarabad accepted the bid for the same item with a total cost of Rs 8.250 million and tank capacity of more than 20,000 liters but in the supply order the contractor was ordered to supply

with the tank capacity of 10,000 liters and the same was received. The work order and receipt of items below specification was irregular.

The irregularity was pointed out to the management on 20th September 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that an inquiry may be conducted to fix the responsibility on the person(s) at fault for the purchase of machinery below specifications besides making good the loss, if any.

(AP-229 MCM, Mzd)

4.2.30 Unjustified expenditure beyond the scope of the PC-I – Rs 31.577 million

A PC-1 regarding ‘Removal of Debris from Earthquake Affected Areas of Muzaffarabad’ with a total cost of Rs 409.26 million was approved by the ERRA Board. The following were the objectives of the PC-1:

- i. Surface removal of debris to enable and start rehabilitation/reconstruction as per master plan;
- ii. Clearance of debris / rubble to be generated during rehabilitation/reconstruction phase; and
- iii. Proper disposal/staking of debris/ rubble to address/ minimize the environmental hazard impact.

Rs 241.200 million were allocated for hiring of machinery as per “General Abstract of Cost” of PC-1 for collecting transporting and disposal of debris whereas dismantling of building was not included in this work.

Municipal Corporation Muzaffarabad paid an amount of Rs 31.578 million to different contractors for dismantling of damaged and collapsed buildings, which was beyond the scope of the PC-1. Hence the payment was unjustified and requires recovery.

The irregularity was pointed out to the management on 20th September 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that the payment made on account of work beyond the scope of PC-1 was irregular which may be recovered either

from the contractors concerned or the person(s) held responsible for making the payment.

(AP-230 MCM, Mzd)

4.2.31 Non-deposit of receipt generated through ERRa operations – Rs 14.471 million

As per Para-26 of ERRa Accounting Procedure, receipt generated through ERRa operation shall be treated as government receipt and deposited into federal treasury.

Municipal Corporation received an amount of Rs 14.471 million on account of hiring of machinery which was purchased out of ERRa funds. The department deposited the receipt in its own account which was required to be deposited into Federal Government Treasury.

The irregularity was pointed out to the management on 20th September 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRa authorities till finalization of this Report.

Audit recommends that rent of the machinery amounting to Rs 14.471 million may be deposited into Federal Government Treasury under intimation to Audit.

(AP-244 MCM, Mzd)

4.2.32 Unjustified transfer of ERRa fund into Municipal Corporation Account Rs 1.800 million

Para 17 of ERRa Accounting Procedure-2006 states that the ERRa funds shall only be utilized by the Reconstruction Agencies of the Governments of AJ&K for the eligible expenditures pertaining to the projects entrusted to them by the ERRa.

As per bank statement, Municipal Corporation Muzaffarabad transferred an amount of Rs 1.800 million from ERRa Fund Account bearing No. 2555-8 (Debris Removal Project) to Municipal Corporation Account as loan. Documentary proof for refund to the ERRa fund account was not available. The transaction was therefore, irregular.

The irregularity was pointed out to the management on 20th September 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRa authorities till finalization of this Report.

Audit recommends that amount of Rs 1.800 million irregularly transferred may be deposited into Federal Government Treasury under

intimation to Audit. Responsibility for illegal transfer of funds may be fixed.

(AP-246 MCM, Mzd)

4.2.33 Non receipt of stock from EEAP – Rs 13.147 million

As per EEAP PCU letter No. EEAP/PCU/1846-47/2010 dated 7th October 2010, the Chief Engineer Electricity, Muzaffarabad was required to take over the electricity store worth Rs 57.948 million for completion of left over work of EEAP-Power.

Stock items worth Rs 13.147 million were less received/ accounted for in the stock register. This showed that the store received in the Electricity Department was either less accounted for or the EEAP Power did not handed over the complete store to the Electricity Department.

The matter was pointed out on 27th March 2012 but no reply was received.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that the matter may be inquired into to ascertain the factual position and making good the loss.

(AP No. 55, CE Electricity, Mzd)

4.2.34 Unjustified payment before completion of work - Rs 1,399.220 million

As per Central Public Works Accounts Code Para 22, Final Payment means the last payment on a running account made to a contractor on the completion or determination of his contract and in full settlement of the account.

According to the GCC clause 14.3 (ICB Contracts) the contractor shall submit a statement (application for interim payment certificates) and 14.13 which provides that within 28 days after receiving final payment statement the engineer shall deliver to the employer and to the contractor the Final Payment Certificate and

GCC clause 39 (NCB Contracts) the contractor shall submit to the Project Manager monthly statements of the estimated value of the work executed & GCC clause 54.1 provides that the contractor shall supply the Project Manager with a detailed account of total amount. The Project Manager shall issue a Defect Liability Certificate and certify a final payment that is due to contractor.

EEAP (Transport & Communication) Muzaffarabad paid an amount of Rs 1,399.220 million to the contractors as closing payment against the above mentioned provision as detailed below:

S.N	Contract/ Name of contractor	Closing Payment (Rs in million)
1	ICB-1 (M/s) XB-Matracon JV	967.453
2	ICB-2 (M/s FWO)	142.360
3	ICB-3 (M/s FWO)	75.458
4	NCB-4 (M/s Shaukat Khan & Company)	30.155
5	NCB-4-A (M/s Shaukat Khan & Co.)	40.429
6	NCB-5 (M/s Royal Construction)	37.537
7	NCB-6 (M/s Ghulam Rasool Company)	35.712
8	NCB-7 (M/s Ghulam Rasool Company)	70.118
Total		1399.22

The completion certificate of those contractors to whom the closing payment was released, has not been produced to audit along with defect period liability certificates. This reveals that the payment was made as advance payment having no legal cover to exhaust the available funds to shows the financial progress without obtaining the physical progress. Moreover retention money of all these contracts was released on bank guarantees without getting the works completed by the contractors which was also going to expire on 30th June 2012.

The closing payment without provision in any contract/rule/regulations may result in non completion of work and may cause huge loss to state.

The matter was reported to the management on 28th June 2012 but no reply was received.

Audit recommends that unjustified closing payment needs to be investigated and responsibility be fixed against the person (s) at fault under intimation to Audit.

(AP-181, EEAP T&C)

Performance

4.2.35 Non-forfeiture of performance security – Rs 95.435 million

In accordance with clause 10.1 of the Condition of Contract, the contractor shall provide Performance Security of an amount equal to 10% of the contract price stated in the letter of acceptance. Moreover as per

Para 47.1 of special stipulated clause of contract it is stated that deduction would be made at 0.05% of the contract price 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.

Contracts amounting to Rs 954.350 million were awarded to different contractors for construction of Education, Health and Governance building in District Muzaffarabad and Neelum during 2009 and 2010. The work on the projects was not started and having 0% physical progress as per progress report of August/September, 2012. This revealed that even though the contractors had not commenced the work even after lapse of more than two years the performance guarantee was not forfeited by the management.

(Rs in millions)			
Sr. No.	Executing Agency	Contract Amount	Performance Security
1	Xen PWD, Muzaffarabad	741.732	74.173
2	Xen PWD, Neelum	212.618	21.262
Total		954.350	95.435

When pointed out the XEN PWD, Muzaffarabad replied that as per contract agreement Engineer is to determine and certify the default of the contractor and recommend for termination or any other appropriate action under the contract to the employer. Once default of the contractor is proved, then option for imposition of L.D. may be considered, if any other dues to contractor are not outstanding; then forfeiture of performance grantee will be initiated.

The reply of the department is not cogent. Audit holds the view that as the contractors failed to start the work even after 2 years of award of work would result into cost overrun and time overrun of the project.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that action against the defaulter contractors may be initiated under the relevant clauses of the contracts and inquiry conducted against supervising/Project Engineer under intimation to Audit.

(AP-188, XEN PWD, Mzd) (AP-198, XEN PWD, Neelum)

4.2.36 Undue payment of escalation charges - Rs 99.832 million

As per para 11(I) (6) of Planning Commission guidelines for development projects escalation may be provided from 2nd year of project till completion.

Different works of construction/ repair of buildings/ roads were awarded to the contractors. The departments paid escalation charges to the tune of Rs 99.832 million to different contractors. The escalation was paid just after one month of start of contracts in some cases. The escalation was made in the first year of contract in violation of Planning Commission Guidelines.

(Rs in millions)

Sr. No.	Department	AP No.	Escalation charges
1	Printing Press, Muzaffarabad	26	2.476
2	RCDP, Rawalakot	29	2.136
3	PHED, Muzaffarabad	112	2.149
4	BCDP, Bagh	124	2.966
5	Highway Div. Rawalakot	133	1.284
6	SFD & KF, Muzaffarabad	146	88.821
Total			99.832

The irregularity was pointed out to the management but no reply was received till finalization of this report.

Despite requests, no DAC meeting was arranged by ERRA authorities till finalization of this Report.

Audit recommends that undue payment may be recovered from the contractors concerned and deposited into Government Treasury.

Internal Control Weakness

4.2.37 Unjustified increase in cost due to consultant fault – Rs 4.437 million

As per Para 8 of approved PC-I, the reconstruction of Government Boys Primary Schools (GBPS) buildings was estimated at a cost of Rs 6.449 million.

XEN PWD, Bagh awarded the construction work of schools to M/s Sachal Engineering Works (Pvt.) under Package No. 12 but later on, the award of school was dropped from the package on the recommendation of

NESPAK and tender was recalled. NESPAK informed that M/s Sachal Engineering Works (Pvt.) could not start the work due to the reasons that the traces have 08/09 feet elevation difference which could not be accommodated in the proposed design. The progress report showed that tender was recalled and contract was re-awarded at a cost of Rs 10.886 million. The work on site had still not started as design was not made as per site requirement. Review of record showed that the revision of design as per site requirement took time in finalization due to which contractor refused to carry-out the work at previous/ accepted rates which resulted into increase in the cost to Rs 4.437 million (Rs 10.886 million – Rs 6.449 million).

Audit held that the increase was mainly due to the improper designing by NESPAK without visiting the actual site which resulted into refusal by the contractor on one hand and community suffered/ deprived for the benefit of school facility on the other hand.

Despite requests, no DAC meeting was arranged by ERRRA authorities till finalization of this Report.

Audit recommends that mechanism should be developed to ensure maximum coordination between design and implementation consultation so that work is based on ground realities. Responsibility may be fixed for defective designing without site survey.

(AP-129 XEN PWD, Bagh) (AP-181, EEAP T&C)

Annexure-I

S #	AP/ PDP #	Subject	Amount (Rs in million)	Remarks
1	2	3	4	5
1	1	Irregular Payment on a/c Salary of drivers	1.630	Over payment.
2	2	Irregular purchase of track suits	0.121	Non-compliance
3	4	Waste full expenditure on PMU MCDP	36.251	
4	6	Irregular payment to different line departments	13.357	
5	7	Undue favour to the contractor within regard to IT	19.922	
6	8	Non achievements of Targets	-	Performance
7	9	Non Production of record	12.164	Non compliance
8	10	Excess payment on account of purchase of tractor	0.361	Internal control
9	11	Unauthorized payment of collection points	0.414	Non compliance
10	12	Excess payment on account of civil works	0.113	Non compliance
11	14	Irregular expenditure	7.291	Internal control
12	15	Irregular payment in excess of contract amount	0.326	Over payment
13	16	Unauthorized payment of collection points	0.419	Non compliance
14	17	Irregular payment out of ERRA fund	3.248	Non compliance
15	18	unauthorized payment of project Allowance	10.612	Non compliance
16	19	unauthorized payment of project Allowance	3.150	Non compliance
17	21	Irregular Payment of Mobilization Advance	32.185	Non compliance
18	22	Irregular payment of escalation charges	1.852	
19	24	Irregular award of contract due to less Per. Guarantee	14.639	Non compliance
20	25	irregular award of contract	32.168	
21	27	Waste full expenditure on PMU RCDP	45.163	Performance
22	28	Recovery of Income Tax	7.400	
23	30	Irregular payment of contingency	0.848	Non compliance
24	31	Less deduction of income tax	1.521	
25	32	Irregular execution of contract	385.809	Non compliance
26	33	Wasteful expend. on procurement of vehicle and POL	6.833	Non compliance
27	34	Non production of record of procurement.	15.992	Non compliance
28	35	Irregular payment of salary of staff	1.066	Non compliance
29	36	Irregular payment of mobilization advance	309.265	Internal control
30	37	Irregular payment of salary to PD	1.560	Non compliance
31	38	Adjustment of advance	1.785	Internal control
32	39	Wasteful expend. on repair and POL	1.866	Internal control
33	40	Non preparing of BQ on schedule rate	385.809	Non compliance
34	43	Overpayment to contractor due to incorrect application of rate	17.197	Internal control
35	44	Loss due to non considering of Add. Work at the time of opening of bids	22.168	Internal control
36	45	Loss due to delay in finalization of purchase of vehicles	0.504	Internal control

37	46	Wasteful expenditure on a/c of purchase of vehicles	5.904	Internal control
38	47	Irregular expenditure without approval of PC-1	31.037	Non compliance
39	48	Wasteful expenditure on account of pay & allowance	1.526	Internal control
40	49	Loss due to delay in finalization of purchase of vehicles	0.648	Internal control
41	50	Wasteful expenditure on a/c of purchase of vehicles	8.856	Internal control
42	51	Non deposit of Spl. Allowance in Fed. Treasury	0.224	Non compliance
43	52	Wasteful expenditure on account of pay & allowance	1.070	Internal control
44	54	Unauthorized payment of work actually not done	1.118	Non compliance
45	57	unauthentic exp. Beyond the scope of PC-1	15.265	Non compliance
46	58	Unauthentic exp. on a/c of POL, repair of vehicle & app. of drivers	1.912	Non compliance
47	59	Irregular exp. Out of ERRA fund	5.442	Non compliance
48	60	Unjustified exp. For the month of August and September 2011	5.263	Internal control
49	61	Unjustified exp. On of closed project	6.842	Non compliance
50	63	Non obtaining of performance of defect liability period	279.358	Non compliance
51	64	Non production of record	5.442	Non compliance
52	65	Unauthentic expenditure without calling open tender	32.086	Non compliance
53	66	Overpayment to contractor	90.062	Internal control
54	67	Irregular execution of work not included in BQ	-	Non compliance
55	68	Irregular payment on a/c of excess quantities than BQ	3.724	Non compliance
56	70	Non deduction of LD	28.841	Non compliance
57	71	Execution of non strategic scheme	172.660	Non compliance
58	74	Irregular payment to contractor in excess of approved BOQ	4.881	Non compliance
59	77	Un-justified releases of retention money.	24.253	Non compliance
60	78	Over-payment due to calculation error	117.060	Over payment
61	79	Payment of civil work in excess of approved variation order	1.899	Non compliance
62	80	Irregular payment of rent of building	0.337	Non compliance
63	82	Irregular payment on account of dismantling cost	0.418	Non compliance
64	83	Irregular payment of monitoring cost	0.328	Non compliance
65	84	Irregular payment of financial damages	0.596	Non compliance
66	86	Excess exp. of Rs 9.038 Million over and above Revised PC-I	9.038	Non compliance
67	88	Irregular Payment to contractors without obtaining "As built Drawing"	6.500	Non compliance
68	89	i) Irregular excess payment on account of payment of items not provided in BOQ, T.s and Variation Order	16.000	Non compliance
		ii) Over payment of Rs 247,639 due to the measurement of RCC without Provision of BOQ.	-	
69	90	Excess Payment of Rs 1974000 Million on account of execution of item not provided in Variation order.	1.974	Non compliance

70	91	Non-provision of Insurance cover by the contractor.	#VALUE!	Inter control
71	92	Undue favor to contractor for Rs 3.3 Million for steel tressers paid in 2nd IPC and recovered in final bill after lapse of one year	3.300	Non compliance
72	93	Excess exp. of Rs 291,973 due to application of higher rates than approved.	0.292	Non compliance
73	94	Unjustified payment of Rs 20.493 Million on account of reconstruction without drawing.	20.493	Non compliance
74	95	Unjustified excess payment of Rs 338,591 on account of non-deduction of RCC column and Roof beams from Block Masonry.	0.339	Non compliance
75	96	Excess payment of Rs 513,476 due to payment on excessive rates of doors and windows.	0.513	Non compliance
76	97	Excess payment of Rs 319,556 on account of non-deduction of doors and windows.	0.320	Non compliance
77	98	Excess payment of Rs 149,470 on account of excess measurement.	0.149	Non compliance
78	99	Non-production of record	-	Non compliance
79	100	Irregular expenditure in excess of allocation.	76.625	Non compliance
80	102	Irregular transfer of funds from development to non-development fund.	67.225	Internal control
81	103	Irregular Payment of Rs 117260 on account of uniforms.	0.117	Overpayment
82	104	Irregular appointment of contingent staff	0.828	Non compliance
83	105	Irregular expenditure on account of entertainment	2.052	Non compliance
84	106	Irregular expenditure because of ACBs	3.924	Non compliance
85	108	irregular provision made in the annual budget	6.970	Internal control
86	111	Irregular award of contract	3.045	Internal control
87	113	Irregular provision of consultancy fee and revision of cost of approach road	8.562	Non compliance
88	115	Non-deposit of sale proceed of old stock into govt. treasury.	-	Non compliance
89	116	Unnecessary procurement of stores	7.111	Internal control
90	117	Un authorized expenditure	52.712	Internal control
91	118	Unspent balance of housing cash grant in A/c #2210-3	28.600	Non compliance
92	120	Payment to NESPAK without verification of work	94.154	Internal control
93	121	Irregular utilization of retention money	44.204	Internal control
94	123	Irregular payment of Income Tax	41.750	Internal control
95	128	Irregular utilization of retention money	24.477	Non compliance
96	130	Inadmissible payment to single occupant	4.713	Non compliance
97	132	Non recovery due to improper deposit of Federal Receipt	0.466	Non compliance
98	134	Excess cutting of trees and non depositing of sale proceed in to Govt. Treasury.	3.162	Non compliance
99	135	Payment to contractor in excess of BOQ	39.331	Non compliance

100	136	Non accountal of dismantled material	0.243	Non compliance
101	137	Irregular payment on account of contingency	0.112	Non compliance
102	138	Non deposit of tender fee	0.040	Non compliance
103	139	Irregular appointment of Dy. Director & role of Dir. Legal SERRA	2.100	Non compliance
104	141	Irregular appoint. of over and above the sanctioned strength	0.196	Non compliance
105	142	Irregular payment of conveyance allowance	0.015	Over payment
106	143	Non deposit of income tax deducted from salary	0.286	Non compliance
107	144	Non deposit of GST & I. Tax deducted from Non registered firm	0.306	Non compliance
108	148	Non deduction of State Taxes	6.950	Non compliance
109	149	Irregular payment to contractor beyond contract price	11.945	Over payment
110	150	Excess expenditure in r/o revision of PC-1	2,735.855	Internal control
111	151	Non production of record	3.439	Non compliance
112	152	Irregular payment of mobilization and secured advance	1,841.249	Non compliance
113	154	Unjustified retention of Mobilization adv. by the contractor	1,238.143	Non compliance
114	155	Unjustified payment of profit to the contractor	16.366	Non compliance
115	156	Non submission of bank guarantee for mobilization advance	83.000	Non compliance
116	157	Undue fovour to the consultancy firm	32.275	Non compliance
117	159	Recovery Due to Non Appointment of Trainee Engineers	0.840	Overpayment
118	160	Irregular Appointment of Project Director on Higher Pay Scale	2.800	Non compliance
119	161	Irregular payment beyond the scope of PC-1	12.438	Non compliance
120	162	Irregular payment due to without obtaining as build drawing	7.291	Non compliance
121	163	Overpayment without provision in Tech. Sanction/ Variation order	7.291	Non compliance
122	164	Excess payment on a/c of filling/ back filling of Embankment from borrow material.	2.002	Overpayment
123	165	Loss due to amendment in contract after implementation	0.971	Overpayment
124	166	Excess payment on a/c of hot bit	0.273	Overpayment
125	167	Irregular pay. on a/c of const. of bridge at river Neelum	37.631	Non compliance
126	168	Loss to State due to de-launching of bridge at Khori	4.500	Non compliance
127	169	Loss to State due to construction & re-opening of Gabion works as BQ items	0.578	Overpayment
128	170	Double Payment on A/c of one work	3.916	Overpayment

129	171	Excess payment due to excavation of substitute item of work without approval at higher rates and revision of rates	4.250	Overpayment
130	173	Unjustified / excess payment beyond technical sanction	46.621	Non compliance
131	174	Excess expenditure due to change in scope of work	8.259	Overpayment
132	175	Excess payment on account of side wall without provision in as build it drawing	1.025	Overpayment
133	176	loss to state for launching bridge without proper feasibility	5.798	Non compliance
134	185	Excess payment due to excess measurement	0.178	Overpayment
135	187	Unjustified payment on account of price adjustment.	0.902	Overpayment
136	190	Irregular expenditure/ payment	27.027	Non compliance
137	194	Irregular payment on account of escalation.	0.172	Non compliance
138	195	Irregular utilization of retention money	178.918	Internal control
139	197	Excess payment of escalation charges	0.499	Non compliance
140	199	Irregular expenditure on account of capacity building	0.458	Internal control
141	202	Loss due to irregular applying of index rate for escalation	0.675	Non compliance
142	203	Irregular utilization of retention money	17.000	Internal control
143	204	Irregular expenditure and non clearance of pending liability	24.472	Internal control
144	205	Irregular expenditure and non clearance of pending liability	6.710	Internal control
145	206	Non deposit of out standing amount received from Army Eng.	4.800	Non compliance
146	207	Unjustified creation of liability	858.944	Non compliance
147	209	irregular appointment made w/o provision of PC-1	1.980	Internal control
148	210	Irregular expenditure	92.000	Internal control
149	215	Irregular provisional payment against unapproved PC-1	18.660	Internal control
150	216	Irregular expenditure without approval of Competent Authority	5.321	Internal control
151	217	Irregular award of contract	218.038	Non compliance
152	218	Payment to contractor in excess of authorization	0.806	Non compliance
153	220	Unjustified payment out of scope of contract agreement	3.209	Non compliance
154	221	Irregular payment of project allowance	0.143	Non compliance
155	222	Irregular expenditure for supply of Electricity.	0.556	Non compliance
156	223	Irregular expenditure	4.399	Non compliance
157	224	Non adjustment of Advance	1.620	Internal control
158	225	Irregular payment to contractor	47.357	Non compliance
159	226	Over payment due to calculation mistake	0.550	Internal control
160	228	Misprocurement of Plant and Machinery	84.902	Non compliance
161	231	Overpayment to contractor without site verification	2.140	Non compliance

162	232	Overpayment to contractor due to wrong measurement of Plinth	3.613	Over payment
163	233	Non deposit of cash receipt	0.240	Non compliance
164	234	Wrong measurement of collapsed buildings	0.764	Non compliance
165	235	Irregular hiring of machinery	1.809	Non compliance
166	236	Unjustified 3rd party payment to Govt. Officials	1.274	Non compliance
167	237	Overpayment due to work done after cut of date	6.653	Non compliance
168	238	Irregular expenditure on Crushing Plant	7.356	Non compliance
169	239	Irregular appointment of contract employees	8.586	Non compliance
170	240	Irregular expenditure on drivers	1.265	Non compliance
171	241	Irregular expenditure on upgradation of Hino Vehicle	1.248	Non compliance
172	242	Unjustified expend. on purchase of Mechanical Street Sweeper	2.595	Non compliance
173	243	Missprocurement of Tractor Trolley	2.250	Non compliance
174	245	Expenditure in excess of allocation	1.955	Non compliance
175	247	Loss due to splitting of work	1.937	Non compliance
PERRA				
176	2	Irregular expenditure without approval of budget	45.000	violation of rules
177	4	Loss due to misplacement of laptop computer	0.085	lack of internal control
178	5	Unjustified expenditure on account of POL	1.325	violation of rules
179	6	Irregular appointment of two lawyers in one district	0.900	violation of rules
180	7	Irregular transfer of two vehicles to other department	0.000	lack of internal control
181	8	Un-justified expenditure on account of TA/DA	0.000	lack of internal control
182	9	Unjustified payment due to appointment of one person against two posts at PERRA & CE office	0.720	violation of rules
183	10	Irregular retention of president relief fund since July 2009.	0.088	violation of rules
184	11	Loss of thousands of rupees due to missing of assets		lack of internal control
185	12	Blockade of funds due to non- auction of dead stock		violation of rules
186	13	Non- production of record		violation of rules
187	15	Refusal for payment to the contractor due to mismanagement	30.766	Mis-management
188	16	Loss on account of award of work to 2 nd bidder and	6.846	violation of rules
189		stoppage of work		
190	17	Irregular payment due to non- availability of TS/EE	24.539	violation of rules
191	18	Overpayment on account of price adjustment for non-BOQ items	0.883	overpayment
192	19	Irregular expenditure without TS & E.E. and	65.898	violation of rules
		non- imposition of interim liquidated damages	2.345	violation of rules

193	20	Unjustified expenditure in excess of technical sanction	5.818	violation of rules
194	21	Unknown whereabouts of dismantled material of 22 contracts / packages		violation of rules
195	22	Loss due to less recovery of mobilization advance		violation of rules
196	23	Loss due to non- deduction of income tax and non-deposit of income tax in government treasury	0.143	violation of rules
197	24	Less recovery of security and non-maintenance of security accounts	0.314	violation of rules
198	25	Loss on account of dismantling and removing of existing structure	0.650	violation of rules
199	26	Misleading ERM reports showing incomplete scheme as 100 % complete	3.876	Mis-management
200	28	Irregular expenditure	1.527	violation of rules
201	29	Loss due to non- deduction of 15% surcharge on payable income tax	0.337	violation of rules
202	30	Non- achievement of targets for Ayub medical complex - water supply, sewerage system and five nursing wards		Mis-management
203	31	Non- production of record		violation of rules
204	32	No record showing detail of vehicles purchased from erra funds	38.135	violation of rules
205	33	Irregular drawl on account of salaries of various constables	0.695	violation of rules
206	34	Retention of vehicles by un-authorized offices / enquiry report about damage of one vehicle		violation of rules
207	35	Non-auction of uniform articles and cover (metal) of 11000 used rounds of ammunition		violation of rules
208	36	i. Doubtful difference in the figures of cash book and bank statements		lack of internal control
		ii. Irregular adjustment instead of refund to erra (government treasury)		violation of rules
209	37	Irregular expenditure without pc-i, ts, taken-over certificate and non- imposition Id of Rs 3.636 (m)		violation of rules
210	40	Loss due to stoppage of work and non- recovery of mobilization advance of Rs 4.829 (m)	4.829	violation of rules
211	41	Stoppage of work on police station Dubair, BHU Jijal by contractors and non--demarcation of entrance passage for bhu		Mis-management
212	42	Irregular award of contract	28.556	violation of rules
213	43	Loss due to non- encasement of security guarantee	2.582	violation of rules
214	44	Loss of Rs 60,000 on a/c of dismantled material and Rs 808,990 due to non- imposition of LD	0.869	violation of rules
215	48	Non- production of record		Mis-management

216	49	Non- maintenance of proper record of accounts		lack of internal control
217	50	Non--maintenance of personal files of officers working in the officer of the chief engineer (PERRA) Abbottabad		violation of rules
218	51	Non-completion of school buildings of light gauge and non-imposition of liquidated damages.		violation of rules
219	52	Silence of management on delay in completion of roads.		Mis-management
220	53	Loss of Rs 1.600 (m) due to unjustified hiring of a huge building for office accommodation beyond actual requirement	1.600	violaiton of rules
221	54	Irregular payment Rs 183490 on a/c of TA/DA (hotel charges)	0.183	violaiton of rules
222	55	Several facilities completed long ago but their TOC is still in process.		violaiton of rules
223	56	Issuance of unjustified time extension		violaiton of rules
224	58	Worst condition of Pairan Khairabad road	26.835	Mis-management
225	59	Non-achievement of targets by chief engineer's office		Mis-management
226	60	Highly misuse of costly vehicles		lack of internal control
227	61	72 missing items of assets		lack of internal control
228	62	Un justified expenditure of Rs 49.055(m) - non-achievement targets up to mark	49.055	Mis-management
229	64	Incomplete stock registers		lack of internal control
230	65	Irregular procurement of furniture for a cost of Rs 16.284 (m)	16.284	violaiton of rules
231	67	Undue favour to contractors due to non- termination of contracts		violaiton of rules
232	68	Non- formulation of policy of sick and struck project in ERRRA		Mis-management
233	69	Irregular expenditure of Rs 527.163 (m) without technical sanction of completed schemes	527.163	violation of rules
234	70	Irregular expenditure of Rs 7.938 (m) without administrative approval and technical sanction	7.938	violation of rules
235	71	Loss of Rs 9.252 (m) due to non- recovery of imposed liquidated damages	9.252	violaiton of rules
236	73	Loss of Rs 383,000 due to non- recovery on account of cost of salvage items/ material	0.383	violation of rules
237	74	Irregular expenditure of Rs1.794 (m)	1.794	violaiton of rules
238	75	Irregular expenditure of Rs 70,000 on account of demolishing/ removal of existing building	0.070	violation of rules

239	76	Loss of Rs 95,000 on account of dismantling & removal of existing material without determining base price	0.095	violaiton of rules
240	77	Irregular expenditure of Rs 41.842 (m) and overpayment of Rs 137,091 for price adjustment / non-imposition of liquidated damages of Rs 6.703 (m)	48.682	violaiton of rules
241	78	Unjustified payment of Rs 1.725 (m) for lying defective surface of road and non- utilization of available hard rock of Rs 242,960/-	1.968	Mis-management
242	80	Over payment of rs 283,500 account of price adjustment for non- BOQ items	0.284	overpayment
243	81	Overpayment of Rs 214,989 on account of price adjustment for non- BOQ item	0.215	overpayment
244	83	Excess payment of Rs960,698 on account of non- utilization of available material	0.961	overpayment
245	84	Unjustified excess payment of Rs 1.744 material	1.744	overpayment
246	86	Unjustified payment of Rs 795,732 on account of slip removal without deduction	0.796	violaiton of rules
247	87	Excess payment of Rs 5.739 (m) on account of non-- utilization of available material	5.739	overpayment
248	88	Unjustified excess payment of Rs 2.840 (m) for civil work without change in design / scope of work due to poor design & estimate by NESPAK	2.840	overpayment
249	89	Excess payment of Rs 1.138 (m) on account of excavation of excess quantity than revised pc-I	1.138	overpayment
250	91	Irregular expenditure of Rs 152.382 (m) on account of road shown completed without technical sanction	152.382	Violation of rules
251	93	Unjustified payment of Rs 4.071 (m) to the department for damaged schemes without obtaining required documents	4.071	Mis-management
252	94	Irregular expenditure of Rs 12.166 (m) due to non-availability of PC-1,T.S, EE, TOC, DL etc	12.166	Mis-management
253	95	Unjustified inclusion of flood damages work of rs 15.493 (m) in ERRA sponsored road work	15.493	violaiton of rules
254	96	Overpayment of Rs 4.152 (m) on account of barrowed material	4.152	overpayment
255	97	Non- provision of as built drawings by contractor for taken over schemes		violation of rules
256	98	Irregular expenditure of Rs 35.809 (m) without E.E, PC-1 & T.S and un-confirmed status of GMS Chamili	35.809	violation of rules
257	99	Excess payment of Rs 3.303 (m) on account of excess quantity than the revised PC-1 & T.S	3.303	overpayment
258	100	Non- achievement of targets and unconfirmed status of 1215 schemes having progress of less than 50 %		Mis-management
259	101	Non- production of record		violation of rules

260	104	Irregular award of contract amounting to Rs16.600 (m) and non- imposition of LD for Rs 1.66 (m)	16.600	violaiton of rules
261	106	Irregular award of contract for Rs 9.338 (m)	9.338	violation of rules
262	110	Non- recovery of mobilization advance amounting to Rs 387,560	0.388	violation of rules
263	111	Undue favor to contractor due to non- imposition of ld of Rs792,300	7.923 0.792	violation of rules
264	112	Unjustified construction of bar room without determination of need / requirement	10.691 1.009	violation of rules
265	115	Unjustified inclusion of extra schools in already awarded contract package of 28 lgs schools		violation of rules
266	116	Overpayment of Rs 506,492 on account of price adjustment due to application of higher rates of bitumen	0.506	overpayment
267	121	Non- termination of contract and award at risk and cost of non- performing contractor	13.450	violation of rules
268	123	Non- achievement of targets, unconfirmed status of 265 schemes out of 840 having progress of less than 50 %		Mis-management
269	124	Non- provision of as built drawings by contractor for taken over schemes		violation of rules
270	127	Non- formulation of policy of sick and struck project in ERRRA		Mis-management
271	128	Non- production of record		violation of rules
272	129	Poor performance of the consultant to whom three contracts out of four were awarded		Mis-management
273	131	Ambiguity in the agreement made between Islamic development bank government of Pakistan for construction of various projects in Kohistan and Shangla district.		Mis-management
274	132	Unsatisfactory performance of PMIU		Mis-management
275	133	Abnormal delay in taken of simple decision may deprive to Pakistan from benefits of a soft loan of \$ 09.000 (m)	\$9.00	Mis-management
276	134	Unjustified payment of Rs 1.396(m) on account of rent a car charges	1.396	violation of rules
277	135	No recovery of LD imposed 6 months ago		Mis-management
278	136	Unjustified delay in commencement of construction work after award of contract		Mis-management
279	137	Progress of construction work on 10 projects remained below 7% till expiry of stipulated time period		Mis-management
280	139	Establishment and functioning of PMIU at distance of 300-km		Mis-management
281	140	Where about of dismantled material of 15 projects		

282	141	Unjustified payment of Rs 2.804 (m) on account of designing of various IDB funded projects		Mis-management
283	142	Contract for mega project - Thakot to Dassu road of Rs 2330.750(m) could not be awarded so for.	2330.75	Mis-management
284	143	Distribution / doll out of contracts instead of awarded after healthy and open tendering system		violation of rules
285	145	Administrative approval of many times more than the bid cost		Mis-management
286	146	Financial loss of Rs 6.088 (m) due to non- imposition of Id an unjustified grant of extension for two projects	6.088	Mis-management
287	147	Non production of important record relating to IDB on going projects in Districts Shangla & Kohistan		violation of rules
288	148	Irregular payment of salary claims	115.374	lack of internal control
289	149	Missing of basic facilities in the buildings of hostels		Mis-management
290	150	ineffective role of PMIU office is the main cause of poor progress of work		Mis-management
291	151	Unjustified reduction of some important and necessary items by variation order		Mis-management
292	152	Irregular and un justified payment of Rs 03.768 (m) on account of rent of office building hired for consultants.	3.768	violation of rules
293	153	Award of four contracts for Rs 232.780 (m) for consultancy services without knowing their qualification		violation of rules
294	154	Services of number of engineers given in contract agreement not being provided.		Mis-management
295	155	Huge amount of Rs34.462(m) paid a secured advance and mobilization advance is at high risk.	34.46	Mis-management
296	156	Irregular payment of huge amount made for purchase of luxury furniture for residences of consultants.		Mis-management
297	158	Irregular expenditure of Rs 5.941 (m) incurred on non boq items	5.941	violation of rules
298	159	Bank guarantees/ performance guarantees of consultants not produced		violation of rules
99	162	Irregular and unlawful appointment for officer and staff for PMIU		Mis-management
300	163	Un authorized payment of Rs 2.34(m) on account of pay	2.34	lack of internal control
301	165	Non- production of record showing detail about total number of vehicles supplied from ERRA or purchased by consultants directly from IDB funds.		violaiton of rules
302	166	Unnecessary retention of furniture and equipment over and above actual requirements		Mis-management

303	167	Furniture and others equipments supplied to consultants without entry into stock register.	0.773	lack of internal control
304	168	Payment of 60% amount of consultancy fee and 76% administrative / supervisory charges against progress of 25% completion of projects.		Mis-management
305	169	Improper maintenance of account-s and incomplete cash book		lack of internal control
306	170	Irregular payment of Rs 85590/- for POL without showing registration no of vehicles on supporting voucheRs	0.086	lack of internal control
307	171	Missing of 6 no computers and one printer of Rs 151160 and non-production of stock register furniture and other equipments purchased for Rs 434,193	0.585	Mis-management and lack of internal control
308	172	Non- production of detail about total no of vehicles purchased for pmiu office		violation of rules
309	173	Un justified expenditure of Rs 23.737 (m) due to non-transfer of land to acquiring department	23.737	violaiton of rules
310	174	Blockage of fund to the tune of Rs1.291 (m)	1.291	Mis-management
311	175	Non- production of record		violation of rules
312	176	Loss of thousand of rupees due to theft of different items		Mis-management
313	177	irregular expenditure of Rs 600,000 on account of building rent	0.600	violation of rules
314	178	Loss of different items on transportation		week internal control
315	179	Excess expenditure of Rs 4.500 (m) over and above the budget	4.5	overpayment
316	180	Wasteful expenditure of Rs 504,000 and non-maintenance of proper record of CLRP schemes	0.504	Mis-management
317	181	Non achievement of targets		Mis-management
318	182	Non- production of record		
319	183	Irregular expenditure of Rs 87,500 on vehicle not available at DRU office	0.088	Mis-management
320	184	Irregular expenditure of Rs 631.720(m) on construction of five (05) roads without obtaining of technical sanction	631.72	violation of rules
321	185	Despite outstanding of an huge amount of mobilization advance of Rs 5.656(m) the bank guarantee was lying expired	5.656	Mis-management
322	186	Irregular expenditure of Rs 44.475 (m) incurred over ad aboe the amount of technical sanction		violation of rules
323	187	Irregular expenditure of Rs 28.030 (m) over and above the amount of administrative approval.	28.03	violation of rules
324	188	Financial loss due to non- deduction of share of hard rock used rs 5.098 (m).	5.098	violation of rules

325	189	Irregular payment of Rs 207.841(m) on account of excavation in surplus common material	207.841	violation of rules
326	190	Deficiencies in school buildings constructed with erra funds.		Mis-management
327	191	Five (05) facilities are deleted or recommended for deletion without reason		Mis-management
328	192	Liquidated damages were imposed but not recovered		violation of rules
329	193	Several buildings after laps of four years lying incomplete.		Mis-management
330	194	School buildings still on 0% level		Mis-management
331	195	Completion abnormally delayed but no time extension was produced		violation of rules
332	196	Construction work on more than 75 buildings despite of lapse of two years still stand on 0%.		Mis-management
333	197	Financial loss of Rs 29.820(m) due to non- imposition of liquated damages	29.82	violation of rules
334	199	Completion of various items of works by ngo's instead of contractor		Mis-management
335	200	Irregular incurrence of Rs 8.880 (m) against bid cost of Rs 3.15 (m) without technical sanction.	8.88	violation of rules
336	201	Irregular excess payment of Rs 64.135(m) over and above boq	64.135	overpayment
337	202	Irregular excess payment of Rs8.022 (m) over and above boq	8.022	overpayment
338	203	Non revalidation of performance guarantees		Mis-management
339	205	In various cases expenditure was found incurred many times over & above the Admn approval of the projects concerned		Mis-management
340	206	Construction work was going on 65 buildings without Admn approval.		violation of rules
341	207	Non finalization of 66 projects standing on 90% progress		Mis-management
342	208	Functions of office of the Dy Director reconstruction wing unjustified		Mis-management
343	209	Irregular expenditure of huge amount on construction of various buildings without obtaining technical sanction		violation of rules
344	210	Unknown whereabouts of three vehicle		lack of internal control
345	211	Over payment of rs 29760/- due to non- deduction of conveyance allowance despite availability of government vehicle	0.030	overpayment
346	212	Non- production of record		Violation of rules

347	213	Four (04) asset / items were found missing		lack of internal control
348	215	100% completion of 4 roads and 42 buildings not handed over to line department		Mis-management
349	216	Irregular incurrence of Rs 5.329 (m) on execution of work beyond prescribed specification without approval	5.329	violation of rules
350	217	Irregular payment of on account of escalation charges for those works going on without any time extension.		violation of rules
351	218	Cheques amounting to Rs 348.598 (m) issued were required to be revised by deduction of income tax.	348.598	violation of rules
352	219	Overpayment of Rs708,885/- on account of escalation on non- boq items.		overpayment
353	220	Irregular expenditure of Rs1.262 ((m)) on account of compensation.	1.262	violation of rules
354	221	Loss of Rs14.628 ((m)) due to non- imposition of liquidated damages.	14.628	violation of rules
355	222	Non- provision of as built drawings by contractor for taken over schemes.		Mis-management
356	223	Non- production of record.		violation of rules
357	224	Loss of Rs31.929 ((m)) due to non- recovery of claim.		Mis-management
358	225	Excess payment of Rs2.397 ((m)) on account of non- utilization of available material.	2.397	violation of rules
359	226	Unjustified inclusion of flood damages work of Rs27.420 ((m)) in ERRRA sponsored road work.	27.42	violation of rules
360	227	Excess payment of Rs6.620 ((m)) on account of excess quantity of revised pc-i.	6.62	overpayment
361	228	Non- production of record.		violation of rules
362	229	Financial loss of Rs 227383/- due to award of contract on higher rates.	0.227	violation of rules
363	230	Irregular deposit of rs 55000 into tma account instead of govt treasury	0.055	violation of rules
364	232	UN justified expenditure of Rs1.192(m) on purchase of one mini truck (jac).	1.192	violation of rules
365	234	Non- production of record for audit		violation of rules
366	236	Fraudulent payment of Rs0.645 (m) without any work done on two water supply schemes.	0.645	Misappropriation
367	238	Loss due to missing of store		lack of internal control
368	239	Irregular expenditure of rs 191,949 over and above the budget	0.192	Mis-management
369	240	Non- achievement of targets amounting to Rs343600/- due to Mis-management	0.344	Mis-management
370	241	Unjustified expenditure of Rs55208/-	0.055	violation of rules
371	242	Over payment of Rs59029/-	0.059	overpayment

372	243	Loss of Rs311883/- due to non- deduction of ld charges	0.312	violation of rules
373	244	Irregular deposit of tender form fee amounting to rs 1,37,621/- in tma a/c instead of erra a/c	0.138	violation of rules
374	245	Loss of Rs85000/- due to non- imposition of ld	0.085	violation of rules
375	247	Overpayment of rs 235900 on account of clrp road ban bag u/c kukmung	0.236	overpayment
376	248	i. Unjustified retention of federal Government vehicles	1.175	Mis-management
		ii. Loss of Rs 1175000 due to missing of vehicles No. 1469 Suzuki Jimny		lack of internal control
377	249	Non- achievement of targets of reconstruction / rehabilitation of developmental schemes		Mis-management
378	250	Unjustified payment of office rent amounting to Rs 48000/-	0.048	violation of rules
379	251	Non- achievement of targets due to Mis-management		Mis-management
380	252	Loss of Rs 400000 due to NON- imposition of liquidated damages	0.400	violation of rules
381	253	Excess payment of Rs 321266	0.321	overpayment
382	254	Completion of majority of facilities in near future not expected		Mis-management
383	255	Non completion of works and expired performance guarantees		Mis-management
384	256	Encashment of performance guarantee		Mis-management
385	257	Un-justified advance payment of Rs1.645(m) for construction of 05 school buildings.		Mis-management
386	258	Unjustified payment of Rs 06.496(m)	6.496	violation of rules
387	259	Huge increase in quantity of excavation in surplus common material & decrease in excavation in hard rock material.		violation of rules
388	261	Un justified payment of Rs 3.741(m) for easy work	3.741	violation of rules
389	262	Non- production of personal files, service books		lack of internal control
390		Financial loss due to non-completion of project.	16.506	Mis-management
391	264	Unjustified payment of Rs 49.952(m) over & above technical sanction / re-appropriation.	49.952	violation of rules
392	266	Non-carrying out laborious items of project		violation of rules
393	267	Whereabouts of dismantled material		lack of internal control
394	269	Worst condition of Pairan Khairabad road constructed with cost of Rs =26.835 (m) before its completion	26.835	Mis-management
395	271	Non- adjustment of Rs 8120000/- drawn as mobilization advance	8.120	violation of rules
396	272	Doubts about 34 school buildings of light gauge shown as 100% completed.		Mis-management

397	273	Non completion of minor works		Mis-management
398	274	10 work of minor nature could not be completed even after laps of three years		Mis-management
399	275	Majority of schools building are standing on 0% or below 10%		Mis-management
400	276	Un justified stoppage of work on 38% and non-cancellation of contract		Mis-management
401	277	Revised performance guarantees.		Mis-management
402	278	Unjustified payment of Rs 7.771 (m) for easier works and all hard & costly work has been leftover	7.771	violation of rules
403	279	No progress of work on 15 roads		Mis-management
404	280	Expenditure incurred up to Rs 83.920 (m) on project against pc-i & t.s of Rs 59.045 & Rs 63.451 (m) respectively	83.92	violation of rules
405	281	Non- utilization of pipes as per specification		violation of rules
406	282	Several defects in completed works		Mis-management
407	283	Several number of schools buildings have been deleted from the plan of reconstruction without showing any reason or justification		Mis-management
408	285	Ill planning in construction of school buildings		Mis-management
409	286	Irregular payment of Rs 1.522 million for excavation in hard rock	1.522	violation of rules
410	287	Several flaws in school buildings		Mis-management
411	288	Missing of costly (ii) 92 precisious items lying idel		lack of internal control
412	290	Facilities in balakot		Mis-management
413	292	Doubts about completion of several buildings shown as 100% completed on expenditure many time less than contract cost		Mis-management
414	293	Irregular payment of Rs 2.876 (m) for various items of work over and above the quantity shown in boq	2.876	violation of rules
415	296	Payment of Rs13.046(m)- over and above the boq quantity.	13.046	violation of rules
416	299	Zero progress on school buildings during 2011-12		Mis-management
417	300	47 school buildings standing below 10% progress		Mis-management
418	301	Huge expenditure of Rs 83.309 (m) without obtaining administrative approval and technical sanction	309	violation of rules
419	302	Irregular expenditure of Rs272.904 (m) without technical sanction	272.904	violation of rules
420	303	Abnormal delay in completion of 20 projects (roads)		Mis-management
421	304	Unjustified payment of Rs 300(m) on account of excise duty / demurrage charges		violation of rules
422	306	Unjustified expenditure of Rs 45.00(m) on establishment of piu	45	Mis-management

423	307	Non- construction of rain harvesting, storm drainage system in schools buildings of light gauge		Mis-management
424	309	Four costly vehicles and some other items shown handed over to various officers without formally handing / taking over nor any written evidences		lack of internal control
454	311	Irregular grant of administrative approval of Rs 1234.249 (m) by splitting into phases	1234.249	violation of rules
426	312	Financial loss of Rs 123.424 (m) due to non-imposition of liquidated damages	123.424	violation of rules
427	313	Ignorance of required specification		violation of rules
428	314	Non- recovery of Rs 240000/-	0.240	Mis-management
429	315	Unjustified expenditure of Rs 674,898 and Rs 247,469/- on pol and repair of vehicle only during 2011-12	0.922	lack of internal control
430	317	Non- production of record		violaiton of rules
431	318	Payment to NESPAK for purchase of assets including vehicles for residence		Mis-management
432	319	Irregular award of contract for construction of 124 school buildings over and above 69.45% of engineers estimate		violation of rules
433	320	School buildings not expected in near future		Mis-management
434	321	Where-about of 24 tents		lack of internal control
435	322	Completion of 124 schools buildings within approved bid cost of Rs 1234.249 (m)	1234.249	Mis-management
436	323	Payment of Rs 300.00 (m) for providing consultancy and supervisory services for construction of 124 schools buildings	300.000	Mis-management
437	324	Improper maintenance of cash book		lack of internal control