



**PERFORMANCE AUDIT REPORT**  
**ON**  
**THE ACCOUNTS OF**  
**NATIONAL DISASTER RISK MANAGEMENT FUND**  
**(NDRMF)**

**AUDIT YEAR 2019-20**

**AUDITOR GENERAL OF PAKISTAN**

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## **ABBREVIATIONS & ACRONYMS**

AD	Assistant Director
ADB	Asian Development Bank
AGM	Annual General Meeting
AGP	Auditor General of Pakistan
AGPR	Accountant General of Pakistan Revenues
AIR	Audit & Inspection Report
AJK-DMA	Azad Jammu & Kashmir Disaster Management Authority
AoA	Articles of Association
BISP	Benazir Income Support Program
BOD	Board of Directors
BOQ	Bill of Quantity
CBDRM	Community Based Disaster Risk Management
CEO	Chief Executive Officer
CERT	Community Emergency Response Team
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
CPD	Client Portal Disbursement
DAC	Departmental Accounts Committee
DG	Director General
DRF	Disaster Risk Financing
DRM	Disaster Risk Management
DRR	Disaster Risk Reduction
EA	Executing Agency
EAD	Economic Affairs Division
EOIs	Expression of Interests
EQ	Earthquake
ERRA	Earthquake Reconstruction and Rehabilitation Authority
ERS	Emergency Rescue Services
ETO	Excise and Taxation Officer
FAT	Field Audit Team
FBR	Federal Board of Revenue
FD	Finance Division

FIP	Financial Implementing Partner
FMG	Financial Management Group
FY	Financial Year
GIA	Grant Implementation Agreement
GM	General Manager
GoP	Government of Pakistan
GST	General Sales Tax
GWM	Gujranwala Waste Management
HOD	Head of Department
HR	Human Resource
HRM	Human Resource Management
IA	Implementing Agency
IC	Investment Committee
IMU	Investment Management Unit
LFIS	Loan and Grant Financial Information Services
LPC	Last Pay Certificate
LWMC	Lahore Waste Management Company
MHVRA	Multi Hazards Vulnerability Risk Assessment
MOA	Memorandum of Association
MOCC	Ministry of Climate Change
MTBs	Market Treasury Bills
NBP	National Bank of Pakistan
NDMA	National Disaster Management Authority
NDMC	National Disaster Management Commission
NDMP	National Disaster Management Plan
NDRMF	National Disaster Risk Management Fund
NFPP	National Flood Protection Plan
NHQ	National Head Quarters
NICL	National Insurance Company Limited
NIDA	National Income Daily Account
NOC	No Objection Certificate
NTN	National Tax Number
P&OG	Project & Operations Group
PAC	Public Accounts Committee

PAM	Project Administration Manual
PD&SI	Planning Development and Special Initiatives
PID	Punjab Irrigation Department
PPIB	Private Power and Infrastructure Board
PPAF	Pakistan Poverty Alleviation Fund
QAG	Quality Assurance Group
QPRs	Quarterly Progress Reports
RFA	Revolving Fund Account
RMC	Risk Management Committee
RRP	Report and Recommendation of the President
SBP	State Bank of Pakistan
SDMA	State Disaster Management Authority
SECP	Securities and Exchange Commission of Pakistan
SOE	Statement of Expenditure
SSG	Support Services Group
TA	Technical Assistant
TAC	Technical Advisory Committee
TDR	Term Deposit Receipt
TORs	Terms of References
UCs	Union Councils
WWF	World Wildlife Fund



## **PREFACE**

Articles 169 & 170 (2) of the Constitution of the Islamic Republic of Pakistan read with Sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor General of Pakistan to conduct audit of receipts and expenditure of the Federation and the Provinces and the accounts of any authority or body established by the Federation or a Province. According to the International Standards of Supreme Audit Institutions (ISSAIs), the scope of government audit includes regularity and performance Audit. The Performance Audit of “National Disaster Risk Management Fund (NDRMF)” was carried out accordingly.

The Directorate General Audit (Climate Change & Environment), Islamabad a Field Audit Office of the Auditor General of Pakistan conducted performance audit of NDRMF during July and August 2020 with a view to examine and report significant findings to the stakeholders regarding economy, efficiency and effectiveness aspects of the NDRMF. In addition, the Audit also assessed, whether the management complied with applicable laws, rules and regulations in true spirit. The Audit Report indicates specific recommendations and actions that if taken, will help the management to realize the objectives of the NDRMF properly.

The audit was conducted on test check basis with a view to report significant findings to the relevant stakeholders. The Audit Report not only highlights systemic issues but specific instances of deficiencies and shortcomings also form part of the report in shape of audit observations.

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

Most of the observations included in this report have been finalized in the light of discussions in DAC meeting.

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

Dated: 17<sup>th</sup> May, 2022  
Islamabad

**(Muhammad Ajmal Gondal)**  
Auditor-General of Pakistan





## **EXECUTIVE SUMMARY**

The Directorate General Audit (Climate Change & Environment) a Field Audit Office of the Auditor General of Pakistan is mandated to conduct statutory audit of Disaster Management and Environment related Organizations at the Federal, Provincial and District level. The Directorate General mainly conducts Compliance Audit, Certification Audit, Performance Audit, Special Audit and Audits with environmental perspectives of a number of organizations including ERRA, NDMA, PDMA, DDMA, NDRMF, Civil Defence, and Rescue-1122 establishments etc.

On the directions of the Prime Minister of Pakistan, the Auditor General of Pakistan conducted performance audit of National Disaster Risk Management Fund (NDRMF) from December 2016 to May 2020. NDRMF is a government-owned not-for-profit institution registered under Section 42 of Companies Act, 2017. NDRMF is providing funds to various Disaster Risk Reduction (DRR) initiatives in a coordinated and integrated manner.

The overall objective of Performance Audit was to determine whether the Fund was operating with due economy, efficiency and effectiveness. Performance Audit of National Disaster Risk Management Fund covers the audit of Headquarter at Islamabad and the development projects / schemes executed through Fund Implementing Partner (FIPs) which were randomly selected.

The audit evidence was gathered through primary and secondary data sources which included document review, interviews, observation and analysis of data.

Audit findings in shape of observations included in this report have been finalized after proper discussion with the management of NDRMF. Responses of the management to the observations and DAC directive have also been incorporated in the report.

As a result of audit, a number of issues related to internal control weaknesses, non-adherence to corporate sector rules and regulations, non-compliance to loan agreements, financial mismanagement, mis-procurements and HR were observed. These issues have been reported in detail as audit paras in separate sections of this report.

Based on the audit finding it is imperative that National Disaster Risk Management Fund shall improve upon financial management practices and strengthen internal controls. Moreover, there is a strong need for adherence to the applicable corporate governance rules for improving the overall governance structure,

effective management of the Fund and timely completion of development projects executed through Field Implementation Partners (FIPs).

Key audit findings are given as under:

- i. Non adherence to the provisions of Company Act 2017, Corporate Governance Rules-2013 and Article of Association (AoA) of NDRMF.
- ii. Non-compliance to the provisions of Loan Agreements, Rules, Regulations and Policies of Govt. of Pakistan, and NDRMF
- iii. Non achievement of key targets with milestones, slow pace of work and non-achievement of targets of development schemes.
- iv. Weak financial management resulting in loss on account of commitment charges, transfer of funds from Endowment fund for COVID-19, late Investment of Endowment Fund and Non-refund of tax amount.
- v. Failure to withdraw full amount of Loan / Grant proceed from donor, less utilization of withdrawn funds and utilization of more funds on operational / recurrent cost than developmental activities.
- vi. Irregularities in appointment of consultants and splitting of purchases to avoid competition.
- vii. Irregular fixation of pay scales and irregular appointments without fulfilling the prescribed criteria in violation of TORs and NDRMF HR Manual.
- viii. Execution of Grant implantation Agreements (GIA) without obtaining necessary NOCs.
- ix. Non achievement of desired output due to non-conducting of Multi Hazard Vulnerability Risk Assessment (MHVRA).

## 1. Introduction:

Pakistan's geophysical conditions, climatic extremes, and high degrees of exposure and vulnerability have categorized Pakistan as a severely disaster-prone country. According to the Index for Risk Management (INFORM) 2021<sup>1</sup>, Pakistan's risk rating stands at 6.1 out of 10, as the country continues to suffer from a plethora of natural and human-induced hazards that threaten to affect the lives and livelihood of its citizens.

Impacts of natural disasters in Pakistan have been colossal in recent history. An Earthquake of 7.6 magnitudes struck the northern areas of Pakistan in October 2005, resulting in loss of over 73,000 lives and leaving behind 3.5 million people homeless. This mammoth disaster caused huge damage to the properties and lifeline infrastructure, costing 5.5 billion USD. This was followed by Flood of 2010 which affected 78 districts across Pakistan (about 1/5 of the total land area of the country) and resulted in the loss of lives, property, and infrastructure. It claimed 1985 lives and affected over 20 million people. Further, it damaged 1.6 million houses and 160,000 square km of the cropped area. Flood of 2010 caused an overall economic loss of 10 billion USD<sup>2</sup>.

Following the 2005 earthquake, the Government of Pakistan realized that it had no adequate institutions to manage natural disasters and emergency response. This led to the establishment of the National Disaster Management Authority (NDMA), which holds the key role in implementing, coordinating and monitoring disaster management. However, due to the increase in frequency and magnitude of disasters in Pakistan, the Government discerned the need to focus and invest in Disaster Risk Management and Financing through pro-active strategies.

As a result, the Government of Pakistan established the National Disaster Risk Management Fund (NDRMF) in December 2016 to generate and consolidate resources and invest in a risk reduction and mitigation strategy to reduce the impact of disasters in a proactive manner.

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<sup>1</sup>Available at <https://www.europe.undp.org/content/geneva/en/home/partnerships/inform--index-for-risk-management.html>

<sup>2</sup>Source: <https://www.ndrmf.pk/about-us/>

## 2. National Disaster Risk Management Fund (NDRMF):

NDRMF is a government-owned not-for-profit institution registered with the Securities & Exchange Commission of Pakistan under Section 42 of the Companies Act. The Fund is established as a non-banking financial intermediary with a corporate structure. NDRMF is providing a common mechanism to pool various contributions from international development partners for funding various DRR initiatives in a coordinated and integrated manner. The objectives of NDRMF are given as under:

1. To enhance Pakistan resilience to climatic and other natural hazards and disasters.
2. To strengthen the technical and financial capacity of the Government of Pakistan to quickly respond to climatic and other natural hazards and disasters.
3. To reduce socio-economic and fiscal vulnerability of Pakistan to climatic and other natural hazards and disasters.

The Fund is responsible for awarding, managing, and guiding investments that shall reduce risk and vulnerabilities that are associated with climatic change and natural hazards. The objective of the Fund is to focus on primary or critical level disaster planning, preparedness, pre-disaster mitigation, and early warning systems.

The initial financing of NDRMF was made through a loan of \$200 million by the Asian Development Bank and grants of \$3.4 million by the Government of Australia respectively.

### Detail of Funds\*:

**Year Wise Detail of Funds received in USD**

Sr . #.	Grant / Loan	Nomenclature / Description of the Project	Amount in million in USD					
			Total Agreed Amount of Loan / Grant	Receipt of Loan / Grant during the FY				
				2016-17	2017-18	2018-19	2019-20	Total
1	ADB Loan-3473	1. NDRMF established and made operational 2. Investments to reduce vulnerabilities to natural disasters 3. Improved fiscal management of natural disaster risks	75.000	-	-	20.886	-	20.886
2	ADB Loan-3474		125.000	100.000	8.175	-	1.721	109.896
3	ADB Grant-0519		3.361	-	-	0.550	-	0.550
4	GOP Share		25.000	-	25.000	-	-	25.000

<b>Total</b>		<b>228.361</b>	<b>100.000</b>	<b>33.175</b>	<b>21.436</b>	<b>1.721</b>	<b>156.332</b>
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**Funds available for utilization in PKR (Amount in PKR in Million)**

1	ADB Loan-3473	1. NDRMF established and made operational 2. Investments to reduce vulnerabilities to natural disasters 3. Improved fiscal management of natural disaster risks	-	-	2,536.63	-	2,536.627
2	ADB Loan-3474		10,093.94	902.569	-	266.249	11,262.755
3	ADB Grant-0519		-	-	60.75	-	60.753
4	GOP Share		-	2,637.50	-	-	2,637.500
<b>Total</b>			<b>10,093.94</b>	<b>3,540.07</b>	<b>2,597.38</b>	<b>266.249</b>	<b>16,497.635</b>

\*Source: The cash book in soft form provided during the course of audit to field audit team.

**Detail of Expenditures:**

**(Amount in Rupees)**

Grant / Loan	Bank Account No.	Opening + Releases during the year	Funds Utilized	Closing Balance
<b>FY 2017-18</b>				
GOP Share	3138018926	181,987,500	1,376,056	180,611,444
ADB Loan-3473	4146775146	-	-	-
ADB Loan-3474	4146775137	-	-	-
ADB Grant-0519	4146775128	-	-	-
<b>Total Funds Utilized during FY 2017-18</b>			<b>1,376,056</b>	
<b>FY 2018-19</b>				
GOP Share	3138018926	180,611,444	31,003,102	155,417,297
ADB Loan-3473	4146775146	2,536,626,901	-	2,536,626,901
ADB Loan-3474	4146775137	902,569,050	335,982,046	566,587,004
ADB Grant-0519	4146775128	60,753,220	-	60,753,220
<b>Total Funds Utilized during FY 2018-19</b>			<b>366,985,148</b>	
<b>FY 2019-20</b>				
GOP Share	3138018926	155,417,297	46,045,933	109,371,364
ADB Loan-3473	4146775146	2,536,626,901	407,112,180	2,129,514,721
ADB Loan-3474	4146775137	832,836,403	311,960,229	520,876,174
ADB Grant-0519	4146775128	60,753,220	-	60,753,220
<b>Total Funds Utilized during FY 2019-20</b>			<b>765,118,342</b>	
<b>Total Funds Utilized during FY 2017-18 to 2019-20</b>			<b>1,133,479,546</b>	

**3. Performance Audit of NDRMF:**

On the directions of Prime Minister of Pakistan, the Ministry of Climate Change vide letter No. 11(4)/2020/Audit/NDRMF dated 05.05.2020 requested the Auditor General of Pakistan to conduct Special Performance Audit in respect of

NDRMF. Accordingly, the Directorate General Audit (Climate Change & Environment) took up the audit assignment during July and August 2020.

### **Audit Objective**

The overall objective of Performance Audit was to determine whether the National Disaster Risk Management Fund (NDRMF) was operating with due economy, efficiency and effectiveness in accordance with the vision of the government and stated objectives contained in the Article of Association (AoA) of NDRMF and Project Administration Manual (PAM).

### **Scope of Audit**

The scope of audit extends to examining all Government allocations, loans and grants received and utilized by NDRMF during 2016-17 to 2019-20. The scope of audit also includes commenting upon policy issues, regulatory framework, project implementation, procurement and human resources issues. The Field Audit Team selected development projects / schemes at KP, AJK and Punjab executed through FIPs for physical verification. These projects were randomly selected. The detail of schemes shortlisted are given as under:

<b>Sr. No.</b>	<b>Name of Province / State</b>	<b>Name of FIP / Department</b>	<b>Project Code</b>	<b>Total cost of Project (in million)</b>	<b>Q-1 Release</b>	<b>Location</b>
1	AJK	Pakistan Red Crescent Society (PRCS)	PB-002	228.019	8.054	District Bagh
2	KP	Agha Khan Foundation Pakistan	PB 004	192.60	26.294	Mansehra
3	Punjab	Punjab Irrigation Department	GB-02	449.345	67.453	Construction Old DegNullah from Deg Diversion Channel to Q.B Link Canal

### **Methodology**

Keeping in view the complex nature of the entity, a well thought out comprehensive audit methodology was evolved for the assignment. The evidence was primarily gathered by applying procedures like inquiries from the management; review of policy documents and monitoring reports; examination of payment vouchers; and collection, interpretation and analysis of primary, secondary and own

sources data. The secondary data sources mainly included Loan / Grant agreement, Project Agreement, Operational & Subsidiary Loan agreement and polices & manual of the NDRMF etc. Data was also collected through observation and interviews from the relevant officials. The findings thereof have been incorporated in this report in the form of audit paras.

### **Limitations**

NDRMF being a Company under Section 42 of the Companies Act was a new entity / formation for the audit team as no previous audit of the entity i.e. compliance or performance audit etc. was carried out before the instant audit activity. Further, due to outbreak of COVID-19, the working hours were reduced by the Federal Government and the staff of the organization attended office on rotation basis. This resulted into hindrance due to non-availability of staff as well as production of record. Moreover, the audit was started in the month of June which was the time of closing period of books of accounts of the entity.



## **4. AUDIT FINDINGS:**

### **4.1 Corporate Compliance**

#### **4.1.1 Non constitution of General Body of NDRMF with required number of members**

As per Article 33 of AoA, the subscribers to the Memorandum shall be the first Directors of the Company and they shall hold office until the election of Directors in the first AGM, subject to the provision of Section 174 and 176 of the Ordinance. Article 34 of AoA provides that the number of Directors shall not be less than seven (7), except for the First Directors, who shall be four (4), or more than fifteen (15) who shall be appointed by the Government.

Article 35(ii) of AoA provides that within one month of the incorporation of the company, the Government shall appoint the remaining directors in the categories mentioned in the Article 34 on the recommendation of Article 34(i) Directors, who together with the Article 34(i) Directors shall be the first Directors.

During course of performance audit, it was observed that 03 Annual General Meetings were convened and only 4 members participated in the said meeting since 2016 to date. The remaining members of the AGM were not nominated till date.

Non-completion of members for AGM has caused delay in composition of Board of Directors and its committees as required under AoA and Corporate Governance Rules 2013.

The initial audit observation was issued to the management on 04.08.2020. In response the management in its reply referred AoA, article No. 2 & 5 which states that “The subscribers to the Memorandum shall be the first members of the Company. The minimum number of members shall not be, at any time, less than four(4) or more than forty (40); provided, that the Directors may, from time to time, whenever the Company or the business of the Company requires, increase the number of members.” and “The subscribers to the Memorandum and such other persons as the Directors shall admit to membership shall be members of the Company” and Company Act 2017 section 118 states “Members of a company; The subscribers to the memorandum of association are deemed to have agreed to become members of the company and become members on its registration and every other person (a) to whom is allotted, or who becomes the holder of any class or kind of shares; or(b) in relation to a company not having a share capital, any person who has agreed to become a member of the company; Further, the matter for the appointment of General Body

pertains to the Government of Pakistan (i.e. Cabinet) being the Competent Authority. The matter will be referred to the line ministry for taking necessary action.

The reply of the management is not cogent as according to Article 3 of Articles of Association (AoA) the minimum number of members were 4 who shall hold office until the election of Directors in the first AGM and as per Article 34 the number of Directors shall not be less than seven (7), except for the First Directors, who shall be four (4), or more than fifteen (15) who shall be appointed by the Government. Section 36(7) of company Act-2017 provides that if a company contravenes the provisions of its articles of association, the company and every officer of the company shall be liable to a penalty. The minimum number of members after first AGM was required to be seven as per AoA article 3 which was not observed.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was discussed in detail. The management of NDRMF informed that PAM does not specify any timeline for nomination of Members which may be upto 40. The Articles of Association determined the minimum number of members as 04. The Members of Fund remained 04 till 2020 and the AGMs were attended by 04 Members as per Article 18 which determines the quorum for AGMs. However, now the Board of Directors has been approved by the Federal Cabinet consisting of 09 Members and the next AGM will be attended by them. Audit, however held that Section 34 of AoA provides that the number of Directors shall not be less than seven (7), except First Director, who shall be four, or more than fifteen (15) who shall be appointed by the Government. Further, Section 35(ii) provides that within one month of the incorporation of the company, the Government shall appoint the remaining directors in the categories mentioned in Article 34 on the recommendation of Article 34(i) Directors, who together with the Article 34(i) Directors shall be the first Directors. Since the remaining directors were not appointed within one month of incorporation of the company due to which General Body was not constituted with required number of members for fund i.e. 7 to 40.

No further progress was intimated till the finalization of this report.

Audit recommends that the matter be taken up at appropriate level for completion of general body of NDRMF at the earliest to ensure smooth functioning of the Fund.

(AIR Para No. 01)

#### **4.1.2 Non appointment of the required Directors of the NDRMF Board**

As per Article 33 of AoA, the subscribers to the Memorandum shall be the first Directors of the Company and they shall hold office until the election of Directors in the first AGM, subject to the provision of Section 174 and 176 of the Ordinance. Article 34 of AoA provides that the number of Directors shall not be less than seven (7), except for the First Directors, who shall be four (4), or more than fifteen (15) who shall be appointed by the Government. The composition of the board shall be as under:

- i. A maximum of 04 shall be ex officio office bearers in the Federal Government not below the level of additional secretary or senior joint secretary.
- ii. A maximum of 04 shall be sector specialists having worked as disaster risk mitigation or management professional from private sector, one each from each province of Pakistan.
- iii. A maximum of 2 shall be representative of donor
- iv. A maximum of 3 shall be from amongst the members of academia with at least 16 years of education and 10 years of academic work experience.
- v. One (1) shall be a representative of the civil society having worked with a disaster relief, mitigation or management non-for-profit organization from the private sector for not less than 10 years;  
Provided that at least 20% of the directors shall be women.

Further, according to Article 35 (II) of AoA, within one month of the incorporation of the company, the government shall appoint the remaining directors in the categories mentioned in the Article 34 on recommendation of the Article 34 (I) directors.

During the course of performance audit it was observed that at the time of registration, the subscribers were the first 04 directors of the company. The Board of Directors had only 04 directors (ex officio members) since inception. Later on, CEO was appointed who became 5<sup>th</sup> director of the Fund. Non appointment of the remaining directors is violation of article 35(II) of Articles of Association of the

company. The remaining directors were not appointed to conduct and manage business affairs and smooth functioning of the NDRMF contributing towards effective decision making process.

Audit holds that inordinate delay in appointment of full Board is continuous non-compliance of rules.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the matter for the appointment of remaining Directors of NDRMF's Board was discussed in the 1<sup>st</sup> meeting of Nomination Committee held on June 13, 2018 and its recommendations were unanimously endorsed by the Board in 8<sup>th</sup> meeting held on July 20, 2018. The summary was moved through EAD on 02.08.18. Later on line Ministry was changed from EAD to MoCC vide Notification dated 20.03.20 and case on subject matter was brought to the notice of MoCC regarding approval of remaining BoD. The MoCC vide letter dated 07.05.20 and 16.06.20 proposed members of BoD and forwarded to NDRMF for necessary action. However, the appointment of remaining Directors pertains to the Government of Pakistan (i.e. Cabinet) being the Competent Authority. The matter will be referred to the line ministry for taking necessary action.

The reply of the management is not cogent as BoD of NDRMF is still incomplete. The matter was not resolved and the appointment of remaining directors of NDRMF could not be finalized even after functioning of nomination committee since 2018. Further, the nomination made by Ministry of Climate Change (MoCC) was not placed before nomination committee as well as BoD for decision. Non appointment of BoD is violation of AoA, Articles 34, 35(II) and non-compliance of Company Act-2017 Section 36(7).

During the DAC meeting held on 7<sup>th</sup> September, 2021 the management of NDRMF informed that the constitution of Board has been approved by the Federal Cabinet vide Notification No.10(3)NDRMF/BOD/SI-II-PD&SI- dated 23.08.2021. It was observed by the DAC that representative of donor was not included in the Board/member for which action shall be taken up at appropriate level under intimation to Audit.

No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 02)

#### **4.1.3 Irregular holding of Board meetings without completing quorum**

According to company Act 2017 section 176(2) the quorum for a meeting of the board of other than listed company shall be as provided in the articles.

According to Article 33 of AoA, the subscribers to the Memorandum shall be the first Directors of the Company and they shall hold office until the election of Directors in the first AGM, subject to the provision of Section 174 and 176 of the Ordinance. Article 34 provides that the number of Directors shall not be less than 7, except for the First Directors, who shall be four, or more than fifteen who shall be appointed by the Government. The CEO of the company, appointed by the Board, shall be deemed to be the one of the Directors out of the maximum of fifteen directors as provided in section 200 of the Ordinance. Further, according to Article 35 (II) of AoA, within one month of the incorporation of the company, the government shall appoint the remaining directors in the categories mentioned in the Article 34 on recommendation of the Article 34 (I) directors.

Furthermore, Article 41 (Board Proceeding) provides that, at least half of the total numbers of Directors for the time being of the company shall constitute a quorum.

The scrutiny of record revealed that NDRMF held meetings (9<sup>th</sup> to 17<sup>th</sup>) of Board of Directors to discuss the strategic planning and other matters as per agenda items for due diligence and decision making for smooth functioning. The necessary detail is given below:

<b>No. of Board Meeting</b>	<b>Date of BOD meeting</b>	<b>First Directors attended meeting</b>
9 <sup>th</sup>	11.09.2018	i. Secretary Finance Division ii. Secretary Economic Affairs Divisioniii. Secretary Climate Change Division iv. CEO NDRMF
10 <sup>th</sup>	23.10.2018	i. Secretary Finance Division ii. Secretary Climate Change Divisioniii. CEO NDRMF
11 <sup>th</sup>	12.12.2018	i. Secretary Finance Division ii. Secretary Economic Affairs Divisioniii. Secretary Climate Change Divisioniv. CEO NDRMF
12 <sup>th</sup>	19.03.2019	i. Secretary Finance Division ii. Secretary Economic Affairs Divisioniii. CEO NDRMF
13 <sup>th</sup>	20.06.2019	i. Secretary Finance Division ii. Secretary Economic Affairs Division iii. Secretary Climate Change Divisioniv. CEO NDRMF
14 <sup>th</sup>	20.09.2019	i. Secretary Finance Division ii. Additional Secretary Economic Affairs Divisioniii. Secretary Climate Change Divisioniv. CEO NDRMF
15 <sup>th</sup>	16.12.2019	i. Secretary Finance Division ii. Secretary Economic Affairs Divisioniii. Additional Secretary Climate Change Divisioniv. CEO NDRMF
16 <sup>th</sup>	09.01.2020	i. Secretary Finance Divisionii. Secretary Economic Affairs Divisioniii. Secretary Climate Change Divisioniv. CEO NDRMF
17 <sup>th</sup>	20.03.2020	i. Secretary Finance Division ii. Secretary Economic Affairs Divisioniii. Secretary Climate Change Divisioniv. CEO NDRMF

Audit holds that the BoD meetings were held without quorum as per Article 34 & 41 of AoA.

This shows non-compliance of rules which also affected performance of the BoD and decision making process. Further, the due diligence could not be exercised in absence of complete quorum of directors.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that Section 135(1)(c) of the Companies Act, 2017 provides that the quorum of a general meeting shall be: (c) in the case of a company not having share capital, as provided in the articles” Also Section 176(2) of the Companies Act, 2017 states: “The quorum for a meeting of the board of other than listed company shall be as provided in the articles of association.” Article 41 of the NDRMF’s Articles of Association provides: “At least half of the total number of Directors for the time being of the Company shall constitute a quorum.” Section 188(3) of the Companies Act, 2017 provides: “The chief executive shall if he is not already a director of the Company, be deemed to be its director and be entitled to all the rights and privileges, and subject to all the liabilities, of that office.” Article 34 of the NDRMF’s Articles of Association provides: “the Chief Executive Officer of the Company, appointed by the Board, shall be deemed to be the one of the Directors out of the maximum of fifteen (15) Directors as provided in Section 200 of the Ordinance” (now Section 188(3) of the Companies Act, 2017). Further Article 45 of the NDRMF’s Articles of Association provides: “the Chief Executive shall be deemed to be a Director of the Company and be entitled to all the rights and privileges and subject to all the liabilities of that office.” In light of the above mentioned provisions of law read with NDRMF’s Articles of Association at least half of the total number of Directors “for the time being” of the Company shall constitute a quorum. Further, according to Section 188(3) of the Companies Act, 2017 read with Article 34 and 45 of the NDRMF’s Articles of Association the Chief Executive Officer shall be deemed to be its director and be entitled to all the rights and privileges, and subject to all the liabilities, of that office.

The reply of the management is not cogent. As per Article 33 of AoA, the first directors shall hold office until the election of directors in the First AGM. Further, section 34 provides that number of directors shall not be less than 7 except for the first directors who shall be four or more than 15 who shall be appointed by the Government. Section 41 provides that at least half of the total number of Directors for the time being of the company shall constitute a quorum.

During the DAC meeting held on 7<sup>th</sup> September, 2021 the management of NDRMF informed that according to Article 41 of the Articles of Association “at least half of the total number of Directors for the time being of the Company shall constitute a Quorum” and all Board meetings had been done in compliance with the above said Article. The Audit authorities held that the remaining directors were not appointed within one month of the incorporation of the company till completion of audit assignment i.e. June-2020 as required under Section 34 and 35(ii) of AoA. Since, BoD was not constituted in accordance with the AoA, hence the quorum was not completed.

No further progress was intimated till the finalization of this report.

Audit recommends that the matter be taken up at appropriate level for completion of quorum of BoD in order to ensure smooth functioning of the Fund.

(AIR Para No. 03)

#### **4.1.4 Non formation of committees in accordance with Corporate Governance Rules**

According to Rule 12(1) (2) Corporate Governance Rules, 2013, the Board shall set up audit committee, risk management committee, human resource committee and procurement committee to support it in performing its functions efficiently, and for seeking assistance in the decision making process. Further, according to Rule 12(2) the Board committees shall be chaired by non-executive directors. However, the independent directors in the committees shall not be less than their proportionate strength. The existence of such committees shall not absolve the Board from its collective responsibility for all matters. Such committees shall have written terms of reference that define their duties, authority and composition, and shall report to the full Board. Further, as per para 21 (1) & (2) the Board shall establish an audit committee, whose members shall be financially literate and majority of them, including its chairman, shall be Independent Non-Executive Directors, subject to the provisions of sub-rule (2) of rule 12. The names of members of the audit committee shall be disclosed in each annual report of the Public Sector Company.

The NDRMF set up various Board committees which were chaired by executive directors i.e. secretary of the ministry concerned instead of non- executive/ Independent director in accordance with rules

Audit holds that all the meetings were chaired by persons holding administrative and managerial positions in Government of Pakistan departments,

which contradicts the above mentioned rules. Further, in the absence of independent directors, the test of independence cannot be reasonably perceived i.e. directors being able to exercise independent judgment without being subservient to any form of conflict of interest.

Audit is of the view that the General body and Board of Directors were not constituted as per rules which led to non-availability of independent directors for proper functioning of the committees of the Board of Directors.

The initial audit observation was issued to the management on 04.08.2020. In response the management admitted and replied that the matter for the appointment of remaining Directors on the Board of NDRMF including the independent Directors pertains to the Government of Pakistan (i.e. Cabinet) being the Competent Authority. However, the Company management is making continuous efforts and rigorous follow ups with the Board as well as with the line ministry but the same is pending approval of the Competent Authority. However, according to Rule 12(2) of the Public Sector Companies (Corporate Governance) Rules, 2013 the existence of such Committees shall not absolve the Board from its collective responsibility for all matters. Once the full Board is constituted/ approved by the Competent Authority, all the Committees of NDRMF including the Audit Committee shall be re-constituted strictly in accordance with the provisions of Rule 12 read with Rule 21 of the Public Sector Companies (Corporate Governance) Rules, 2013.

The NDRMF management has admitted the audit stance.

During the DAC meeting held on 7<sup>th</sup> September, 2021 the management of NDRMF informed that the constitution of Board has been approved by the Federal Cabinet vide Notification No.10(3)NDRMF/BOD/SI-II-PD&SI- dated 23.08.2021. Accordingly, Board meeting was held on 30.08.2021 in which Committees were formulated in accordance with Rule 12 of the Public Sector Companies (Corporate Governance) Rules, 2013.

No further progress was intimated till the finalization of this report.

Audit recommends that the matter be taken up at appropriate level for completion of general body and Board of Directors so that the committees could function properly as per rules.

(AIR Para No. 04)



#### **4.1.5 Non-functional audit committee due to non-convening of meetings**

According to para 21 (1) & (2) of Corporate Governance Rules-2013, the Board shall establish an audit committee, whose members shall be financially literate and majority of them, including its chairman shall be Independent Non-Executive Directors. The names of members of the audit committee shall be disclosed in each annual report of the Public Sector Company.

Further, rule 21(3) of Corporate Governance Rules-2013, provides that at least once a year, the audit committee shall meet the external auditors without the presence of the CFO, CIA and other executives to ensure independent communication between the external auditors and the audit committee. Provided further that at least once a year, the audit committee shall meet CIA and other members of the internal audit function without the CFO and the external auditors being present. Furthermore, rule 21 (6)&(7) defines the terms of reference of the audit committee.

The scrutiny of record revealed that audit committee held two meetings on 09th October 2018 and 31<sup>st</sup> January 2019 since inception of the fund and the agenda of the meetings was given below:

Agenda of the meeting dated 09<sup>th</sup> October 2018:

- i. Review and discussion on the financial statements of NDRMF for the FY 2017-18, Management letter along with the management responses, external auditor's report, directors report, SECP compliance review Report for the FY 2017-18 and recommendations to the Board for consideration and approval.
- ii. Recommendations to the Board for the appointment of external auditors for the FY 2018-19 and fixation of their remuneration.
- iii. Recommendation to the Board for the appointment of chief / head internal audit NDRMF

Agenda of meeting dated 31<sup>st</sup> January 2019

- i. To conduct interviews for the post of chief / head internal audit and to recommend the name of successful candidate to the board for final approval.

Audit holds that:

- i. The record pertaining to number of meetings held between the external auditors and the audit committee in absence of the chief financial officer,

the chief internal auditor and other executives and minutes of meeting thereof was not provided.

- ii. The audit committee held one meeting in which financial statements and some other matters pertaining to the company were discussed for the FY 2017-18. The meeting was not convened to discuss the financial statements, management letter, SECP compliance reviews etc. for the FY 2018-19 and 2019-20. The matters approved in the Board of Director meetings without due diligence of the audit committee in accordance with the rule 21 (6)&(7) defies the terms of reference of the audit committee.

This state of affairs shows that the audit committee is not properly functioning in accordance with rules and thus adversely affecting the performance of the company to achieve its desired goals. Moreover, the performance of internal audit department is also questionable in absence of a proper functional audit committee.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that efforts were made to hold 3<sup>rd</sup> Audit committee and correspondence was made with the members. In response Secretary Ministry of Planning, Development & Reform vide letter bearing No. 1(15)Ad-IV/PD/2019 dated 04.10.2019 informed that member of other five (05) Public Sector Companies, decided not to be the member of the Board of NDRMF. Accordingly, Secretary M/o Climate Change was requested that matter may kindly be taken up with the Cabinet for necessary decision and suitable replacement be made. Further, once the full Board is constituted/ approved by the Competent Authority, all the Committees of NDRMF including the Audit Committee shall be re-constituted strictly in accordance with the provisions of Rule 12 read with Rule 21 of the Public Sector Companies (Corporate Governance) Rules, 2013.

The management has admitted the audit stance.

During the DAC meeting held on 7<sup>th</sup> September, 2021 the management of NDRMF informed that the constitution of Board has been approved by the Federal Cabinet vide Notification No.10(3)NDRMF/BOD/SI-II-PD&SI- dated 23.08.2021. Accordingly, Board meeting was held on 30.08.2021 in which committees were formulated in accordance with Rule 12 of the Public Sector Companies (Corporate Governance) Rules, 2013. The DAC directed the Management of NDRMF to take serious steps for making committees functional in future.

No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No.05)

#### **4.1.6 Irregular inclusion of Country Director of ADB as board member / director without recommendation of competent authority**

According to Corporate Governance Rules – 2013 para 12 (e) that nomination committee, to identify, evaluate and recommend candidates for vacant positions, including casual vacancies, on the Board, including the candidates recommended by the Government for consideration of shareholders or in case of casual vacancy to the board of directors after examining their skills and characteristics that are needed in such candidates: Provided that the nomination committee shall submit its proposal within thirty days of a vacancy arising or on a recommendation made by the Government as the case may be.

Further, according to para 13 of PAM, the Fund shall consist of up to 40 members to be nominated by Government of Pakistan. Out of which 16 members shall represent the Government of Pakistan and the remaining 18 members will represent private, civil society and the academia/research sector and/or business, community leaders of experience, integrity and repute. The members representing the government will include representative of federal ministries/authorities (5), provinces (8 members) and regions (3). The provincial and regional representation may be from the respective planning, flood management agencies (irrigation departments) and disaster management agencies.

The scrutiny of record of NDRMF revealed that Country Director, Asian Development Bank was included as Board Director of NDRMF from 8<sup>th</sup> Board Meeting dated 20.07.2018 to 17<sup>th</sup> Board Meeting dated 20.03.2020.

Audit holds that the inclusion of country Director, ADB as Board Member / representative without formal approval from the competent authority i.e. Government of Pakistan is irregular.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the Nomination Committee held on 13.6.18 recommended the name of Country Director-ADB as Director in the BoD, which was endorsed by the Board in 8th Meeting dated 20.07.18 and the matter is pending for Cabinet approval being the Competent Authority. Country Director, ADB is not attending Board and Committee Meetings as Director on the Board of NDRMF. She receives notices of meetings as well as attending the same in the capacity of Country

Director ADB, being an important stakeholder of NDRMF. Under no provision of law she is debarred to attend the same.

The reply of the management is not cogent. As per minutes of 8<sup>th</sup> and 9<sup>th</sup> meeting of BoD held on 20.07.2018 and 11.09.2018, Country Director, ADB attended the said meetings as Director (member). Further, the participation of country director as representative in other BoD meetings without approval of competent authority was also irregular.

During the DAC meeting held on 7<sup>th</sup> September, 2021 the para was discussed in detail. DAC directed that the matter may be perused in detail by the Company Secretary being a corporate governance matter. The report may also be placed before the board for final decision.

No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 06)

#### **4.1.7 Non-appointment of Chief Executive Officer (CEO) in violation of Rules**

According to Para 7(2) of Public Sector Companies (Appointment of Chief Executive) Guidelines, 2015 issued by Securities and Exchange Commission of Pakistan, it shall be ensured that the appointment of Chief Executive is finalized at least thirty (30) days before the date of expiry of the terms of the incumbent Chief Executive, so that the appointment is made by the Board within the period stipulated under Section 198 and 199 of the Ordinance.

The scrutiny of record revealed that term of CEO expired on 12.04.2020. The case for appointment of new CEO was initiated during January 2020 and advertised in newspaper on 12<sup>th</sup> January, 2020. In response, 33 applications were received and after scrutiny the case was submitted to nomination committee on 27<sup>th</sup> February 2020. The nomination committee instead of shortlisting suitable candidate recommended that the selection of CEO may be made through Audit Firm. Later on, the case was placed before the BOD in its 17<sup>th</sup> meeting held on 20.03.2020 and Board unanimously agreed to recommend to the Cabinet to allow incumbent CEO to continue for a period of 5 months w.e.f 13.04.2020 or until his successor. Accordingly, the Cabinet approved the same and MoCC notified the extension on 28.04.2020.

Audit is of the view the appointment of fresh CEO could not be finalized within due time which resulted into non adherence to rules.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the matter regarding appointment of new CEO was taken up with the Board in its 18<sup>th</sup> meeting held on 17.07.2020 wherein it has been decided to present the same in upcoming meeting.

The reply of the management is not acceptable as the appointment of CEO was required to be finalized thirty days before the date of expiry of the term of the incumbent chief executive which was not done.

During the DAC meeting held on 7<sup>th</sup> September, 2021 the para was discussed in detail. DAC directed that the matter may be placed for review by the Company Secretary being a corporate matter. The inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 21)

## **4.2 Non-compliance with Rules**

### **4.2.1 Non preparation and signing of Tripartite agreement for Endowment fund**

According to para 39 of PAM that a tripartite fund agreement acceptable to ADB will be signed between the EA, ADB, and the Fund clearly outlining; (i) the composition of endowment fund, (ii) purpose of establishment, (ii) conditions for disbursement of endowment fund by ADB and the Government, (iii) sanctity and use of endowment resources, (iv) treatment or use of interest earned on the investment of the endowment fund, and (v) procedure for closure of the endowment fund in case the Fund is closed. Further, according to Subsidiary Grant Agreement para 5.4 that the NDRMF shall establish, operate and maintain the endowment fund in accordance with rules, regulations and procedures acceptable to ADB.

During course of audit it was observed that NDRMF established Endowment fund for Rs. 12.591 billion and funds were kept in NIDA account on which fund earned profit. Later on the fund was invested in Term Deposit Receipt (TDR) amounting to Rs. 13.121 billion.

Audit holds that a tripartite fund agreement between the EA, ADB, and the Fund was required to be signed for outlining the composition of endowment fund, purpose of establishment, conditions for disbursement of endowment fund by ADB and the Government, sanctity and use of endowment resources, treatment or use of interest earned on the investment of the endowment fund and procedure for closure of the endowment fund.

This not only resulted in non-compliance with rules and regulation but also affected the smooth utilization of funds for the intended purposes.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the draft Tripartite Fund Agreement has been vetted by ADB and shared with EAD on 10.01.2020 for signatures which is still lying pending with the EAD. Further, the draft agreement was also shared with audit team during the financial attest audit for the FY 2018-19.

The reply is not acceptable because the tripartite fund agreement was required to be signed between the EAD, ADB and NDRMF but the same was not signed despite lapse of 4 years since inception of NDRMF.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the management of NDRMF informed the DAC that all necessary documents are in the final stages for approval between the stakeholders. DAC directed to intimate the latest position to Ministry as well to Audit.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 10)

#### **4.2.2 Non achievement of key targets with milestones and slow pace of work**

In the Report and Recommendation of the President (RRP: PAK 50316-001) on the proposed loans, technical assistance grant, and administration of a grant to Pakistan for the National Disaster Risk Management Fund of Appendix-I, Key Activities with Milestones were set.

According to Project Implementation Plan of PAM, key activities with milestones and target dates were set forth in Appendix-1.

During audit, it was observed that all the set targets / key activities with milestone were required to be completed upto December 2019. The achievement / progress of NDRMF within set time lines is as under:

- i. The key activities with milestones under planned output-1 were required to be completed upto December 2017 (Q4 2017) which were delayed and completed upto Q2 2019.

The targets / key activities with milestones under output 2 & 3 could not be achieved till date of audit viz June 2020. It is also added that some key activities could not be initiated even after expiry of original timelines.

The detail is provided in **Annexure-A**

Further, data regarding actual achievement against output 2 in respect of following key milestone was not available / provided to audit:

- i. Number of building awarded for retrofitting till date.
- ii. Total length of flood protection walls awarded for retrofit / reconstruction.
- iii. No. of weather radars installed against planned.
- iv. Actual No. of Union Councils where CBDRMs plans have been executed.
- v. No. of staff of forecasting organization trained in modeling and analysis.
- vi. Copy of develop criteria to access projects from DRR perspective

Audit holds that NDRMF failed to achieve the desired outputs within set timelines.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the timelines have been revised in updated versions of PAM. Initially the NDRMF was managed by Ministry of EAD and progress was slow till December 2017. The Government of Pakistan appointed the CEO on 13th April, 2018 as full time who prioritize the pending obligations and revised the timelines on realistic grounds. On the basis of performance of NDRMF, ADB during review mission 2018-19 agreed and provided time extension till 30th November 2021.

The management admitted the Audit stance. It is further added that the Fund could not achieve milestone as per initial PAM which necessitated the revision. As far as revision of PAM is concerned, the revision / extension in milestone may be granted because after incurrence of heavy expenditures on establishment of fund, roll back of

ongoing project was not feasible for ADB and Government of Pakistan. Moreover, during revision of PAM certain milestones were reduced i.e. retrofit 50 critical public infrastructure instead of 500, retrofit / reconstruct 125 km of critical flood DRR structures instead of 300 KM, 15 Sub-national MHVRAs instead of 20 districts. Further, the detailed working and reasons for revision of key targets were not provided with reply.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the management admitted the stance of Audit which was due to Covid-19 pandemic situation all over the country. However, the management explained that target date of the batch-1 project has been extended till November, 21 for which necessary efforts are in progress for achievement of key targets.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 15)

#### **4.2.3 Non-reconciliation of Loan / Grant with EAD – \$ 134.319 million**

According to Para 20 of Revised Accounting Procedure for Foreign Aid Assignment Accounts issued by Finance Division, the controlling Ministries/Divisions shall reconcile expenditure on account of foreign aid with AGPR and EAD on monthly basis.

The scrutiny of record revealed that ADB released \$ 134.319 million to NDRMF and the funds were utilized in various head of accounts during the financial year 2016-17 to 2019-20. The detail is given below:

Sr. No.	Grant / Loan	Financial Year	Total Agreed Amount of Loan / Grant	Receipt of Loan / Grant
1	L-3473	2016-17 to 2019-20	75.000	22.353
2	L-3474	2016-17 to 2019-20	121.817	111.416
3	G-0519	2016-17 to 2019-20	3.361	0.550
<b>Total</b>			<b>200.178</b>	<b>134.319</b>

Audit observed that NDRMF did not reconcile the releases with EAD in violation of the above instructions.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that NDRMF submits withdrawal applications to ADB through ADB online System i.e. Client Portal Disbursement (CPD). After disbursement of funds by ADB, NDRMF receives funds via SBP with intimation to NDRMF, EAD, Finance Division, NBP & AGPR. All disbursements of funds from



ADB loans are reflected on ADB online system i.e. Loan and Grant Financial Information Services (LFIS). The access of LFIS is also being used by all the executing agencies (EA) & implementing agencies (IA) for reconciliation purposes. Further, expenditure incurred by NDRMF is properly booked on monthly basis in AGPR system. There is a system based reconciliation being done by the NDRMF, EAD and AGPR. However, in the light of observation raised by the Audit, a letter has been issued to EAD for reconciliation of funds.

The management admitted the stance of Audit regarding non-reconciliation with EAD.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the Para was not discussed.

Audit recommends that reconciliation should be carried out with EAD at the earliest.

(AIR Para No. 18)

#### **4.2.4 Non deduction of ICT tax on services from payments made to Individual Consultants – Rs 0.979 million**

The Islamabad Capital Territory (Tax on Services) Ordinance, 2001 Section 3 (2), the tax shall be charged and levied on the services specified in column 3(2) of the Schedule to this Ordinance in the same manner and at the same time, as if it were a sales tax leviable under sections 3, 3A or 3AA, as the case may be, of the Sales Tax Act, 1990. The sales tax on services provided in respect of software or IT-based system development consultants, technical, scientific and engineering consultants and other consultants including but not limited to human resource and personnel development services; market research services and credit rating services is Sixteen per cent each.

The scrutiny of record of NDRMF revealed that services of various individual consultants were hired for various technical works and payments of Rs 6,121,000 were made to the consultants. The detail is provided in **Annexure-B**.

Audit holds that the management of NDRMF made payment to the consultants without deduction of ICT tax on services amounting to Rs 979,360.

Audit is of the view that due to weak internal controls the payments were made to the consultants without deduction of tax and loss to public exchequer.

This resulted into violation of rules and uneconomical procurement of services.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that charging and payment of sales tax is responsibility of service provider. GST is a value added tax and inclusion of GST will involve a revision in the contract cost of the consultants. NDRMF will take up the matter with ADB as this will involve a financial impact and revised contracts shall be issued accounting for the tax liabilities. Moreover, in future NDRMF will adhere to the provisions of the Tax Laws in this regard.

The reply of the management is not satisfactory as payment for consultancy services were made without deduction of ICT tax.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the Para was not discussed.

Audit recommends that ICT tax be recovered at the earliest under intimation to audit.

(AIR Para No. 40)

#### **4.2.5 Payment to vendors without deduction of 1/5<sup>th</sup> GST – Rs 2.594 million**

NDRMF procured various items of Rs 89.263 million on account of renovation of building, IT equipment, purchase of generator etc. from various vendors and made payment of Rs. 81.949 million during the FY 2018-19. It was observed that NDRMF made payment to the contractor of Rs 12.970 million on account of GST with deduction of GST 1/5<sup>th</sup>Rs 2.594 million (12,969,809\*1/5<sup>th</sup>). The necessary detail is at **Annexure-C**.

Audit is of the view that due to weak internal controls the payment was made to the contractor without deduction of 1/5<sup>th</sup> GST.

This resulted into violation of Government instructions and loss of tax revenues.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that NDRMF has started withholding GST since March 2020 as per Sales Tax Act 1990. With regard to the payments made to vendors on account of GST before March 2020, NDRMF has confirmed the deposits in FBR by the Vendors by obtaining receipts of their tax returns.

The reply of the management is not cogent as deduction of 1/5<sup>th</sup> of GST was not made at the time of payment.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the Para was not discussed.

Audit recommends that 1/5<sup>th</sup> of GST be recovered at the earliest under intimation to audit.

(AIR Para No. 42)

#### **4.2.6 Change of line Ministry without concurrence of ADB**

According to section 4.05 of loan agreement that the borrower shall promptly take all action, including the provision of funds, facilities, services and other resources, which shall be necessary on its part to enable the Fund to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Further, according to section 4.06 (b), no rights or obligations under the subsidiary Grant Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

It was observed that NDRMF was initially placed under the Economic Affairs Division (EAD) at the time of loan agreement and subsidiary agreement was made to exercise the right of borrower and ADB. Later on, NDRMF was shifted under the control of Ministry of Climate Change and subsequently to the Ministry of Planning Development and Special Initiatives.

Audit holds that the shifting of NDRMF from Ministry of EAD to MoCC and to Ministry of Planning Development and Special Initiatives was made without consent of the ADB. Further, subsidiary grant agreement was not signed / revised in accordance with change of Ministry / Division with the concurrence of the ADB / Donor.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the matter falls within the ambit of Government of Pakistan. Upon receipt of information regarding change of line Ministry vide EAD letter dated 06-09-2019 NDRMF duly apprised the BoD, M/o CC (new line ministry) and EAD (earlier line ministry) about the fulfillment of following pre-requisites: i) Issuance of formal notification by the Government of Pakistan mentioning M/o CC as new line ministry. ii) Amendment in the Rules of Business iii) Amendment in the

Subsidiary Grant Agreement iv) Formal notification to ADB for the change of EA v) Reflection of NDRMF's Budget in the Budget of M/o CC.

The reply of the management is not cogent as the matter was required to be taken up with quarters concerned in accordance with loan / grant and subsidiary grant agreements, to ensure that the project is able to operate smoothly without any hindrances.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was not discussed.

Audit recommends that the matter shall be taken up at appropriate level to resolve the issue.

(AIR Para No. 51)

#### **4.2.7 Non-formulation of transport policy in violation of HR Manual and irregular purchase of luxurious vehicles**

According to HR Manual 2018, NDRMF staff at Chief Executive and senior management (including Corporate Executive) scales shall be entitled for a company maintained car of engine capacity 1800 and 1600 cc respectively. All company cars shall be registered in the name of NDRMF, Fuel, maintenance and insurance coverage shall be provided by the Company. a detailed Transport policy shall be prescribed after the Company's mobilization.

During audit of NDRMF, it was observed that no transport policy could be formulated which was clear violation of HR Manual. The scrutiny of record revealed that:

- i. NDRMF procured 11 vehicles costing Rs 34.962 million and also hired 5 drivers to run these vehicles.
- ii. Two vehicles having engine capacity 2700 cc were purchased for Rs 12.074 million and are being used in NDRMF. As detailed below:

<b>S.No</b>	<b>Description</b>	<b>Reg.No.</b>	<b>Cost (Rs.)</b>
1	Toyota Fortuner	AKU – 019	6,959,072
2	Toyota Hilux Revo	ANT – 482	5,822,670
3	Suz. Bolan 800cc	AKS – 529	853,691
4	Toyota Corolla Altis	ALT – 324	2,612,704
5	Toyota Corolla Altis	ALT – 320	,612,704
6	Toyota Corolla Altis	AAE – 062	2,612,704
7	Toyota Corolla Altis	ALT – 319	2,612,704
8	Toyota Corolla Altis	ALT – 328	2,612,704
9	Toyota Corolla GLI MT	ACU – 374	2,330,904

10	Toyota Corolla GLI MT	ACU – 633	2,330,904
11	Honda Civic	ANX – 019	3,601,500
<b>Total</b>			<b>32,962,261</b>

Audit holds that:

- i. In absence of a transport policy, the use and authorization of staff cars is irregular.
- ii. Purchase of luxury vehicles not covered in HR Manual and is violation of NDRMF policies.
- iii. The procurement was made without discussion in the procurement committee and approval of the Board of Directors.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the draft transport policy is in the formative stage and will be approved by the BoD in due course of time. The vehicles of NDRMF are pool vehicles and cannot be treated as staff cars. Transport policy / purchase of vehicles is not an HR related matter and thus is not part of HR Manual. The purchase of vehicles was clearly identified in the PAM and the procurement plan duly approved by BoD.

The reply is not acceptable because transport policy has not been formulated till date. Moreover, no documentary evidence was produced in support of reply.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the HR Committee of the Board for review and fix- responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 53)

#### **4.2.8 Wasteful expenditure due to hiring of additional office accommodation without assessment of actual requirements – Rs 3.368 million**

According to tenancy agreement dated 23.01.2020 between EOBI and NDRMF, additional office accommodation / Portion at 6<sup>th</sup> Floor of EOBI House G-10/4 Islamabad covering 3208 sft @ Rs 175/sft was hired for a period of 6 years.

NDRMF hired full space at 5th floor of EOBI House G-10/4 Islamabad and additional office accommodation at portion of 6<sup>th</sup> was also hired at monthly rent of Rs 561,400. An amount of Rs 3.368 million was paid vide cheque No. 176741555 dated 11.02.2020. It was observed that:

- i. Need assessment as per available strength was not carried out / produced to audit to determine the actual requirements of space for the staff of NDRMF.
- ii. The additional office accommodation hired was not utilized till June 2020 which shows that the additional space was hired without actual requirements.
- iii. The hiring of additional space without actual requirement resulted in unnecessary expenditure.

In view of the above, audit holds that the hiring of additional space without actual requirements and payment thereof is irregular.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the office accommodation was hired on the direction of MoCC vide letter dated 27.11.2019 for WB funded project i.e. Pakistan Hydromet and Climate Change Services Project. Further, the space hired for the purpose offers multiple advantages of facility sharing, cost sharing / saving, effective supervision and convenient coordination etc. The space was also visited by the Advisor MoCC wherein the entire layout plan was presented and finalized. The NDRMF could not customize the facility as the funds have not been disbursed so far by the WB, though the project stands approved through all forums.

The reply is not cogent as the additional space was hired without actual requirements and the same was lying un-utilized. Further, the need assessment and approved layout plan was not produced for audit.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was not discussed.

Audit recommends that the incurrence of expenditure without fulfillment of codal formalities be looked into by the management for corrective action and responsibility be fixed on the person (s) at fault.

(AIR Para No. 54)

#### **4.2.9 Loss to Government due to non-imposition of stamp duty – Rs 0.362 million**

According to Project Administration Manual the NDRMF is a government-owned not-for-profit company registered under section 42 of the Companies Act, 2017. It is a government owned non-banking financial intermediary with a corporate structure which will work for reducing the socio-economic and fiscal vulnerability of the country and its population to natural hazards and climate change.

Further, according to Section 22(A)(b) of Schedule- of Stamp Act 1899 that stamp duty at the rate of 25 paise for every one hundred rupees on any instrument of the nature of memorandum of Agreement made or entered into by a contractor with Government, Corporation, Local Body, Local Authority, agency or organization set up or controlled by the Federal or the Provincial Government.

The scrutiny of record revealed that the NDRMF procured different items from various contractors and entered into contract agreement for supply of items and accordingly payment was made to the suppliers/contractors. The detail of procurement is given in **Annexure-D**.

Audit holds that the payment was made to the contractors without deduction of stamp duty amounting to Rs. 362,125.

Audit is of the view that the payment was made to the contractors without deduction of stamp duty, which resulted into loss to Government exchequer.

The initial audit observation was issued to the management on 06.08.2020. In response the management replied that Stamps Act, 1899 was amended vide the Finance Act, 2019, to the extent of Islamabad Capital Territory. The amended Schedule-1 'Stamp Duty on Instruments' provides at Entry No. 5(d) that Agreements and Memorandum of Agreements require a stamp duty of Rs. 50. The instruments referred to in have been rectified by the payments of base stamp fee (i.e. Rs. 50 each) along with the penalty amount specified in Section 62 of the Stamps Act, 1899 (at the rate of Rs. 500 per instrument). As permitted by the Stamps Act, 1899 the outstanding stamp duty along with the penalty amount have been paid vide adhesive stamp duties. Hence, compliance with respective laws has been confirmed. The amount of Rs. 362,125 has been calculated without taking into account the provisions of the Finance Act, 2019.

The reply of the management is not cogent as the management provided copy of rule 5 of Stamp Act 1899 amended in 2019, whereas audit raised observation according to Rule 22(A) (B).

During the DAC meeting held on 7<sup>th</sup> September, 2021, the DAC directed NDRMF management to get the record verified from Audit authorities.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 57)

### **4.3 Financial Management**

#### **4.3.1 Non submission of detailed / head wise budget to Board of Directors for approval**

According to Article of Association (AoA) of NDRMF article 39(t) that the board shall have the special powers and duties to review and approve the administrative and operational budget of the company.

According to para 16 (vii) Overall responsibilities of the BOD are provided in Table 3 of the PAM. Specifically, the BOD will review and approve the administrative and operational budget of the NDRMF and arrange for performance reviews and internal audits.

The scrutiny of record revealed that NDRMF submitted budget proposals to Board of Director in various financial years for review and approval. The necessary detail is given below:

<b>FY</b>	<b>Budget</b>	<b>Expenditure</b>	<b>BoD meetings</b>
2018-19	-	358.676	8 <sup>th</sup> Board meeting held 20.07.2018
2019-20 (upto 31 <sup>st</sup> May-2020)	6,766.607	3,974.074	13 <sup>th</sup> Board meeting held 09.07.2019

Audit holds that one line / lump sum budget was presented instead of head wise / detailed budget for approval. The budget for the FY 2018-19 was discussed but the amounts approved as budget were not depicted in the minutes of meeting of BoD and budget for the FY 2019-20 was approved in lump sum Rs. 6,766.607 million.

Audit is of the view that the detailed head wise budget for each financial year was not prepared and presented in the board meetings for review and approval.

The initial audit observation was issued to the management on 04.08.2 In response the management replied that the Budget for the FY 2018-19 was presented in detail by CEO NDRMF in the 8<sup>th</sup>BoD meeting held on 20.07.18 Approved detailed



Budget summaries head-wise have been provided to the audit team vide Fund's letter dated July 03.07.20. The same was also presented to the BoD in the said meeting. The Budget for the year FY2019-20 was placed before the Finance Committee of the Board in its 2<sup>nd</sup> meeting held on 31.05.19 and after a meticulous review, it was recommended to the Board for approval, suggesting few amendments. The Board on the recommendation of the Finance Committee unanimously approved the Budget for the FY 2019-20. As detailed budget summaries head-wise have been provided to the audit team vide Fund's letter dated 03.07.20.

The reply of the management is not cogent as detailed head wise budget was not approved and reviewed by Finance Committee. Moreover, during verification of record carried out on 28.08.2020, the record pertaining to FY 2018-19 and 2019-20 i.e. slides presented in the finance / Board of Directors meeting were provided / shown to audit for verification. The record provided did not serve the purpose as the head wise budget was not approved by the Finance Committee / Board of Directors.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the DAC directed that compliance of the observation may be completed under intimation to Audit.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 07)

#### **4.3.2 Late Investment of Endowment Fund against the provisions of National Disaster Management Fund Rules-2016 and non-establishment of Investment Management Unit**

According to Para 3 (2) of National Disaster Management Fund Rules-2016 it is stated that subject to the rules of Endowment Fund shall be invested, in a portfolio or through a third party, a) in Government Securities at a fixed or variable rates of interest; b) the National Savings Schemes of the Federal Government at a fixed or variable rate of interest c) a scheduled bank that has a minimum credit rating of AA and is approved by the Board.

According to Para 6 of Finance Division (Budget Wing), Government of Pakistan Notification No. F.4 (1) / 2002-BR.II dated 2nd July 2003, before making any investment, it would be necessary for public sector entities to set up in house professional treasury management functions. Specifically, they would need to have an investment committee (IC) with defined investment approval authority. Transactions above the approval authority of the IC will be subject to approval of the Board of

Directors or an equivalent forum. The IC should be assisted by an investment Management Unit employing qualified staff with at least 3-5 years of experience of managing investment in debt equity instruments. However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

The scrutiny of record revealed that NDRMF established endowment fund during the FY 2016-17 for Rs.10,199.171 million by contribution from ADB. The Government of Pakistan contribution Rs. 2,455.512 million was received during 2017-18. It was observed that the funds were kept in NIDA account during the FY 2017-18 and profit of Rs 827,801,693 (avg, Profit earned @ 6.6%) was earned in 15 months w.e.f. 22.06.2017 to 19.09.2018. Later on, the funds were invested in TDR and MTB @ 10.10% and 14.25% during the FY 2018-19 and 2019-20 respectively. The scrutiny of record further revealed that:

- a. National Disaster Management Fund Rules-2016 (Endowment Fund) were approved in the 1<sup>st</sup>BoD held on 02.12.2016.
- b. Investment guidelines-2018 were approved in 6<sup>th</sup>BoD meeting held on 02.03.2018.

Audit holds that:

- i. The funds were kept in NIDA account upto 15 months on which average rate of profit earned was 6.6% and other investment opportunities were not considered for obtaining better rates of profit.
- ii. The NDRMF did not establish Investment Management Unit employing qualified staff with at least 3-5 years of experience of managing investment in debt equity instruments. Further, services of professional fund managers approved by SECP were also not hired during the FY 2016-17 to 2019-20.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that there was no investment policy prior to March 2018 and therefore, since the incorporation / inception of the company the Endowment Fund were lying in National Income Daily Account maintained with NBP, Secretariat Branch fetching an interest @ 5.85% p.a. NDRMF's Investment Guidelines 2018 were approved by NDRMF Board in 6th Board meeting held on 2<sup>nd</sup> March, 18. Since the appointment of CEO NDRMF in April 2018 the matter of investment of Endowment Fund was taken efficiently by the new management. Further, investments of Endowment Fund is currently managed by the FMG of

NDRMF which has the capacity to manage the investment portfolio. The investment activity of NDRMF comprises the investment of Endowment Funds, the whole process of investment includes the analysis, documentations and working done by the NDRMF and approved in principle by the CEO. For recommendation of the investment decisions, the matter is presented to the Risk Management Committee of the Board, who after review and deliberations, recommends to the BoD for their final approval. The investment is usually done on a 12 months basis, hence is a one-time activity. Keeping in view the frequency of transactions, existing adequate capacities and the processes within the NDRMF, it is felt that there is no need of any separate Investment Management Unit (IMU) and hiring of additional staff for the purpose. Raising of dedicated Investment Management Unit will be sheer wastage of resources.

The reply of the management is not cogent as NDRMF could not take into account other profitable investment opportunities and therefore chances of earning of less profit on investments cannot be ruled out. Further, the non-establishment of Investment Management Unit was not only a material non-adherence to the instructions of FD, but also led to a missed opportunity to invest funds in profitable ventures.

The matter was discussed in detail during exit meeting held on 25&26.08.2020 and management replied that NDRMF was in dormant phase due to which the other investment opportunities were not considered and funds were kept in NIDA account.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was not discussed.

Audit recommends that the matter be inquired at appropriate level for non-adherence to rules and regulations and responsibility be fixed on the person (s) at fault.

(AIR Para No. 08)

#### **4.3.3 Transfer of funds from Endowment fund for COVID-19 expenditure in violation of loan agreement**

According to Subsidiary Grant Agreement between Govt. of Pakistan and Donor (ADB) para 5.5 that to ensure the financial viability and sustainability of NDRMF, the NDRMF shall ensure that, unless ADB agrees otherwise, earnings generated from the endowment fund shall be used for a) the NDRMF recurrent costs

starting from the fourth year of the NDRMF's operations; b) additional investments in interest / profit bearing securities; and c) financing of disaster risk reduction activities, as approved, from time to time, by its board of directors.

The NDRMF transferred funds amounting to Rs 20 million for COVID-19 to Government of Pakistan from interest / profit earned on Endowment fund account during the FY 2019-20.

Audit holds that the transfer of funds for COVID-19 from Endowment fund was a clear violation of agreement & PAM. The transfer of funds also discourages the basic concept / purpose of establishment of Endowment Fund. Further, due to withdrawal and transfer of funds for COVID-19, a loss of Rs. 197.612 million was sustained as investment made in MTB's were encashed premature.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that NDRMF received instructions from EAD for making available funds to the National Disaster Management Authority (NDMA) on top priority as directed by Prime Minister Office to control Coronavirus spread in Pakistan. In pursuance to the instructions, the matter was placed before NDRMF's Board during 17th Board meeting held on 20th March 2020 and it was agreed that NDRMF will provide USD 50 Million for COVID Assistance (USD 30 Million from DRR projects and USD 20 Million from profit of Endowment Fund). High profile meetings were held wherein NDRMF management was asked to brief the progress on transfer of funds to Government as soon as possible. Later on the same was approved through a Circular Resolution bearing dated 24-03-2020 which was approved by all Board Members on same day and the amount was also deposited in the Federal Treasury on the same day. As regards an amount of USD 30 million earmark for DRR projects the same has been duly amended in the Loan Agreement as well as the PAM. Likewise, the targets have been revised covering therein the mandate to strengthen emergency response and preparedness capacity for COVID-19.

The reply of the management is not satisfactory as no documentary evidence i.e. amendment in loan agreement and approval / concurrence of ADB was provided. Further, the inclusion of financing to support COVID-19 preparedness and response for providing grant to FIP was required to be obtained from ADB. Moreover, the payment from Endowment fund profit is a clear violation of PAM and subsidiary grant agreement which also needs revision as well as concurrence of ADB.

During verification of record held on 25 and 26.08.2020 the management provided revised PAM i.e. Emergency Assistance for fighting the COVID-19

Pandemic, which does not serve the purpose. The audit had pointed out payment made \$ 20 million for COVID-19 from Endowment Funds profit and resultant loss due to premature withdrawal of funds, which was required to be addressed by the management. Moreover, the concurrence of ADB was required as per Subsidiary Grant Agreement Para 5.5 which was not produced to audit during verification.

During DAC meeting held on 7<sup>th</sup> September, 2021, the para was not discussed.

Audit recommends that the matter should be taken up with ADB for concurrence under intimation to audit authorities. Moreover, responsibility be fixed for sustaining loss to Fund due to withdrawal out of the investment made in MTB's.

(AIR Para No. 9)

#### 4.3.4 Non-refund of tax amount – Rs 25.467 million

Section 2 clause 36 of Income Tax Ordinance 2001 provides that “non-profit organization” means any person other than an individual, which is established for religious, educational, charitable, welfare or development purposes, or for the promotion of an amateur sport, formed and registered under any law as a non-profit organization and approved by the Commissioner for specified period, on application made by such person in the prescribed form and manner, accompanied by the prescribed documents and, on requisition, such other documents as may be required by the Commissioner.

During the scrutiny of record, it was observed that the Bank deducted Rs. 24,626,524 on account of withholding tax from the profit / interest received from funds available in NIDA Endowment fund account during the FY 2018-19.

Audit holds that income tax was not applicable on NDRMF being a non-profit organization registered under section 42 of Companies Act as its income was exempt from tax. But due to delay in obtaining of approval of Commissioner regarding non-profit organization and also non-inclusion of NDRMF into 2<sup>nd</sup> Schedule of Income Tax Ordinance 2001, an amount of Rs 24.626 million was deducted by the banks. The detail is given below:

(Amount in Rupees)

Profit Earned during FY 2018-19	Withholding Tax	withholding amount refund	Tax Refundable
120,916,980.80	21,160,471.64	9,068,773.56	24,626,524.50
123,807,860.65	12,380,786.07		
1,540,403.52	154,040.35		

<b>Total</b>	<b>33,695,298.06</b>	<b>9,068,773.56</b>	<b>24,626,524.50</b>
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Similarly, NDRMF paid an amount of Rs 830,550 on account of advance tax to the suppliers on account of procurement of vehicles and to ETO for registration. Audit holds that NDRMF is a public sector non-profit company owned by the Federal Government, hence advance tax clause was not applicable. Audit further noticed that the amount of Rs 25.457 million (Rs 24,626,524 + Rs 830,855 = Rs 25,457,379) was required to be got adjusted/ refunded at year end which was not done.

Non-refund of withholding tax shows weak internal control on the part of NDRMF.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that NDRMF got tax exemption in March 2019. The subject tax was deducted by the bank from the profit without prior intimation to the Fund. NDRMF informed the bank about inclusion of NDRMF in Second Schedule of the Income Tax Ordinance 2001 in the Finance Bill 2109 but the bank authorities did not accede to NDRMF request of tax reversal. The deducted tax has been reflected in the Audited Financial Statement of FY 2018-19 and also claimed in Company's annual tax return.

The management has admitted the stance of audit.

The verification of record was carried out on 28.08.2020. During verification, management produced copies of tax refundable case filed with the FBR, however, the amount of tax was not refunded till finalization of this report.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the subject matter was discussed in detail. DAC directed that exemption certificate may be taken up with FBR since inception of the company.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 11)

#### **4.3.5 Loss on account of commitment charges – US \$ 0.277 million**

According to Article II section 2.01 of the loan agreement (loan No.3473-PAK), ADB agreed to lend to the borrower from ADB's ordinary capital resources an amount of seventy five million dollars (\$75,000,000). Article II section 2.03 of the loan agreement further provides that the borrower shall pay commitment charges of 0.15% per annum. Such charge shall accrue on the full amount of the loan less

amount withdrawn from time to time commencing 60 days after the date of this loan agreement.

The scrutiny of record of NDRMF revealed that loan agreement for loan No. 3473-Pak was signed on 02 December, 2016 and loan closing date is 17<sup>th</sup> May, 2020. Audit noticed that an amount of \$ 20,886,200 was withdrawn by NDRMF out of loan upto 30<sup>th</sup> June, 2020 after lapse of 3.5 years. The detail is given below:

<b>Loan agreed</b>	<b>Loan withdrawn</b>	<b>Un withdrawn amount of loan (amount in \$)</b>	<b>Rate of commitment charges</b>	<b>Years</b>	<b>Total commitment charges (Amount in \$)</b>
\$75,000,000	\$20,886,200	\$54,113,800	0.15%	3 years 5 months (3.41667)	\$0.27 million

Audit holds that due to weak controls, the funds could not be drawn and utilized after completion of loan agreement. Due to non-utilization of loan, commitment charges accrued on complete un-withdrawn amount.

This also shows that management could not achieve the targets and perform key activities within the deadline. Resultantly, due to non-utilization of loan, the GoP will have to bear extra burden in shape of commitment charges.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that commitment charges on un-withdrawn amount of loan have been accrued due to slow progress in the first one and half year of NDRMF's establishment. NDRMF also got time extension till November-2021 and the amount that remained committed in the first one and half years, has been readjusted in the following years under the said extended period, thus, ensuring its full utilization. Further, NDRMF has approached EAD for seeking relaxation in the charging of the commitment charges by ADB due to slow disbursements. EAD's vide letter dated 01-01-2020 referred section 3.03 of the ADB's Ordinary Operations Loan Regulations dated 1st July, 2001 & revised on 1st January, 2017, which provides that the Borrower shall pay commitment charges on the un-withdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement. These regulations are applicable to all regular loans made from ADB's Ordinary Capital Resources across the board for all member countries".

The management has admitted the stance of audit.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the DAC directed the management to negotiate with the Donor to waive off the applied penalty for non-withdrawal of allocated Fund amounting to Rs. 54,113,800 @ 0.15% per annum having accumulated loss amounting to 277,333 during the period of 03 years and 05 months (w.e.f 02-12-2016 till 17-05-2020), explaining the force majeure conditions which led to the non-withdrawal of the committed Funds. The Para remains pending till final reply is submitted by NDRMF.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 12)

#### 4.3.6 Failure to withdraw full amount of Loan / Grant proceed and Non / Less Utilization of funds drawn from Loan / Grant

According to Para 3.04 Article III of the Grant / Loan Agreement i.e. Grant No. G-019, Loan No. 3474-PAK (SF) and 3473-PAK dated 02.12.2016, the closing date of the grant / loan is provided as 17<sup>th</sup> May 2020.

The scrutiny of record revealed that period of loan / grant expired on 17.05.2020 but the NDRMF could not withdraw the loan proceeds. The status of the withdrawn fund ranges from 16% to 28%. The detail of funds drawn and percentage thereof are given below:

S #	Grant / Loan	Closing Date of Loan / Grant	FY	Total Agreed Amount of Loan / Grant	Receipt of Loan / Grant	%age of actual Realization	Remarks
1	L-3473	17th May, 2020	2016-17 to 2019-20	75.000	22.353	30%	---
2	L-3474	17th May, 2020	2016-17 to 2019-20	121.817	111.416	91%	\$ 100 million were released for Endowment fund. Funds for other purposes were withdrawn only 26% i.e. $121.817 - 96.685 = 25.132 - 14.731 = 10.401 = 8.5\%$ . The funds drawn pertains to Endowment fund, few portion for consultant DRF and remaining for operational purpose
3	G-0519	17th May, 2020	2016-17 to 2019-20	3.361	0.550	16%	---
<b>Total</b>					<b>134.319</b>	---	---

Similarly, the record revealed that utilization of funds against amount withdrawn was ranging from 1% to 37% during the FY 2017-18 to 2019-20. No funds could be utilized against the loan proceeds i.e. L-3473 during the FY 2018-19.



Further, only 16% funds could be utilized from loan No. L-3473. No amount could be utilized against grant i.e. G-019 till date of audit viz June 2020. Details are as under:

Grant / Loan	Bank A/c No.	Period	Opening + Releases during the year	Funds utilized	Closing Balance as per Cash Ledger	%age of Utilization of Funds
FY 2018-19						
GOP	31380189 26	2017-18	181,987,500	1,376,056	180,611,444	1%
GOP	31380189 26	2018-19	180,611,444	31,003,102	155,417,297	17%
L-3473	41467751 46	07.2018 to 31.06.19	2,536,626,901	-	2,536,626,901	0%
L-3474	41467751 37	01.06.18 to 30.06.19	902,569,050	335,982,046	566,587,004	37%
G-0519	41467751 28	07.2018 to 31.06.19	60,753,220	-	60,753,220	0%
<b>Total</b>					<b>3,319,384,422</b>	
Grant / Loan	Bank A/c No.	Period	Opening + Releases during the year	Funds utilized	Closing Balance as per Cash Ledger	%age of Utilization of Funds
FY 2019- May 2020						
L-3473	41467751 46	01.7.2019 to 31.05.20	2,536,626,901	407,112,180	2,129,514,721	16%
L-3474	41467751 37	01.7.2019 to 31.05.20	832,836,403	311,960,229	520,876,174	37%
G-0519	41467751 28	01.7.2019 to 31.05.20	60,753,220	-	60,753,220	0%
GOP	31556226 51	01.7.2019 to 31.05.20	155,417,297	46,045,933	109,371,364	30%
<b>Total</b>					<b>2,820,515,479</b>	

Audit holds that the NDRMF could not withdraw the allocated funds despite lapse of 3-1/2 years. Further, less utilization against withdrawn amount as well as non-utilization of grant indicates lapse on the part of NDRMF.

The initial audit observation was issued on 04.08.2020. In response the management replied that NDRMF was in dormant phase since its inception i.e. December 2016 up till April 2018. (16 months or 1.5 years) and within a period of 2 years, NDRMF has shown a tremendous effort towards establishment of office. Moreover, the project has been granted Loan & Grant extensions up to Nov. 30, 2021 formally whereas the Board and ADB have extended it to Nov. 30, 2022. As regard less utilization of withdrawn amount, due care is taken not to draw the next tranche until the utilization/consumption of available funds. The funds will be drawn on the basis of actual requirements in the foreseeable future. Due to delays on the part of FIPs i.e. public entities and current COVID-19 emergency the FIP's were not able to keep up the pace of project implementation. It is expected that as soon as the COVID-19 situation is improved and the provincial governments have the financial capacity to provide their counterpart funding, the pace of the projects will pick up tremendously.

The management admitted the stance of audit regarding less withdrawal of loan / grant as well as less / non utilization of available funds.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was not discussed.

Audit recommends that the matter be properly justified and fund utilization at optimal level be ensured as per rules in order to meet the timeline.

(AIR Para No. 13)

#### **4.3.7 Utilization of more funds on Operational / recurring cost than development and Disaster Risk Reduction (DRR) activities**

According to Para 10 (i) of GFR Vol-I every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money. Para 11 provides that each head of the Department is responsible for enforcing financial order and strict economy at every step.

The scrutiny of record of NDRMF revealed that management incurred expenditure of Rs. 1145.191 million during the FY 2017-18 to 2019-20 on account of investment, recurrent cost and DRR purposes. The detail is given below:

<b>Expenditure</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>Total</b>	<b>%age of operational against DRR</b>
Investment and Operations NDRMF (Equipment and vehicles + Salaries + Office Building + Office Operation & Maintenance)	65,000	12,378,956	350,425,838	316,593,460	679,463,254	<b>146%</b>
DRR (Awareness and Outreach + Development Project DRR + Consultancy on Project and DRF)	-		8,250,163	457,477,573	465,727,736	
<b>Total</b>					<b>1,145,190,990</b>	

Audit observed that the management incurred huge sums on procurement of vehicles & equipment and recurrent cost, while expenditure on the core objective of NDRMF i.e. Disaster Risk Reduction (DRR) was less. There is no justification for

less expenditure on DRR as compared to huge expenditure on operational and non-productive activities. The utilization of funds for operational purpose against DRR is 146%.

Audit is of the view that the DRR activities of NDRMF suffered due to utilization of substantial part of Fund on operational activities.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the operational cost mentioned in audit observation consist of onetime establishment cost of NDRMF which is not a recurring cost. The other major costs are salaries and office building rent which are categorized as a fixed cost and have no relationship with the development expenditure and therefore cannot be linked as part of operational cost. Moreover, it is pertinent to mention that NDRMF has made PKR 7.89 billion contribution towards COVID-19 and has added to investment (projects) expenditure which now stands at PKR 8.382 billion. Likewise, USD 125 million have been utilized by investing in the endowment fund. Further, NDRMF has already approved projects of USD 39 Million (NDRMF's Share) and the projects are under implementation phase. The management also produced a comparison of operation cost vs. DRR expenditure where in the operational cost comes to 8.11% not 146%. Whereas, the percentage of operational cost against Total Expenditure comes to 3.14%.

The reply of the management is not acceptable as 1) investment in Endowment fund USD 125 million is one-time activity during a FY, therefore, it cannot correlate with DRR activities. 2) COVID assistance USD 50 million is not DRR activity 3) accrued liabilities on account of FIP's USD 39 million is ongoing activity till date of audit only Rs 389.873 million were released as first tranche. The progress against released amount is also behind the timeline. Therefore, the comparison provided by the management is not on realistic grounds as per actual scenario. The audit has made comparison on actual data basis as provided by the NDRMF management.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the management explained that the utilization of more funds towards operational cost was one time which is due to the start of business and now it is decreasing with the progress of the projects. DAC directed that Progress towards projects schemes may be expedited under intimation to Audit.

No further progress was intimated till the finalization of this report.

Audit recommends implementation of DAC directives, besides, taking concrete steps to reduce operational costs of the Fund

(AIR Para No. 14)

#### **4.3.8 Irregular transfer of funds into NIDA (Endowment Fund) without involvement of SBP and loss to NDRMF – Rs 217.905 million**

According to Para No. II(a) Finance Division Memorandum letter No. F.2(1)BR-II/2007-949 dated August 02, 2013, the NBP shall be designated bank for handling all transaction of Revolving Fund Accounts. The foreign currency amounts received under a foreign credit/ loan / grant for RFAs shall be translated /converted into Pak. Rupees at State Bank of Pakistan’s weighted Average Buying Rate of exchange prevailing on the date of transfer of funds by the donor.

The scrutiny of record revealed that NDRMF withdrew funds amounting to Rs. 10,093.937 million from ADB through NBP and transferred into Endowment Fund Account No. NIDA 3138018926 as on 29.12.2016. Later on the funds were transferred to the ADB through reversal entry due to non-transfer of funds through SBP. Audit holds that:

- i. The funds withdrawn from ADB were transferred into Endowment fund account without observing the Government prescribed rules and regulations.
- ii. Due to the reversal entry, the Fund sustained a loss of Rs. 63.940 million.
- iii. This reversal entry takes 100 days in actual transfer of funds from ADB to Endowment fund due to which Fund sustained a loss of Rs. 153.965 million.

The detail is given below:

<b>Description</b>	<b>Amount</b>
<b>Funds Deposited by ADB</b>	<b>10,093,937,386</b>
Profit earned	105,776,604
Tax Deducted	542,962
<b>Net amount available in Bank as 09.03.17 and NBP shifted all funds</b>	<b>10,199,171,028</b>
<b>Funds transferred as on 22.06.17</b>	<b>10,135,231,000</b>
Loss to NDRMF	63,940,028
<b>Funds as on 13.03.17</b>	<b>10,199,171,028</b>
Funds received through proper channel, i.e. 13.03.17 to 21.06.17 i.e. 100 days (10,199,171,028*5.51%/365*100) & Loss of NDRMF	153,965,568
<b>Total Loss</b>	<b>217,905,596</b>

Audit is of the view that due to mismanagement and violation of rules and regulations, a loss of Rs. 217.905 million was imposed on the NDRMF.

The initial audit observation was issued on 04.08.2020. In response the management replied that the issue was also raised during the Financial Attest Audit for FY 2017-18 and discussed in DAC and as per the decision, a detailed fact-finding Report highlighting the established facts was submitted by NDRMF to EAD vide letter dated 6<sup>th</sup> February, 2019, besides sharing the copy with DG Federal Audit. EAD with minor changes submitted their version to DG Federal Audit on 17<sup>th</sup> June, 2019. Since, the observation has yet not been settled therefore, raising the similar para during this audit would be a double jeopardy.

The reply is not cogent as the para was taken afresh due to non-compliance and failure to take corrective action. The fact-finding report attached with reply revealed that the issue raised by audit i.e. loss to NDRMF, has not been addressed rather the fact finding report has concluded that no loss has been occurred to GoP. Therefore, the said report does not serve the purpose of audit objection, hence not acceptable. Further, the violation of rule and instructions of Finance Division has not been probed into.

During the DAC meeting held on 7<sup>th</sup> September, 2021, DAC was informed that loss was incurred not due to malafide intention but was procedural lapse. The funds were required to be transferred to Endowment fund through State Bank of Pakistan which was not done and ADB being the donor agency transferred the loan to Endowment Fund directly. The process was again reversed and same amount of loan was transferred back to ADB in which 4-6 months got lapsed. DAC directed that the subject matter is a routine business affair of EAD which is well defined and understood. Matter may be referred to Secretary (EAD) for fact finding inquiry and ascertaining the loss and responsibility thereof.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 16)

#### **4.3.9 Late deposit of counterpart funding (GOP) to Endowment Fund account in violation of agreement**

According to Table-2 of implementation plan, Endowment Contribution by ADB and GOP was required to be completed by Q1-2017.

Further, according to para 38 of PAM that endowments fund will be established under the Project with \$100.0 million contribution from ADB, and \$23.0 million counterpart contribution by the Government of Pakistan.

The scrutiny of record revealed that the ADB contributed an amount of Rs. 10,093.937 million on 29.12.2016 whereas the counterpart contribution i.e. Government of Pakistan for Rs. 2,455.512 million was made on 01.06.2018.

Audit holds that the counterpart funding was not made in time as per rules and regulations which defeated the basic objective of the establishment of Fund.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that timely arrangement and transfer of counterpart funding was the responsibility of EAD. The Fund came into existence in December 2016 and ADB funds were called on the same month and kept in NIDA account for more than 18 months. The new management upon taking charge in April 2018 made efforts and got expedited the release of counterpart funds amounting to USD 23.275 million relating to the Endowment Fund in June, 2018. Currently the total Endowment Fund has been well managed and invested in high yielding securities according to the approved investment guidelines and the objectives of the establishment of the Endowment Fund as per PAM will be met.

The management has admitted the audit stance.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was not discussed.

Audit recommends that the matter be probed into for non-taking up the matter at appropriate level for counter-part funding.

(AIR Para No. 17)

## **4.4 Procurement**

### **4.4.1 Irregular award of contract for Climate Change Specialist due to non-shortlisting of eligible candidate – Rs 4.515 million**

According to advertisement for appointment as Climate Change Specialist, (Qualification & Experience), at least 16 years of education preferably in Environment, Engineering or Climate Change etc. with minimum of 8 year of professional experience i.e. extensive knowledge of hydro climate modeling with demonstrated ability to make effective presentations to diverse audiences, (experience of working in Pakistan on a similar assignment preferably with an ADB funded program, ability to work in Pakistan), was required.

NDRMF entered into contract agreement with Mr. Asif Khan for an amount of Rs. 4,515,000 during the FY 2018-19 as individual consultant / climate change specialist. During the scrutiny of record pertaining to applications of consultant / specialist who applied for the post of climate change specialist, it was observed that 2 long lists were prepared to shortlist suitable candidates for interview. As per long list 10 candidates applied for the post out of which 3 candidates were shortlisted for interview as detailed under:

S #	Name	General Qualification		Project Related Experience		Experience with International Organizations		Interview Assessment		Overall Assessment	Ranking
		Rating	Score	Rating	Score	Rating	Score	Rating	Score		
1	Mr. Asif Khan	100	15	100	50	40	6.00	100	20.00	91.00	1 <sup>st</sup>
2	Mr. Tayab Shahzad	100	15	90	45	0	0.00	100	20.00	80.00	2 <sup>nd</sup>
3	Mr. Sadaf Iqbal	100	15	100	50	60	9.00	25	5.00	79.00	3 <sup>rd</sup>

Audit holds that:

- i. Ms. Asma Younas obtained 55 marks, but she was rejected, as marks of experience with international organization was not included in the scoring sheet. The marks pertaining to experience with international organization which were 15 as per scoring criteria. The aggregate of the candidate would be 70 and she was required to be shortlisted for interview by adding the score of experience with international organization. Further, 2 long lists were prepared out of which in one sheet the candidate was shortlisted for interview but in the other she was ignored / not shortlisted.
- ii. As per long list 2, another candidate namely Ms. Rizwana Anjum was shortlisted by scoring 65 marks but she was not shortlisted for

interview, whereas a candidate obtaining 60 marks was shortlisted for interview.

Audit is of the view that due to weak evaluation process the eligible candidates were not shortlisted for interview which discouraged healthy competition to hire a suitable candidate.

This points to serious deficiencies and loophole in the hiring process by NDRMF. Further, chance of selection of low profile candidate could not be ruled out which is likely to affect the NDRMF performance and achieving overall objectives of the Fund.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that: i) Ms. Asma Younas was invited for interview through email dated, 19<sup>th</sup> December, 2018. She attended the office and marked attendance. She also applied for the position of CBDRM Specialist and was not shortlisted. Upon confirmation of her non-shortlisting the applicant left the interview. There was an inadvertent typo error in the Long list, placed in file. A corrected sheet is attached. ii) Ms. Rizwana Anjum was also shortlisted and invited for an interview through email dated 19<sup>th</sup> December, 2018. She came for the interview session, however, left without giving the interview due to her personal reasons. Attendance sheet attached. Each step of recruitment process of consultants was carried out with proper review and after obtaining NOC from ADB.

The reply of the management is not cogent as the attendance sheet was not available at the time of audit due to which the objection was raised. The same was provided in support of reply without having any date. No effect regarding allocation of marks to the candidate Ms. Asma Younas and Ms. Rizwana Anjum was given in the final interview sheet even absent was not marked. Further, all the process i.e. long lists / shortlists was dateless and it cannot be authenticated that on which date the interview was carried out. As regard the typo error, the management has replied the occurrence of error in hiring process as individual consultant of Climate Change Specialist and GIS Specialist and CBDRM Specialist simultaneously.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the Procurement Committee for review of the whole process of procurement in violation of the rules and fix responsibility against the persons at fault. DAC also directed that inquiry report may also be placed before the board for final decision.



No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 30)

#### 4.4.2 Irregular appointment of Structural Design Engineer Specialist due to incorrect calculation of overall assessment – Rs 5.801 million

According to TORs for the post of Structural Design Engineering Specialist, the required criteria was as under:

- a. Qualification Master’s or advance degree in Civil Engineering, Structural Engineering, Architecture or other closely related field was required.
- b. Experience, at least 10 year of relevant experience and extensive knowledge of the safety / seismic assessment, civil construction, retrofitting, architecture, engineering knowledge and experience in DRR is an asset.

The selection criteria for shortlisting and final appointment was prescribed as under:

Rating scales	a. General Qualification
Excellent = 100 Very Good = 90-99% Above Average = 80-89% Average = 70-79% Below Average = 1-69% Non-complying = 0%	16 Years of Education in relevant discipline = Excellent 14 Years of education (with additional professional qualification) = Very Good All Other = Non complying
b. Project Related Experience	c. Experience with International Organization
12-years and above = Excellent 8-12 years = Very Good 5-7 years = Above average 3-4 years = Average 1-2 years = Below average Not complying = 0	5 years and above = Excellent 4 years = Very Good 3 years = Above Average 2 years = Average 1 year = Below Average Not complying = 0

NDRMF entered into contract agreement with Ms. Rabiya Mukhtar for an amount of Rs. 5,801,250 during the FY 2018-19 as individual consultant Structural Design Engineering Specialist. It was observed that the post of Structural Design Engineering Specialist was advertised. In response, 5 candidates applied for the post out of which 3 were shortlisted on the basis of preliminary evaluation sheet. The shortlisted candidates were called for interview and based on the final evaluation

sheet, Ms. Rabiya Mukhtar was selected with highest scoring i.e. 83.50. The final evaluation sheet is as under:

S #	Name	General Qualification		Project Related Experience		Experience with International Organizations		Interview Assessment		Overall Assessment	Ranking
		Rating	Score	Rating	Score	Rating	Score	Rating	Score		
1	Ms. Rabiya Mukhtar	100	15.00	100	50.00	0	0.00	100	20.00	85.00	1 <sup>st</sup>
2	Mr. Hussain Ahmed	100	15.00	100	50.00	50	7.50	55	11.00	83.50	2 <sup>nd</sup>
3	Mr. Amir Arsalan Ali Khan	100	15.00	100	50.00	70	10.50	35	7.00	82.50	3 <sup>rd</sup>

The scrutiny of record revealed that the experience with international organization in respect of Mr. Amir Arsalan Ali Khan was counted as one year and was awarded score of 10.50. Whereas the candidates had total experience of 4 years with international organization and as per laid down criteria, the score comes to 14.25 (i.e. 15 x 90-99%). By adding these scores, the overall assessment comes to 86.25 (15+50+14.25+7), the candidate thereby stood 1<sup>st</sup> in ranking. However, due to incorrect calculation of scores, the candidate falling 2<sup>nd</sup> in ranking was appointed by depriving the eligible candidate which is unjustified.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that as per advertisement, two options were provided i.e. online or through submission of application in hard/printed form, on prescribed format. The applicant submitted his signed CV in hard form at NDRMF's Office in addition to applying through ADB's online portal. In the hard copy of the signed CV, the candidate had mentioned his experience with AECOM Middle East, QATAR from April 2018 to Sep. 2018, whereas while applying through ADB's online portal, the period with same entity was mentioned as April 2015 to Sep. 2018. The Fund while finalizing the evaluation sheet, valued his experience as approximately two (02) years and two (02) months according to the signed CV. Consequently, in accordance with the shortlisting criteria, Mr. Amir Arslan was rated "Average", thus assigning score of 70 (70%) for his experience with International Organization. Hence, his candidature obtained total marks of 10.5 (70\*15%) for his experience with international organization. In revised reply dated 31.08.2020 the management replied that there was a contradiction in length of experience between signed CV and online submitted CV, therefore, a total experience of 2 years and 2 months was counted for final evaluation.

The reply is not acceptable because as per C.V (online receipt), the candidate has total experience with international organization for a period of 4 years and 3

months. The hard copy of C.V duly signed by the candidate submitted at NDRMF office was not available on record during audit. Further, the perusal of Sr. No.9 of signed CV (submitted at NDRMF office as hardcopy) also revealed the experience of the candidate with international organizations as 4 years and 3 months. Moreover, Sr. No. 11 of the said CV provides the experience of candidate with international organizations as under: AMECON Middle East w.e.f. April 2018 to September 2018 (ii) NESPAK Qatar w.e.f. August 2014 to April 2015 (iii) NESPAK Qatar w.e.f. 2007 to 2014 as Senior Structural Engineer which was also not considered by NDRMF. Moreover, the contradiction / difference were required to be clarified before interview / final evaluation of candidate which was not done.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the Procurement Committee for reviewing the whole process of procurement in violation of rules and fix responsibility against the persons at fault. DAC also directed that report may also be placed before the Board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 31)

#### **4.4.3 Hiring of Hydrologist as individual consultant in violation of recruitment criteria and award of contract – Rs 5.801 million**

As per advertisement for the post of Hydrologist, a qualification of at least 16 years of education in Civil Engineering, Hydrology, Water resources, terminal degree in Environmental and Earth Sciences, Environmental system analysis or Hydrology and Hydrological modelling etc. was required. Similarly, experience of minimum of 8 years of relevant professional experience and extensive knowledge of hydro climate modeling with demonstrated ability to make effective presentations to diverse audiences was also required. Experience of working in Pakistan on a similar assignment preferably with donor funded program was an added advantage for the position.

NDRMF entered into contract agreement with Dr. Muhammad Shahid Iqbal for an amount of Rs. 5,801,250 during the FY 2018-19 as individual consultant Hydrologist. The scrutiny of record of NDRMF revealed that the position of Hydrologist as individual consultant was advertised and in response 9 candidate applied for the position out of which 3 were shortlisted for final interview as detailed under:

S #	Name	General Qualification		Project Related Experience		Experience with International Organizations		Interview Assessment		Overall Assessment	Ranking
		Rating	Score	Rating	Score	Rating	Score	Rating	Score		
1	Muhammad Shahid Iqbal	100	15.00	80	40.00	100	15.00	95	19	89.00	1 <sup>st</sup>
2	Dr. Bashir Ahmed	100	15.00	100	50.00	00	00	85	17	82.00	2 <sup>nd</sup>
3	Dr. Muhammad Nawaz Bhutta	100	15.00	100	50.00	00	00	70	14	79.00	3 <sup>rd</sup>

During scrutiny of record it was observed that:

- i. The 1<sup>st</sup> rank candidate Mr. Shahid Iqbal Bhutta shortlisted for final interview and selected as hydrologist had experience of 5 years only, whereas as per requirement / advertisement, the candidate was required to have minimum of 8 years experience. The candidate should have been rejected at the stage of preliminary evaluation on the basis of initial criteria. The management during selection of consultant for GIS had already rejected candidature of persons / candidates having experience of 5.5, 5.6 and 4.1 years, as against required experience of 6 years, and they were not shortlisted.
- ii. As per long list 2,a candidate namely Dr. Amjad Nabi and Abdul Hakeem Khan were shortlisted by scoring 20.6 and 22.5 marks obtained in project / assignment but they were not shortlisted / called for final interview. On the other hand candidate Muhammad Shahid Iqbal, Dr. Bashir Ahmad and Dr. Muhammad Nawaz Bhutta obtained / scored marked in project / assignment 5, 25 and 18.7 were short listed / called for final interview.

The above mentioned discrepancies indicate that appointment as hydrologist was irregular and not justified, as the selected candidate was below other candidate in merit, but was awarded more number / score during interview assessment. Further, a healthy competition was also discouraged by not shortlisting other candidate who had sufficient experience as per evaluation sheet.

Audit is of the view that due to faulty evaluation process the eligible candidate was not shortlisted for interview which deprived the Fund from hiring a suitable candidate.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the procurement was made in accordance with ADB guidelines and NoC was accorded at each step. The Fund do not reject

candidature, in case, the applicant carries experience less/short then the required experience length. The application is declared ineligible only, if the candidate does not carry any experience (i.e. Nil) in accordance with ADB guidelines. Fund has devised a Narrative Evaluation Criteria, in line with ADB's standard protocols. Mr. Shahid Iqbal having experience of five (05) years with International Organizations (especially ADB) in relevant field and achieved the score i.e. 70 or more. The candidate was unanimously adjudged as the best suitable candidate and other candidate did not perform well in the interview. The Selection Committee made prudent selection. ADB's technical expert was also a panelist for the Committee which conducted the interviews. ii) Dr. Amjad Nabi and Mr. Abdul Hakeem Khan were shortlisted and invited through email dated, 24th January, 2019. Dr. Amjad Nabi appeared for the interview as evident from the attendance sheet. However, he left without giving interview to the panel. Whereas, Mr. Abdul Hakeem Khan opted not to appear for interview as he was already engaged with ADB as Infrastructure Specialist.

The reply of management is not satisfactory as selection of candidate as consultant without having required length of experience in violation of recruitment criteria was irregular. Further, the attendance sheet was not available at the time of Audit due to which the objection was raised. The same was provided in support of reply without having any date. No action regarding allocation of marks to candidate Mr. Amjad Nabi and Mr. Abdul Hakeem Khan was depicted in the final interview sheet and even absent was not marked as claimed in the reply. Further, whole evaluation process of i.e. long lists / shortlists cannot be authenticated as there is no date/ document number/ file number mentioned anywhere.

During the DAC meeting held on 7<sup>th</sup> September, 2021, it was directed that the matter may be placed before the Procurement Committee for reviewing the whole process of procurement in violation of rules and fix responsibility against the persons at fault. DAC also directed that report may also be placed before the Board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 32)

#### **4.4.4 Undue Favor in selection of GIS Specialist and award of contract – Rs 5.302 million**

As per advertisement for the post of GIS Specialist, qualification of Masters or advance degree in, Geography, Computer Sciences, GIS, or closely related field with specific expertise in the field of DRR was required. Further, experience of minimum 6 years in using GIS in different field of disaster risk reduction / management with overall minimum experience of eight years was also required.

NDRMF entered into contract agreement with Mr. Ehsan Saqib for an amount of Rs. 5,302,500 during the FY 2018-19 as individual consultant GIS Specialist. The scrutiny of record of NDRMF revealed that the position of GIS specialist as individual consultant was advertised and in response 22 candidate applied for the position, out of which 3 were shortlisted for final interview as under:

S #	Name	General Qualification		Project Related Experience		Experience with International Organizations		Interview Assessment		Overall Assessment	Ranking
		Rating	Score	Rating	Score	Rating	Score	Rating	Score		
1	Mr. Ehsan Saqib	100	15.00	95	47.50	85	12.75	100	20.00	95.25	1 <sup>st</sup>
2	Mr. Urooj Saeed	100	15.00	100	50.00	100	15.00	70	14.00	94.00	2 <sup>nd</sup>
3	Mr. Naveed Alam	100	15.00	90	45.00	100	15.00	70	14.00	89.00	3 <sup>rd</sup>

It was observed that:

- i. As per long list 2, candidate namely Mr. Rizwan Ali and Mr. M. Sohail Aslam Rana were shortlisted by obtaining 70.5 and 73 marks respectively in evaluation sheet but they were not shortlisted / called for final interview.
- ii. As per interview assessment sheet, Mr. Ehsan Saqib was awarded highest rating & score as compared to other 2 candidates in both cases respectively. Further, both candidates had more experience with respect to the related job and experience with international organizations. This indicates that apparently favoritism was extended to Mr. Ehsan Saqib during interview assessment as the other two candidates were given lowest point of average rating scale i.e. 70% to 79%. The reason for awarding lowest average rating scale is unjustified.

Audit is of the view that allocation of marks during interview assessment was nontransparent as the other candidates had required qualification, job related experience as well as experience with international organization as compared to the selected candidate.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that Mr. Rizwan Ali was not shortlisted as he was lacking experience on DRR base GIS development field. In another long list his

candidature inadvertently marked as “Shortlisted” due to erroneous entry of score of 8.6 under the category Project related experience. The corrected sheet is available on record with NDRMF. Whereas, Mr. Ehsan Saqib outperformed during the Interview Session compared to other candidates. The margin for the interview is just 20% (1/5th) of the overall evaluation system. ii) Mr. Sohail Aslam Rana was invited to appear for an interview through email dated 24th January, 2019.

The reply of the management is not satisfactory as CV of Mr. Rizwan Ali is not attached with reply for verification of the correction made by the management. As regard the typo error, the management has accepted the occurrence of error in hiring process as individual consultant of Climate Change Specialist and GIS Specialist and CBDRM Specialist. Further, all the process i.e. long list / shortlist are dateless which cannot be authenticated as to on which date the interview was carried out. The final interview sheet is also silent about the date on which the interview was conducted. Furthermore, department failed to justify on what grounds Mr. Ehsan Saqib outperformed and he was allocated full marks during interview assessment whereas, other two candidate having more job related experience were rejected as difference among first and second candidate is only of 1.25 marks.

During the DAC meeting held on 7th September, 2021, the subject matter was discussed in detail. DAC directed that the matter may be placed before the Procurement Committee for reviewing the whole process of procurement in violation of rules and fix responsibility against the persons at fault. DAC also directed that report may also be placed before the Board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 33)

#### **4.4.5 Irregular hiring of CBDRM Specialist – Rs 7.218 million**

As per advertisement for the post of CBDRM, qualification of Masters or advance degree in Management, Disaster Risk Reduction / Management, Project Management, Geography or closely related field with specific expertise in the field of CBDRM was required. Further, experience of at least 8 years on a similar assignment preferably with donor funded program and ability to travel to program areas was also required. Extensive knowledge of disaster risk management and community based disaster risk management with demonstrated ability to make effective presentation to diverse audiences was also among the requirements for the post.

The scrutiny of record of NDRMF revealed that the position of CBDRM specialist as individual consultant was advertised and in response 19 candidates applied for the position, out of which 4 were shortlisted for final interview. NDRMF appointed Mr. Naunehal Shah as GIS specialist for an amount of Rs 7,218,750. The final evaluation is as under:

S #	Name	General Qualification		Project Related Experience		Experience with International Organizations		Interview Assessment		Overall Assessment	Ranking
		Rating	Score	Rating	Score	Rating	Score	Rating	Score		
1	Mr. Naunehal Shah	100	15.00	100	50.00	65	9.75	100	20.00	94.75	1 <sup>st</sup>
2	Ms. ShahidaArif	100	15.00	80	40.00	90	13.50	95	19.00	87.50	2 <sup>nd</sup>
3	Mr. Zohab Omer Mirza	100	15.00	100	50.00	60	9.00	60	12.00	86.00	3 <sup>rd</sup>
4.	Mr. Shahzad Hussain	100	15.00	80	40.00	100	15.00	50	10.00	80.00	4 <sup>th</sup>

Audit Observed that:

- i. Mr. Naunehal Shah was selected as CBDRM Specialist who did not disclose his information regarding qualification. It was also noticed from record that some individual consultants were not shortlisted due non-disclosure of their education record i.e. i). GIS specialist namely Tahir Ali shortlisted but not called for interview due to non-disclosure of education details /data and allotted zero number.ii). Hydrologist Specialist namely Mr. Abdul Hakeem Khan shortlisted but not called for interview due to non-disclosure of education details /data and allotted zero number. The selection for interview and award of contract apparently indicates favoritism to the consultant.
- ii. As per long list 5, candidates were shortlisted namely Mr. Naunehal Shah, Ms. ShahidaArif, Mr. Zohab Omer, Mr. Shahzad Hussain and Ms. Sara Mehmood. It is revealed from the evaluation sheet that only two candidates had the required length of experience namely Mr. Naunehal Shah and Ms. Sara Mehmood. The management shortlisted 4 candidates for final interview out of which 3 were not having required length of experience however, the 5<sup>th</sup> candidate namely Ms. Sara Mehmood having required length of service was not shortlisted for final interview
- iii. On the other hand, rejected candidate at 5<sup>th</sup> number, who met initial criteria was not shortlisted for final interview as the candidate had 10 (2+8) year experience in DRR and CBDRM activities respectively.



The initial audit observation was issued to the management on 04.08.2020. In response the management replied that i) Mr. Naunehal Shah, did not disclose his degree while applying through ADB online portal, however, he had also dropped his CV at NDRMF office and when the selection process was being executed, he mentioned his degrees and the same was evaluated during the shortlisting process. ii) Ms. Sara Mehmood was invited for an interview through email dated 24th January, 2019 and she regretted to attend interview session through her acknowledgement email. There was an inadvertent typing error in the long list which was available in file and corrected sheet is attached. The Fund do not reject candidature, in case, the applicant carries experience less/short then the required experience length. The application is declared ineligible only, if the candidate does not carry any experience (i.e. Nil) in accordance with ADB guidelines

The reply of the management is not cogent as CV of the Mr. Naunehal Shah was not attached with the reply. As regard the typo error the management has accepted the occurrence of error in hiring process as individual consultant of Climate Change Specialist and GIS Specialist and CBDRM Specialist. Further, as per email dated 25.01.2019, the candidate had shown her willingness for interview on 04 & 5/02/2019. The final interview sheet is silent as to on which date the interview was conducted. Further, out of 4 candidates, 3 did not had required length of experience.

During verification of record held on 28.08.2020, the management provided CV of Mr. Naunehal Shah which revealed that the candidate did not fulfill the required educational criteria as he possessed Bachelors of Science degree. According to EOIs, the candidate was required to hold Masters or advance degree in management, disaster risk reduction / management, Project Management, Geography or closely related field with specific expertise in the field of CBDRM.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was discussed in detail. DAC directed that the matter maybe placed before the Procurement Committee for reviewing the whole process of procurement in violation of rules and fix responsibility against the persons at fault. DAC also directed that report may also be placed before the Board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 34)

#### 4.4.6 Incorrect selection of contracting method for appointment of individual consultants

According to Guidelines on the Use of Consultants by ADB and its Borrowers Para 2.45, a time based contract is used when it is difficult to define the scope, output, and the length of the services, either because the services are related to and await completion of activities by others for which the completion period may vary, or because the input of the consultants is difficult to assess. This type of contract will be used for complex studies, supervision of construction, advisory services, and most training assignments. Further, Para 2.49 provides that a performance based contract is used to enhance the delivery of consulting services outputs, thereby improving value for money. Payments to the consultant are triggered on achievement of selected milestones signifying that certain project deliverables (e.g., an outcome or outputs defined in the project design and monitoring frameworks) have been completed or achieved.

The scrutiny of record revealed that the individual consultants were hired for various projects through time based contracting method during the FY 2019-20 as detailed below:

Sr. No.	Positions	Commencement Date	Names	No. of Days	Unit Rate/Day	Total Cost (Remuneration + out of pocket + contingency)	No. of Days	Total Remuneration
1	Structural Design Engineering Specialist	30-05-19	Ms. Rabiya Mukhtar	130	30,000	5,801,250	5	150,000
2	GIS Specialist	30-05-19	Mr. Ehsan Saqib	150	30,000	5,302,500	4	120,000
3	Community Based Disaster Risk Management Specialist	30-05-19	Mr. Naunehal Shah	150	40,000	7,218,750	25	1,000,000
4	Project Economic & Financial Analysis Specialist	12/2/2019	Muhammad Farooq	100	28,000	3,517,500	39.5	1,106,000
5	Human Resource Management Specialist	27-11-19	MrShaban Babar	150	40,000	6,901,500	68	2,720,000
6	Hydrologist	30-05-19	Dr. Muhammad Shahid Iqbal	150	25,000	5,801,250	41	1,025,000
7	Infrastructure Specialist (River Training Works)	30.05.19	Mr. Tahir Shamshad	150	40,000	8,163,750	0	0

8	Climate Change Specialist	30.05.19	Mr. Asif Khan	125	30,000	4,515,000	0	0
<b>TOTAL</b>					<b>263,000</b>	<b>47,221,500</b>		<b>6,121,000</b>

Audit observed as under:

- i. The consultants were hired without assessing the scope of work and defined outcomes and outputs.
- ii. The work plan / outcomes from the consultant were not obtained and checked.
- iii. Payments were released to the consultants without any concrete outputs.
- iv. NDRMF could not utilize even a single day of two consultants i.e. Infrastructure Specialist (River Training Works) & Climate Change Specialist.
- v. Fund could not utilize the services of the consultants well in time and the contracts of the consultants have expired. Total 8 consultants were hired, out of which contracts of 5 consultants are going to be renewed, while 03 consultants are unwilling to renew their contracts. This shows that the payment made to the consultants was a wasteful expenditure.
- vi. The working regarding fixation of per day remuneration was not available on record.

Audit is of the view that the time based method of contracting was used instead of performance based which shows that the management was not clear about the deliverables and time lines. Further, the services of hired consultants were not utilized at optimum level.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that after obtaining concurrence /NOC from ADB, the consultants were hired under Clause 2.47 viz. Indefinite Delivery Contract (Price Agreement) which states that “This contract is used when borrowers need to have “on call” specialized services to provide advice on a particular activity, the extent and timing of which cannot be defined in advance. This is commonly used to retain “advisers” for implementation of complex projects (for example, dam panel), expert adjudicators, institutional reforms, procurement advice, technical troubleshooting, and so forth, normally for a period of a year or more. The borrower and the firm agree on the unit rates to be paid for the experts, and payments are made on the basis of the time actually used”. The NDRMF’s core function is to extend grant financing to FIPs

through projects and such projects may fall under any of the interventions given in NDMP and/or NFPP-IV and Fund does not have no expertise on all kinds of interventions on its regular strength. No one can envisage upfront as to what type of proposal, an entity can propose to NDRMF for seeking grant financing. Therefore, provisions have been earmarked in ADB's Loan to establish a panel of professionals, in specialized fields, on retainer basis for utilizing their services as and when those are required. Further the Consultants' inputs are intended to be utilized on the basis of requirements from time to time and not possible for the Fund to plan the utilization of Consultants in advance. Moreover, the claim was paid after the review & approval of report of deliverable by the respective General Manager/HOD and all such reports are available on record. The Fund has utilized the services of Infrastructure Specialist but he could not claim his used man-days till date due to his personal reasons. Further, no requirement emerged necessitating the use of man-days of Climate Change Specialist.

The reply of the management is not cogent, as NDRMF contract agreements with the consultant were time based. The Fund recruited various officers / officials on high pay structures, but the management was not clear about what type of work was to be executed and what output was required from the consultants. Further, the record produced during audit was not supported with the concrete evidence of output of the consultants due to which audit raised the observation. The record attached with the reply relates to only two consultants showing one activity only. Moreover, the stance of the audit is also supported with the evidence that Fund could not utilize the 3 consultants for even a single day, which indicated that the management just entered into contract on hypothetical basis instead of concrete projects. The management could not enter into contract agreement with the consultants on performance basis as the management was not clear about outputs to be achieved from the consultants.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the Procurement Committee for reviewing the whole process of procurement whether in violation of rules and fix responsibility against the persons at fault. DAC also directed that report may also be placed before the Board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 37)

#### 4.4.7 Irregular procurement of goods by splitting items to avoid open competition

Para 71 of PAM read with Appendix 2 of Aide Memoire of Loan and Grant review mission, provides that except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works:

Method	Threshold	Comments
International Competitive Bidding for Goods	\$2,000,000 and above	
National Competitive Bidding for Goods	Between US\$ 100,000 and US\$ 1,999,999	The first NCB is subject to prior review, thereafter post review.
Shopping for Goods <sup>8</sup>	Up to US\$ 99,999	For purchase of vehicles the Shopping limit will be \$ 200,000
National Competitive Bidding for Works	Between US\$ 100,000 and US\$ 14,999,999	The first NCB is subject to prior review, thereafter post review.
Shopping for Works	Up to US\$ 99,999	

Further, according to Para 5 of ADB’s guidance on shopping on method of procurement generally, the threshold for shopping does not exceed \$100,000 but project teams may set lower thresholds when the executing agency (EA) is considered as a medium or high risk one in administering procurement on the basis of the capacity assessment.

Furthermore, according to ADB’s guidance on shopping on method of procurement, para 2 Shopping may be used when more competitive methods are not justified on the basis of cost or efficiency such as:

- (a) To procure small amounts of off-the-shelf goods or standard specification commodities;
- (b) To engage contractors for simple civil works of small value;
- (c) To procure contracts with a combination of off-the-shelf goods and very urgent minor civil works such as in emergency projects or for urgent relief-type operations including re-establishment of vital services like utilities, communications, shelter, and vital supplies which stem from disasters or conflict.

Further, para 3 provides that because of the risk of abuse in procurement under shopping, the use of this method is restricted to cases when the justification for it is beyond contention. Borrowers may not use shopping only as a way to bypass more competitive methods or divide large procurements into smaller contracts solely to allow the use of shopping.

NDRMF made procurement of different types of goods valuing Rs. 116.511 million and \$ 597,094 (\$ value of some procurement / Lot were not given in documents) during the FY 2018-19 and 2019-20. The necessary detail is at **Annexure-E**.

Audit observed that procurement of goods cost in USD was more than the limit fixed for shopping method. However, procurements were split into pieces / Lots to avoid competitive bidding process and approval of the competent authority.

Audit is of the view that due to weak internal controls and mismanagement, the procurements were splited into piece meal / lots to avoid competitive bidding process and procurement was made through shopping method by inviting request for quotations on different dates.

In the absence of competitive bidding process, economy could not be achieved, besides resulting in violation of rules / guidelines.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the same observation was raised during audit of Fiscal Year 2018/19 and raising it again is akin to double jeopardy. According to Financing Agreement, Fund has to follow the Procurement Guidelines of ADB. Provisions of “Multiple Contracts” are built-in the Procurement Plan for the ease of the agency to carry out as many number of contracts (i.e. shopping activities) as it may require from time to time. This approach also eases ADB to curtail the revisions in the Procurement Plan which could be required if exact number of contracts/shopping activities are defined and Borrowing/Implementing Agency may necessitate to do additional small value procurements during project’s implementation. Therefore, in the Procurement Plan which ADB made part of its Aide Memoire of their Mission held in December 2017, a cumulated amount of US \$ 600,000 was earmarked for Procurement of Equipment & Furniture through “Multiple Contracts”. Fund hired office building in July/August 2018 and after designing the customization of available office space, carried out procurement of furniture, fixture and equipment following Shopping Method as per ADB’s Guidelines. The Lots and procurement strategy were prepared in consultation with ADB during their Mission held in

October 2018. After the completion of small-value procurements, all the documents i.e. Request for Quotations, Quotations of vendors, Quotation Evaluation Report/Comparative Statement, Contract Agreement etc., were shared with ADB and upon their satisfaction on the execution of the procurement, duly compliant with ADB's Guidelines, reflected the awarded contracts in Revised/Updated Procurement Plan dated 18th June 2019.

The reply of the management is not cogent as the procurements were made in violation of para 3 of ADB guidelines on shopping method of procurement.

During the DAC meeting held on 7th September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the Procurement Committee for review of the whole process of procurement in violation of the rules and fix responsibility against the persons at fault. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 41)

## 4.5 Human Resource Management

### 4.5.1 Irregular fixation of pay scales at exaggerated rates

According to Project Administration Manual, the NDRMF is a government-owned not-for-profit company registered under section 42 of the Companies Act, 2017. It is a government owned non-banking financial intermediary with a corporate structure which will work for reducing the socio-economic and fiscal vulnerability of the country and its population to natural hazards and climate change.

The scrutiny of record of NDRMF revealed that the employees were drawing following pay package:

Sr. No.	Designation	Qty.	Case A – Base Case	Case-B, Middle Case	Case-C, High Case
1	Chief Executive Officer (CEO)	1	1,200,000	1,600,000	1,800,000
2	Chief of Staff / Advisor	1	750,000	800,000	850,000
3	Company Secretary / GM Corporate Affairs	1	600,000	650,000	700,000
4	Head of Internal Audit / GM Audit	1	600,000	650,000	700,000
5	Group Head / General Managers	3	750,000	800,000	850,000
6	Chief Financial Officers / GM Finance	1	750,000	800,000	850,000
7	Managers	5	350,000	400,000	450,000
8	Deputy Managers	14	250,000	300,000	350,000
9	Assistant Managers / Functional Officer	10	150,000	200,000	250,000
10	Executive Assistants	13	60,000	75,000	90,000

11	Assistants	4	50,000	60,000	75,000
12	Cook	1	50,000	60,000	75,000
13	Driver	1	40,000	45,000	50,000
14	General Service Staff	11	30,000	35,000	40,000

Audit observed that pay structure of the employees of NDRMF was fixed at higher side as detailed under.

- i. NDRMF is a Government owned organization and in Public sector entities the pay is granted as per Basic Pay Scale (BPS) or Special Pay Scale (SPS). The fixation of pay package other than BPS & SPS is not covered under rules and irregular.
- ii. Even otherwise, the case regarding fixation of pay other than BPS and SPS was not taken up with the Finance Division, Government of Pakistan for necessary approval / concurrence.
- iii. The pay scale of employees was not defined.
- iv. The pay structure is irrational as huge difference was observed in pay structure with reference to professional and non-professional degree holder i.e. CA, Phd, BSc. Agri. and B.A, LLB.
- v. The NDRMF is working since 2017 but the career path i.e. promotional structure was not envisaged till date.

Audit is of the view that since the company is owned by government and the funds involved also pertains to Government, therefore, the pay structure was required to be got vetted/approved from Finance Division.

The matter was pointed out on 04.08.2020. In response the management replied that according to Companies Act 2017 Section 183 read with Article 39 of the AoA, the BoD have full powers with regards to the management operations and administration as well as to determine the remuneration, terms and conditions and power of such appointees of a Company. The rationalization of pay scales structure was made by the Board while being considerate of market trends and to attract and retain competent talent. In this regard, various studies / pay structures of public sector companies were considered and deliberated upon to exercise due diligence. The employees of the company are on contract with no job security, no pension, gratuity or any other benefits such as house hiring / house rent, conveyance and qualification allowances etc. as paid to civil / public servants. According to Finance Division (Regulations Wing) Notification dated October 19, 2018 and FD (Expenditure Wing) Notification dated March 27, 2007, Government established/ owned companies under Companies Ordinance may use full powers and authority to take decision without the



requirement of taking approval from the Government to the extent given in the Companies Ordinance. In addition, management also referred the report of the sub-committee of the PAC dated 15.05.2014 regarding conflict between financial powers of BoD in different Public Sector Companies with the powers of Ministry of Finance. Therefore, the pay structure approved by the BoD is in line with statutory enactment, decisions of PAC and ruling of the Finance Division.

The reply of the management is not cogent as record related to rationalization of pay scale structure presented before the Board for approval i.e. comparison of various options / market based pay scales /pay structures of public sector companies was not produced to audit.

During verification of record held on 28.08.2020, the management produced working paper for 7<sup>th</sup>BoD meeting agenda item No. 11 i.e. approval of revised HR structure of NDRMF. The perusal of working papers revealed that comparative analysis of WWF Pakistan, Siemens Engineering, PPAF, PPIB, PPDC, LWM and GWM was carried out by NDRMF. However, the pay structures/ packages along with comparative analysis of other similar non-profitable Government owned companies registered under Section 42 was not available for verification.

During the DAC meeting held on 7<sup>th</sup> September, 2021, it was directed that the matter shall be referred to Finance Division for review of pay scales of NDRMF. Management of NDRMF apprised the Committee that pay scales of NDRMF are duly approved by the BoD in its 07<sup>th</sup> meeting in the presence of the then Secretary Finance Division. DAC recommended that clarification from Finance Division may be sought that whether NDRMF's Board is the Competent Authority as provided in the Companies Act, 2017 read with the provisions of Public Sector Companies (Corporate Governance) Rules, 2013 to fix the pay scales or it needs to be ratified by the Finance Division. The reply shall be furnished to Audit.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 19)

#### **4.5.2 Irregularities in appointments of Human Resource**

According to 10<sup>th</sup>BoD meeting held on 23.10.2018, the TORs for appointments in NDRMF against various posts were approved. As per NDRMF Human Resource Management Manual, appointments are required to be made purely on merit.

NDRMF appointed 79 employees including corporate executive and official at senior management, middle and junior management levels during the period 2018-2020. During scrutiny of record relating to these appointments, it was observed as under:

- i. Appointments against various posts were made without considering prescribed qualification and experience as provided in TORs. In 16 cases, the qualification and experience of the appointees were irrelevant or less than required. Details are provided in **Annexure-F**.
- ii. The selection criteria along with scoring mechanism was not defined e.g. total number allocated for education, job related experience, any other and interview assessment etc.
- iii. Long lists and shortlists of candidates were prepared. However, the minutes for shortlisting of candidate were not recorded.
- iv. Candidate evaluation forms were not filled and signed properly.
- v. In some cases, evaluation sheets / forms were initially filled with led pencil and later over written /amended with ball point which creates doubts on the evaluation process.
- vi. The relevant columns of prescribed evaluation form regarding overall assessment of candidate and comments & recommendations of interview panel were found blank as no comments / remarks were recorded therein.
- vii. NDRMF prescribed three level of salary slabs i.e. Lower, Middle and Higher case. The Fund appointed 79 employees out of which 35 employees were hired on lower / base case salary and others were appointed on middle and higher level salary. No record as to negotiation with the appointees i.e. expected salary, salary drawn from previous employer, if any, was available on interview assessment sheets.

In view of the above shortcomings, audit holds that the appointments were made in violation of prescribed criteria / rules.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that appointments were made according to prescribed criteria of education and experience. The process of recruitment has been properly followed i.e. scrutinizing the received applications, shortlisting, and conducting interview through formal invitation and telephonic confirmation. The interview sheets are duly signed and approved by competent authority. There may be

an inadvertent oversight, wherein a panel member may have missed recording of comments or any other similar instance on individual sheet. NDRMF is devising a detailed scoring mechanism for application evaluation for future recruitment cycles.

The reply of the management is not acceptable as appointments were made without observing required criteria. The management also admitted stance of audit regarding non devising of scoring mechanism.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the subject matter was discussed in detail. DAC directed that the matter may be placed before the HR Committee of the Board for review of the process of appointments in violation of HR manual/rules and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the Board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 20)

#### **4.5.3 Irregular appointment of contract employees beyond the prescribed age limit and expenditure thereof – Rs 56.141 million**

According to Human Resource Manual 2018, (Qualification, experience and age), the minimum age for entry into NDRMF service for employees shall be eighteen (18) years and the maximum age shall be fifty seven (57) years. The age of superannuation for employees shall be sixty (60) years.

Contrary to the above, NDRMF appointed four (04) employees over and above the prescribed age limit for appointment and amount of Rs 56.140 million was paid on account of salaries etc. The appointment of employees at Sr. No. 1 to 3 were made on contract basis initially for one year which were further extended for one year period and these employees (except Sr. No. 2) are drawing salaries till date of audit viz. June 2020. The detail is as under:

Sr. No.	Name	Designation	Date of Birth	Age as on the date of appointment (Years/ Months)	Date of appointment	Salary per month (Rs)	Total payment till June 2020 (Rs)
1	Mr. Muhammad Ashraf	CEO Secretariat Coordinator	01.06.1953	65 Years 10-months	16.04.2019	90,000	1,748,038
2	Mrs Khudija Javed Khan	GM Quality Assurance	17.12.1953	64 years, 7 months	16.07.2018	750,000	20,600,943
3	Brig. Rashid Alvi @	GM Support & Services	15.03.1960	58 years 4 months	24.07.2018	750,000	20,472,255
4	Mr. Khurram Khaliq Khan	GM P&O	30.09.1961	57 years 6 months	13.03.2019	750,000	13,319,601
<b>Total</b>							<b>56,140,837</b>

Audit holds that appointment and continuation of services beyond the prescribed age limit is clear violation of NDRMF HR Manual 2018.

The matter was pointed out on 04.08.2020. In response the management replied that appointments of Sr. No. 1, 2 & 3 was made on termed contract basis owing to their rich experience in respective fields and scarcity in the market. In the HRMP Manual, two types of hiring can be done (i) permanent employee and (ii) temporary. All the personnel mentioned at Sr. 1 to 3 have been given termed contracts. For hiring of all categories of employee, less statutory positions, BOD has delegated full authority to CEO as per the Limit of Authority Manual in line with the provisions of Public Sector Companies (Corporate Governance) Rules 2013. Further, due to age limit, Fund management recruited these as temporary staff offering a termed contract as per the provisions of HR Manual and the Limit of Authority Manual. With regards to the hiring of Mr. Khurram Khaliq Khan GM POG, it is highlighted that his age at the time of application, as well as shortlisting, was within the maximum age limit of 57 years. However, at the time of joining, his age was 5 months above the maximum age limit. Since the skills set and required experience, are scarce in local market hence Mr. Khurram's candidature was considered the most appropriate for the position of GM P&OG.

The reply is not acceptable as appointments were made in violation of HRMP manual and policy of NDRMF which clearly provides the maximum age at the time of appointment as 57 years. Further, the appointments of Mrs Khudija Javed Khan and Brig. Rashid Alvi (R) were made during July-2018 whereas limit of Authority was approved on 23.10.2018. Furthermore, Clause 11 Section-II Sub section (ii) deals with hiring and termination of staff. It does not pertain to age limit of the employees in NDRMF.

During the DAC meeting held on 7th September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the HR Committee of the Board for review of the process of appointments in violation of HR manual/rules and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 22)

#### **4.5.4 Irregular appointment of management trainee in excess of the approved limit – Rs 1.80 million**

According to NDRMF Human Resource Manual 2018, (approved in 6<sup>th</sup>BoD meeting held on 02.03.2018), a programme for inducting management trainees was introduced to provide a diversified opportunity to fresh graduates, who have completed sixteen years of education. The management trainee position (6 x numbers) were required to be offered based on merit in following groups:

<b>Sr. No.</b>	<b>Name of Group</b>	<b>No. of Management Trainees</b>
1	Quality Assurance Group	02
2	Project & Operations Group	02
3	Financial Management Group	01
4	Support Services Group	01

According to Rule 12 (1)(c) of Corporate Governance Rule 2013, the Human Resources Committee is responsible to deal with all employee related matters including recruitment, training, remuneration, performance evaluation, succession planning, and measures for effective utilization of the employees of the Public Sector Company.

The scrutiny of record revealed that NDRMF appointed 8 management trainees at fixed monthly rate of Rs. 75,000 and payment was made to the interneers as stipend.

Audit observed as under:

- i. 8 management trainees were appointed instead of 6 as provided in HR Manual and approved in BoD. The appointment of excess interneers is violation of prescribed limit and payment made thereof is irregular. This resulted into irregular expenditure of Rs. 1,800,000 (75000\*2\*12).
- ii. The appointments were required to be made through HR Committee, however, the involvement of HR committee was not available on record.

Audit is of the view that appointment of management trainees beyond the approved strength/limit is clear violation of NDRMF's HR Manual and BoD decision.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that NDRMF devised a mechanism, which not only supports employee succession but also builds an in-house capacity to train and

nurture fresh entrants through on job training in a cost effective manner. According to provision of PAM and loan agreement, the Fund Management will recruit and manage staff within the financial and other parameters for effective operations of the Fund. Further, according to limit of authority manual, CEO has been fully authorized with the administrative authority for creation and abolition of the positions of Middle & Junior Management Levels. Therefore, the matter falls way below the mandate of Board's HR Committee. Hence the decision was made at the appropriate level.

The reply is not acceptable as the Clause 11 Section II subsection (iv) of Limit of Authority Manual pertains to creation & abolition of Middle and Junior Management Level but Management trainees did not fall under the middle and junior level management as per HR manual (Employees Classification and Status). Further, appointments of management trainees were clearly made in excess than the limit and strength approved and sanctioned by the BoD. No functionary including a CEO is authorized to violate the approved policy and exercise any discretion resulting in an irregular expenditure.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the subject matter was discussed in detail. DAC directed that the matter may be placed before the HR Committee of the Board for review of the process of appointments in violation of HR manual/rules and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 23)

#### **4.5.5 Creation of additional posts in excess of sanctioned posts**

According to HR Manual 2018, NDRMF has sanctioned strength of 67 employees. The scrutiny of record revealed that NDRMF has approved sanctioned posts with nomenclature given in the Human Resource Manual duly approved from the BoD. The posts were working under various head of groups / departments in NDRMF.

During scrutiny of record of NDRMF, it was observed that:

- i. There is a discrepancy in number of posts given in the Human Resource Manual i.e. organogram and proposed employee strength Table-I is unclear.

- ii. The actual working strength is different as given in the HR manual i.e. 67 whereas, the posts upon which the recruitment may be made are 84.
- iii. Some posts were created with new nomenclature at middle management level which were not given in the HR manual, whereas appointments were made against newly created posts without concurrence / approval of HR committee.

Audit is of the view that due to weak internal controls, the posts were filled and recruitments were made on the basis of demand without observing HR manual. The change of nomenclature of posts is likely to create doubt on the approved structure / organogram of the organization.

This resulted into ambiguous HR structure of the organization which may lead to unplanned appointments of employees.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that NDRMF got its strength of 67 employees approved from the BoD in 7<sup>th</sup>BoD meeting held on May 23, 2018. After various in-house sessions / conferences it was concluded that with the approved strength of 67 personnel, it would be difficult to manage NDRMF. Accordingly, in the 10<sup>th</sup> Board meeting held on October 23, 2018, Limit of Authority Manual was approved in which creation and abolition of positions of middle & junior management levels was delegated to the CEO. As per PAM of ADB's, the management may recruit and manage staff within the financial and other parameters approved by the BoD for effective operations of the Fund. The existing headcount truly reflects current operational requirements of NDRMF which will experience further growth as more donor organizations are coming forward to dish out their funding to NDRMF for proper disbursement to appropriate and eligible project as was experienced during the COVID-19 response. The BoD approved the budgets for 2018/19 and 2019/20 with detailed breakdown of each activity of the company including the personnel cost and other operational expenditure.

The reply of the management is not cogent as organogram / HR manual is required to be revised which was not done. Further, the appointments were not routed through HR committee of BoD. As per Limit of Authority Manual, Clause 11 Section II Management & Operating Expenditure, the total powers were 24 out of which 4 powers were available with the BoD and remaining power were delegated to the CEO which are 83% of total powers. The power available with the BoD are i. Hire and

terminate Statutory / Corporate Executives, ii. Creation and abolition of position of Senior Management & Corporate Executives iii.) Audit Fee Determination iv Appointment of Legal Firm. The delegation of power without prior / post review shows weak control of BoD on management and operating expenditure. The complete details of post created and appointments made against them be provided to audit for verification.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the subject matter was discussed in detail. DAC directed that the matter may be placed before the HR Committee of the Board for review of the process of appointments in violation of HR manual/rules and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 24)

#### **4.5.6 Appointment of Chief Internal Auditor (CIA) by ignoring the required length of experience**

According to Human Resource Manual, Sr. No. 13, Table 2 (Sr. No. 5), the appointing / hiring authority for appointment of Corporate Executives is vested to BoD on the recommendation of HR Committee of BoD.

As per advertisement published in May2018 for appointment against the post of CIA, the qualification and experience criteria of the eligible candidates was prescribed as under:

- i. Member of a recognized body of professional accountant; or certified Internal auditor; or certified fraud examiner; or certified Internal Control auditor; or person holding a master degree in finance from a university recognized by the Higher Education Commission
- ii. 14-16 years relevant experience including minimum of 5 years of audit experience of any Public Sector entity.

In NDRMF a post of Chief Internal Auditor was advertised in newspaper in May 2018 and in response total 42 applications were received. Out of these, 7 candidates were shortlisted for interview. After interview and detailed evaluation, Mr.



Imran Ahmad was selected and accordingly recommendation for appointment was submitted to the BoD.

The BoD decided to re-advertise the post with required experience of 14 to 16 years. Accordingly, the post was re-advertised and 5 candidates were shortlisted for interview by Audit committee. Finally, Mr. Muhammad Mobeen was appointed as CIA through BoD Resolution.

The scrutiny of record revealed following discrepancies:

- i. The candidate appointed as CIA has job related experience of 10 years which is not in accordance with requirement. The earlier shortlisted candidate was also rejected by the BoD due to less experience. The marks sheet was silent about the experiences of the candidate. The minutes of BOD were also silent about the experience of the candidate. Further, Mr. Muhammad Mobeen had also applied for the post of CIA in the first round of selection process and was shortlisted for interview, but was not selected due to less experience.
- ii. The CFO also attended the meeting of Audit Committee. CIA is a corporate executive post responsible for carrying out internal audit of the company including comments on financial matters. The presence and involvement of CFO in the recruitment committee is likely to create a conflict of interest situation.

Audit is of the view that the appointment was made in violation of the prescribed criteria for appointment as well decision of BoD.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that according to Clause 21, Section 06 of Public Sector Companies (Corporate Governance) Rules 2013, selection of CIA is the responsibility of the Audit Committee. Further, the said rules, specifically emphasizes that no person shall be appointed as CIA of Public Sector Company unless he has five years of relevant audit experience. This provided the basis for structuring the job requirement. The overall experience requirement of 14-16 years is to make the position parallel with senior management officials, wherein minimum experience requirement is 16 years. The selected CIA has overall 20 years of experience (10 years audit + 10 years accounts) as against required 5 years' experience. Moreover, CFO of NDRMF is neither member of Board Audit Committee nor he participated in

the said recruitment process. However, he was invited by audit committee to facilitate, in case any information was needed.

The reply of the management is not satisfactory as according to TORs for the post of CIA, at least Fourteen to sixteen years of relevant experience including minimum of five years of audit experience of any Public Sector entity was required. The experience of 10 years in accounts and finance as replied by management is irrelevant to the field of CIA and cannot be considered for overall experience. Further, the selected candidate was rejected in earlier round due to shortage of required experience. The CFO attended the Audit Committee meeting as evident from the minutes of the meeting.

During the DAC meeting held on 7th September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the HR Committee of the Board for review of the process of appointments in violation of HR manual/rules and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 25)

#### **4.5.7 Unauthentic TORs and Qualification criteria against posts in NDRMF**

According to para 40 of Company Act 2017, the directors shall cause records to be kept and minutes to be made in book or books with regard to:

- (a) all resolutions and proceedings of general meeting(s) and the meeting(s) of directors and committee(s) of directors, and every member present at any general meeting and every director present at any meeting of directors or committee of directors shall put his signature in a book to be kept for that purpose;
- (b) recording the names of the persons present at each meeting of the directors and of any committee of the directors, and the general meeting;
- (c) all orders made by the directors and committee(s) of directors.

The TORs for appointment against the posts in NDRMF was presented and approved in 6<sup>th</sup> Board Meeting held on 02-03-2018. It was observed that the said TORs were not signed by the Board members / company secretary at that time to

authenticate the validity of TORs. It was further observed that NDRMF made appointments against various posts based on the criteria of qualification and experience provided in said TORs.

Audit is of the view that in absence of signed TORs from competent authority the authenticity of the TORs cannot be verified and chances of changes / amendments in terms & conditions i.e. qualification / experience at later stage cannot be ruled out.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that at that time, the Joint Secretary, EAD, was officiating as Company Secretary/Secretary to BoD meetings, in addition to his current duties and might not be fully equipped to dispense Board Meeting related responsibilities in a required manner. Since, the referred TORs pertains to an era, wherein, NDRMF own strength was not available, therefore provision of signed TORs, is not a valid expectation. However, the process of revision of TORs has already been started during last quarter, which was retarded due to COVID-19 outbreak. But it is envisaged that the process will be completed soon and revised TORs of all positions are planned to be formally submitted to BoD for approval as part of revised HR Manual. The record of BoD meeting minutes is available with EAD relevant personnel for verification, which may please be done.

The reply of the management is not cogent because the TORs were required to be signed by the concerned Board / company secretary for giving it a legal status which, however was not done.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the HR Committee of the Board for review of the process of appointments in violation of HR manual/rules and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 26)

#### **4.5.8 Ineffective role of Human Resource Committee and Board of Directors**

According to para 12(1) (C) Corporate Governance Rules 2013, the Board shall set up the audit committee, risk management committee, human resources committee and procurement committee to support it in performing its functions

efficiently, and for seeking assistance in the decision making process. Human Resources Committee, to deal with all employee related matters including recruitment, training, remuneration, performance evaluation, succession planning, and measures for effective utilization of the employees of the Public Sector Company.

The scrutiny of record of NDRMF revealed that BoD delegated powers in the limit of authority manual regarding appointment of employees from Group head, Senior Management / Middle Management, Assistant / Supporting Staff / Management Trainee. Necessary detail regarding appointment of employees by the Board of Directors, CEO and any other authority is given below:

Sr. No	Name of Committee	Designation of Committee members	Level of Management	Appointing Authority	HR Manual Table-2	No. of Employees
1	Board of Directors		Corporate Executives	BOD	Board appoint Corporate Executives on the recommendations of the HR Committee of Board of Directors.	3
2	HR Committee of BoD	Secretary M/o CC, Secretary M/o PD&R, CEO NDRMF				
3	Selection Committee	CEO (Convener), Representative of ADB, CFO / CS	Group Head, General Managers / Chief of Staff	CEO	Appointment authority and Chair of the Committee is same which creates conflict of interest, The case was not presented in front HR committee of BoD	5
4	Selection Committee	CEO (Convener), CFO / CS/ COS, Head of Resp. Department	Senior & Middle Management	CEO	Appointment Authority and Chair of the Committee is same which creates conflict of interest, The case was not presented in front HR committee of BoD	39
5	Selection Committee	GM (SS)(Convener), Head of Resp. Department	Assistant Supporting Staff / Management Trainee	CEO		36

Audit observed as under:

- i. Recruitments of staff were made without involvement of HR committee except in the case of corporate executive.
- ii. Recruitment on senior and middle management was made by constituting a selection committee instead of HR committee. Further, CEO is the member / convener of the committee as well as the appointing authority which creates a conflict of interest situation.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that as per the Companies Act 2017 Section 183 the BoD have full powers with regards to the management operations and administration of a company. As per Board approved Limit of Authority Manual, Clause 11 Section II sub-section (ii) and Clause 13 specifically delegates the powers of hiring and terminating employees (except statutory positions) to CEO. The HRMP Section “Employment Decision & Selection Committees” provide details of positions vs. hiring authority in line with Limit of Authority delegation of powers referred above. The Aid Memoire issued by the ADB in December 2017, explicitly empowers the CEO to hire all employees of NDRMF except the 03 corporate position of CFO, CS and CIA, selection of which will be routed through HR/ Audit Committee of the Board. The Board consist of Federal Secretaries of important ministries and involving them in hiring every non-statutory recruitment cycle is tedious and unwarranted.

The reply of the management is not acceptable as according to Corporate Governance Rules - 2013 12(1)(C), all the employees related matters including recruitment were required to be dealt through HR committee. As per Limit of Authority Manual clause 11 Section II Management & Operating Expenditure total powers were 24 out of which 4 powers were available with the BoD and remaining power were delegated to the CEO which are 83% of total powers. The power available with the BoD are i). Hire and terminate Statutory / Corporate Executives, ii). Creation and abolition of position of Senior Management & Corporate Executives iii.) Audit Fee Determination iv Appointment of Legal Firm. The delegation of power without prior / post review shows weak control of BoD on management and operating expenditure. Further, the delegation of maximum powers in limit of authority manual under Management & Operating Expenditure to CEO is not in line with rule 5(1) of corporate Governance rule -2013.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the subject matter was discussed in detail. DAC directed that the matter may be placed for review by the Company Secretary being a corporate matter. The inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 27)

#### 4.5.9 Irregular grant of leave encashment and honorarium - Rs 26.693 million

According to para 12(1) (C) Corporate Governance Rules, 2013, the Board shall set up the audit committee, risk management committee, human resources committee and procurement committee to support it in performing its functions efficiently, and for seeking assistance in the decision making process. Human Resources Committee, to deal with all employee related matters including recruitment, training, remuneration, performance evaluation, succession planning, and measures for effective utilization of the employees of the Public Sector Company.

The scrutiny of record revealed that NDRMF made payment of Rs 26.693 million on account of Leave Encashment and Honorarium to the employees during the FY 2018-19 and 2019-20 as detailed below:

<b>FY</b>	<b>Leave Encashment</b>	<b>Honorarium</b>	<b>Total</b>
2018-19	7,025,150	8,502,536	<b>15,527,686</b>
2019-20	9,319,488	1,845,837	<b>11,165,325</b>
<b>Total</b>	<b>16,344,638</b>	<b>10,348,373</b>	<b>26,693,011</b>

Audit observed as under:

- i. Leave encashment was granted to all the employees from senior management to support staff, whereas the criteria for leave encashment, total number and type of leave i.e. earned leave, casual leave and sick leaves were not available in the HR manual. In absence of criteria for leave encashment and exaggerated rate of salary, the payment of leave encashment was unjustified.
- ii. Payment of honorarium without provision in HR manual and without due diligence by the HR committee is violation of rules. The employees of NDRMF are already being paid salaries at exaggerated rates and payment of honorarium in addition to salaries is irregular / unjustified.
- iii. The honorarium was approved by committee comprising members who were also beneficiaries of the same.
- iv. The honorarium was also paid to ADB consultant who was drawing salary from ADB.

In view of the above observations, payment of leave encashment and honorarium is held irregular.

The initial audit observation was issued on 04.08.2020. In response the management replied that payment of leave encashment and honorarium was made

according to HR manual and after the approval of CEO as empowered vide limit of authority manual. Further, NDRMF has not paid any salary to any ADB's TA Consultant either working for NDRMF or for ADB. As regard to beneficiary of honorarium the members of Strategy & Policy Committee are senior management of NDRMF and as employee of the company were also paid honorarium.

The reply of the management is not cogent as according to Rule 5(1) of Public Sector Companies (Corporate Governance) Rules, 2013, the directors of the board shall exercise powers and carry out fiduciary duties with a sense of objective judgment and in the best interest of the company. The NDRMF paid honorarium to the employees without provision in HR manual. Further, leave encashment was granted but no criteria as well as record for payment of leave encashment was produced to audit. Further, As per Limit of Authority Manual clause 11 Section II Management & Operating Expenditure, total powers were 24 out of which 4 powers were available with the BoD and remaining power were delegated to the CEO which are 83% of total powers. The power available with the BoD are i). Hire and terminate Statutory / Corporate Executives, ii). Creation and abolition of position of Senior Management & Corporate Executives iii). Audit Fee Determination iv). Appointment of Legal Firm. The delegation of power without prior / post review shows weak control of BoD on management and operating expenditure. Further, delegation of maximum powers in limit of authority manual under Management & Operating expenditure to CEO is not in line with Rule 5(1) of Corporate Governance Rule-2013. As payment of all these allowances in addition to exaggerated pay scales out of loan amount is a burden on Government exchequer.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the HR Committee of the Board for review of the process in violation of HR manuals/rules and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 28)

#### **4.5.10 Non-obtaining of NOC from EAD for participation in international seminars / conferences**

According to Limit of Authority Manual, Sr. No. 11 Section-II, Management and Operating Expenditure (XXV), the CEO has been delegated full powers to accord approval to employee (other than CEO) to participate in national / international conferences, meetings, seminars, symposia, workshops, trainings etc. for international visits and conferences. In case of international participation, No Objection Certificate from EAD shall be required.

The record revealed that an officer of NDRMF was nominated for participation in international seminars / conferences as detailed below; However, NOC from EAD was not obtained / produced to audit.

Sr. No.	Training / presentation / Orientation and venue	Participants	Date
1	2 <sup>nd</sup> InsuRelilience Global Forum, Poland	Dr. Kamal Ahmed	10.12.2018to18.12.2018
2	World Bank National Consultation on Disaster Risk Financing (Dubai)	Dr. Kamal Ahmed	3.07.2019to05.07.2019
3	Invitation to Regional Forum on strengthening the Enabling Environment for Disaster Risk Financing at Manila	Dr. Kamal Ahmed	19.10.2019to21.10.2019

This resulted into non adherence to relevant rules and irregular expenditure.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the subject officer did not undergo foreign trainings rather represented the Fund in consultative events and conferences at international level.

The reply of the management cannot be accepted as the official participated in a number of international events and the required NoC from EAD was not obtained which is a clear violation of the rules and resulted in established loss to government.

During the DAC meeting held on 7th September, 2021, the para was discussed in detail. DAC directed that the matter shall be placed before the HR Committee of the Board for review of the process in violation of HR manual/rules and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 29)

#### **4.5.11 Recruitment of Deputy Manager procurement without advertisement**



According to NDRMF HR Manual, (External Recruitment), for the posts in professional and staff cadres to be filled by hiring from market, an open competitive recruitment process shall be followed. The advertisement for such posts shall be given in at least two daily newspapers with national circulation. The employee through this process will be hired on contract for a period of six months on probation and based on satisfactory performance will automatically be absorbed as a regular employee.

The scrutiny of record of NDRMF revealed that the post of Manager Procurement was advertised during the FY 2017-18. In response 62 applicants applied for the post and 3 candidates were shortlisted for interview.

It was observed that 1<sup>st</sup> candidate was selected as Manager Procurement and 2<sup>nd</sup> candidate was selected as Deputy Manager procurement with salary of Rs. 450,000 (higher level) and 350,000 (higher level) respectively.

Audit holds that the appointment of Deputy Manager Procurement was made without advertisement, need assessment and any justification.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the referred instance occurred at the time of operationalization of NDRMF in 2018. The candidates evaluated for the Manager Procurement position were very close with each other in terms of competence, experience and skillset and therefore it was difficult to let go a very able candidate and deprive NDRMF of competent human capital. Therefore, the Management decided to create Deputy Manager Procurement position to reel in the 2nd best candidate. Advertisement of Dy. Manager Procurement position was not an option at that time, as the action would have taken at least 2-3 months'. However, the BoD while approving the Limit of Authority Manual ratified all previous decisions taken in the supreme interest of the company.

The management has admitted the irregularity that the appointment was made without any advertisement and availability of the post of Dy. Manager in Hierarchy of NDRMF. Further, the appointment was made before approval of the Limit of Authority Manual. Even otherwise the presence of a Limit of Authority Manual in NDRMF cannot be used as an excuse to bypass rules and commit irregularities having recurring financial implications.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the HR Committee of the Board for review of the process of appointments in violation of HR manual/rules and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 35)

#### **4.5.12 Wastage of public resources and time due to non-calling of short listed candidate**

According to Human Resource Management Manual of NDRMF, in case, the candidate rejects the offer, HRM Section shall inquire for the reason of rejection. Reason for rejection shall be communicated to the head of selection committee to decide whether to accommodate the concerns of the candidate, if not, the head of selection committee shall identify the second most suitable candidate who has cleared documentation verification and reference check. In case, none of the three selected candidate accept the job offer, recruitment process shall be carried out again.

The scrutiny of record of NDRMF revealed that 2 number of posts of Deputy Manager (M&E) were floated in the newspaper 3 times in different years. The detail of advertisement and appointment thereof is given as under:

Month of advertisement	No. of post advertised	No. of Applicant	No. of Applicant shortlisted	Offer of appointment issued	No. of candidate joined	Remarks
Aug-18	2	72	8	2	1	The appointment orders were issued to first 2 candidates out of which candidate mentioned at first number did not join. Offer of appointment was not issued to the other shortlisted candidates
Apr-19	1	63	4	1	0	The offer of appointment was issued to 1st candidate who did not join. Later on, the offer of appointment was issued to 2nd candidate who did not join. Offer of appointment was not issued to the other shortlisted candidates.

Jan-20	1	77	7	1	1	First candidate joined the post at higher scale pay package
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Audit holds that the management made excessive advertisements to fill the post rather than issuing offer of appointment letter to the next candidate from shortlisted candidates at first instance as per the policy.

Audit is of the view that wastage of time and resources was made by the management in hiring of the post of DM M&E through advertising again and again instead of issuing letter of appointment to the shortlisted candidate as per the approved policy.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the candidates were offered employment and given ample time to join. However, the candidates who accepted the offer letter, later on regretted to join the organization. Similarly, offers were made telephonically to the next candidates to ensure their willingness before issuance of formal offer letter, but in vain. Therefore, after passing of ample time the management decided to put afresh call for applications against the vacant post, thereby giving fair and equal opportunity to all eligible candidates. Since, the hiring process at NDRMF is almost complete therefore; reoccurrence of the instance is unlikely. The guidance is however being noted for future compliance.

The reply of the management is not satisfactory as no record was provided in support of reply to substantiate the approaching and calling of shortlisted candidate along with their refusal as per final interview shortlist.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the subject matter was discussed in detail. DAC directed that the matter may be placed before the HR Committee of the Board for review of the process of appointments whether violation of HR manual/rules has taken place and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 36)

#### **4.5.13 Irregular appointment of Company Secretary**

According to Composition of Board Committees of NDRMF dated 3<sup>rd</sup> BoD Meeting/ reconstituted in 5<sup>th</sup> BoD Meeting dated 20<sup>th</sup>February, 2017/ 22<sup>nd</sup>September,

2017, three Members a). Secretary Climate Change-Convener b). Secretary Planning, Development & Reforms c). CEO, NDRMF and d). Committee may Co-opt any non-voting member for secretarial support.

The scrutiny of record revealed that the post of company secretary was advertised on 12<sup>th</sup> January, 2017. In response 73 applications were received out of which 9 candidates were shortlisted for interview out of which 3 showed their unwillingness. Finally, 6 individuals were called for interview. Audit observed as under:

- i. As per minutes of meeting, the case was tied on the basis of voting and no person could be selected. Further, Mr. Assad Durrani was Coopted non-voting member, however, as per final evaluation, the non-voting member also ranked the candidates in violation of rules. Furthermore, the provision of Psychometric Test was not provided in TORs, however, selection was made on the basis of Psychometric Test.

Candidates	Mr. Shoaib A. Siddiqui	Lt. Gen (R) Nadeem Ahmad	Mr. Assad Durrani (Non-Voting member)	Psychometric Test	Overall Ranking by HR Committee
M. Mehran Afzal	1 <sup>st</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>
S.M Asif Makhdoomi	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>
Ahmed Noman	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>

- ii. The detail of total number of candidates who applied for the post and details of short listing of candidate for the post was not available on the record.
- iii. The post was advertised on 12<sup>th</sup> January, 2017, but the process of shortlisting of candidate and final selection was made on 30<sup>th</sup> May 2018. This delay in processing and selection of candidate is unjustified and chance of non-availability of suitable candidate could not be ruled out.
- iv. The minutes of the HR committee meeting were signed by the CFO instead of HR committee members.
- v. The evaluation forms of all the participants were not filled as per evaluation criteria.

Audit is of the view that due to weak internal controls, the process of selection was not completed within due time. Further, an incomplete HR committee convened the meeting and selected candidate without completion of required evaluation forms.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that absence/ non-participation of Secretary MoCC (Convener HR Committee) does not in any case, affect the legality of proceedings of HR Committee as provided in Article 52 of the NDRMF AoA, which states that if at any meeting the chairman is not present, the members present may choose one of them to be the chairman of the meeting. Company Secretary Mari Petroleum attended the meeting as non-voting member and provided his assessment to the HR Committee and the same was not considered in decision making by the HR Committee. The decision of HR Committee was only based on the votes of Committee Members and the results of Psychometric Test Report. The case for the appointment of Company Secretary was never tied between the Candidates. After the incorporation of NDRMF, the post of Company Secretary was advertised on 12<sup>th</sup> January, 2017 along with other positions but due to non-availability of full time CEO and dedicated staff of the Company, step wise process for the appointments against advertised posts was carried out by the EAD by using its own staff, which caused delay in appointment process. However, for the post of Company Secretary, a total of 73 job applications were received and a healthy competition occurred. With regards to the signing of Minutes of HR Committee Meeting by the CFO, it is pertinent to mention that Section 56 of the Companies Act, 2017 provides that a document or proceeding requiring authentication by a company may be signed either by an officer or a representative authorized by the Board. Evaluation forms of all the participants were duly filled containing evaluation. Same are available on the record.

Reply of the management is not cogent as the process of selection / hiring was delayed of one and half years due to which 3 candidates did not show their willingness for the post. Further, number of odd members are required in a meeting for voting purpose, however, in the said meeting there were 2 voting members who gave different number / rating i.e. 1 and 2 to the candidate which shows dispute among the members in two cases i.e. Mr. M. Mahran Afzal and Ahmed Noman. Further, the evaluation proformas i.e. B-1 to B5 and Step-2 were not filled and Step-3 proformas duly signed from all members by allocating numbers were not available in support of reply. Moreover, long list as well as shortlist attached with the reply was not signed by the evaluation committee. Moreover, the signing of minutes of the HR committee was not a case of authentication as the minutes were required to be signed by none other but the committee members only.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the HR Committee of

the Board for review of the process of appointments whether any violation of HR manual/rules has been incurred and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 38)

#### **4.5.14 Irregular appointment of Dy. Manager (Legal & Contracts) having dual contracts with different organization at the same time**

According to appendix A to Contract agreement, the TORs of the post of Dy. Manager (Legal and Contracts) are reproduced as under:

- i. Opine on various questions of law to help the management of NDRMF formulate strategies and future course of action,
- ii. Highlight non-compliance of law, in connection with working and operations to the management of NDRMF so that the same may be rectified.
- iii. Review and vet contracts to ensure that the rights of NDRMF are well guarded and all exposures are timely identified.
- iv. Represent NDRMF before arbitral tribunal, court of law and any other quasi-judicial forum,
- v. Examine the legal requirements of NDRMF in order to allow putting together a pool of law firms which can provide specialized expertise to the working of NDRMF
- vi. Any other tasks assigned by the Management of NDRMF.

In NDRMF, Dy. Manager (Legal and Contracts) was appointed at a monthly salary of Rs 250,000 on 05.11.2018.

It was observed from CV that the Dy. Manager (Legal & Contracts) was working as legal advisor to Ministry of Commerce and PEMRA and also providing services as Consultant in Attorney General of Pakistan office as well as engaged in private practice.

Audit holds that:

- i. The management of NDRMF did not obtain certificate / affidavit regarding non engagement in consultancy / advisory services as well as private practice after appointment in NDRMF.
- ii. There is a disagreement between the period of contract as, according to job offer letter the duration of contract was 3 years, whereas in contract agreement, the period of contract is provided as 2 years.
- iii. The number of legal cases in NDRMF were NIL.
- iv. The NDRMF accredited various Field Implementing Partners (FIPs) and entered into Grant Implementation Agreements, however no input / legal advice from Dy. Manager (Legal & Contracts) as required vide TORs ibid was available on record.

In view of the above, audit holds that the post of Dy. Manager (Legal & Contracts) in NDRMF is regular post and in absence of certificate / affidavit the possibility of engagement of Dy. Manager in advisory and consultancy services with other ministries / departments as well as private practice simultaneously cannot be ruled out.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that Dy. Manager (L&C) was issued a termed contract which only allows a lump sum payment and no benefits (Leaves, EOBI contribution, provident fund etc.) Therefore, the nature of his engagement with NDRMF does not qualify to be termed as “EMPLOYEE”. This allows him to extend legal services outside NDRMF. Further, the incumbent involves in obtaining legal opinions on loan / project agreements from Law Division, extending legal opinions on loan / project agreements to international development partners. A case against NDRMF has also been filed before the Court of Civil Judge Gilgit-II vide Civil Suit No. 30/2020. All GIAs have been reviewed and vetted by DM (L&C). The incumbent also provides, explanations / opinions on the terms and conditions of GIA. The HRMP Manual page 23, Section “Other Employment” para (e) states that “No employee may undertake work for a State or a private or public body or a private person, or accept the fee thereof without the sanction of the CEO, who shall certify that the work can be undertaken without detriment to his official duties and responsibilities” If audit requires the said certificate can be issued to the individual.

The reply of the management is not acceptable because as per TORs, the post of Dy. Manager (L&C) is a full-time post and incumbent is an employee of NDRMF drawing Rs 250,000 as salary per month. Further, the NDRMF is paying attractive

pay package to retain its employees, therefore, allowing the NDRMF employees to have dual appointments and accepting fees / remunerations from NDRMF and other organizations / departments etc. simultaneously is likely to set a precedent for other employees of NDRMF which cannot be justified. Moreover, record related to vetting of agreements and legal opinion on the cases as stated in the reply by DM (L&C) be provided for verification.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the para was discussed in detail. DAC directed that the matter may be placed before the HR Committee of the Board for review of the process of appointments to find out violation of HR manual/rules and fix responsibility thereof. DAC also directed that inquiry report may also be placed before the board for final decision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

(AIR Para No. 39)

## 4.6 Development Schemes

### 4.6.1 Non-achievement of targets of development schemes

According to Clause 6.3 (e) of Grant Implementation Agreement, the FIP shall submit first Withdrawal Application, as per format prescribed by the Fund, in light of the agreed financial projections as per Schedule – V (Implementation Plan with Physical & Financial Details). Clause 6.4(a) provides that disbursements by the Fund to the FIP shall be suspended if the conditions of disbursements as set out in this Agreement have not been met.

NDRMF released an amount of Rs 236.919 million to different FIPs during 2019-20 against various projects. The scrutiny of quarterly progress reports (QPRs) revealed that FIPs failed to meet the implementation plan as per schedule-V of the respective Grant Implementation Agreements. The detail is as under:

Cheque No.	Date of Cheque	Quarter Payments	Name of FIP	Agreement No.	Amount (Rs in million)
93788054	23-Jul-19	Qtr-1	Islamic Relief Pakistan	PB 003	4,168,328
93788055	25-Jul-19	Qtr-1	Pakistan Red Crescent Society (PRCS)	PB 002	8,054,038
93788056	29-Oct-19	Qtr-1	Aga Khan Planning & Building Service Pakistan	PB 004	26,294,154
93788057	20-Dec-19	Qtr-1	Punjab Irrigation Department	GB-02	67,453,000
93788061	31-Dec-19	Q-1 &	Pakistan Poverty Alleviation Fund (PPAF)	PB 005	



		Qtr.-II			57,439,139
93788064	27-Apr-20	Qtr-1	Rescue 1122, GB	GB 007	73,510,500
<b>Total</b>					<b>236,919,159</b>

The state of affairs shows that targets (physical and financial) of the projects could not be achieved which shows inefficiency on the part of NDRMF.

The initial audit observation was issued to the management on 04.08.2020. It was replied that major delay in the projects implementation are due to Covid-19 Pandemic which is beyond the control of project management. For the project of PID at Sr. No. 4, the contractor has initiated the physical work and has completed almost 5 % of the physical work. The 1<sup>st</sup> installment by NDRMF to GB Rescue 1122 (Project at Sr. No. 6) was disbursed post initiation of Procurement process by GB Rescue 1122, thus enabling them to have sufficient capital in their account for smooth award of contracts to vendors.

The reply is not satisfactory as the 1<sup>st</sup> quarter releases were made during July and October 2019 but the subsequent quarterly payment could not be released / not demanded by FIPs which shows that the FIPs are behind the financial and physical targets set out in Schedule-V (implementation plan) of GIAs.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the management admitted the stance of Audit which was due to the Covid-19 pandemic situation all over the country. However, the management explained that target date of the batch-1 projects have been extended till November, 21 for which necessary efforts are in progress for achievement of key targets.

No further progress was intimated till finalization of this report.

Audit recommends that progress towards achievement of goals and development projects be shared with Audit.

(AIR Para No. 43)

#### **4.6.2 Non-reconciliation of Accounts with Financial Implementation Partners (FIPs) – Rs 351.356 million**

According to the Grant Disbursement Manual, Fund shall regularly adjust / liquidate the advances provided to an FIP, against the Statement of Expenditure in at lease thirty (30) days.

According to Clause 6.3 (f) it is a mandatory requirement for the FIP to present Statement of Expenditures (SOEs), Bank Statement, Reconciliation of

Accounts and all the relevant details as shall be required by the Fund, on the prescribed formats which shall be subject to improvement from time to time, against the funds that have been provided as advance financing, on quarterly basis, with the following withdrawal application. The foregoing is without prejudice to the requirement of the FIP to submit an SOE of its' own share of financing with the withdrawal application;

NDRMF has released an amount of Rs 351.356 million to various FIPs out of its 70% share. It was observed that neither statement of expenditures against releases made by NDRMF (70% share) nor FIPs 30 % share were available on record. The detail is as under:

<b>Cheque No.</b>	<b>Date of Cheque</b>	<b>Quarter Payments</b>	<b>Name of FIP</b>	<b>Agreement No.</b>	<b>Amount (Rs in million)</b>
93788057	20-Dec-19	Qtr-1	Punjab Irrigation Department	GB-02	67,453,000
93788058	20-Dec-19	Qtr-1	Punjab Irrigation Department	GB-03	87,601,000
93788059	20-Dec-19	Qtr-1	Punjab Irrigation Department	GB-04	36,848,000
93788060	20-Dec-19	Qtr-1	Punjab Irrigation Department	GB-05	28,505,000
93788061	31-Dec-19	Q-1 & Qtr.-II	Pakistan Poverty Alleviation Fund (PPAF)	PB 005	57,439,139
93788064	27-Apr-20	Qtr-1	Rescue 1122, GB	GB 007	73,510,500
<b>Total</b>					<b>351,356,639</b>

Audit is of the view that this state of affairs is violation of contract clauses.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that the SOEs along with Withdrawal Application (WA) for liquidation have been submitted by all the FIPs as required in GIA and the same are under review. The liquidation process will take time ensuring due diligence and hence the reconciliation will be taken up subsequently. The entire Project and Finance Team of NDRMF remained committed with the conduct of Performance Audit, which has delayed the review process. As soon as the reconciliations are made the same shall be shared.

The reply is not convincing as the SOEs submitted by FIPs were neither provided during audit nor attached with the reply.

During the DAC meeting held on 7th September, 2021, the para was not discussed.

Audit recommends that the matter be taken up with FIPs for early submission of SOEs, followed by review and reconciliations as indicated in the management reply.

(AIR Para No. 44)

#### **4.6.3 Non-obtaining of NOC from Govt. of AJK / SDMA for the project titled “From Vulnerability to Resilience (V2R)”**

According to State Disaster Management Authority, Government of AJK, Muzaffarabad letter No. 1117-25 /2019 dated 23.08.2019, the Commissioners Muzaffarabad and Poonch Divisions were conveyed that Pakistan Red Crescent Society (PRCS) National Headquarter Islamabad is executing the V2R project in their jurisdiction without obtaining NOC from Government of AJK or consulting the relevant department. Therefore, the PRCS may not be allowed to execute any project without due compliance of mandatory procedure and obtaining of NOC from Government of AJK.

NDRMF signed GIA with PRCS Islamabad on 15.05.2019 for the project titled “From Vulnerability to Resilience (V2R)” for total project cost of Rs 228.139 million (NDRMF share 70% at Rs 159.577 & PRC 30% share at Rs 68.616 million). As per proposal, the project was to be launched in 4 districts of AJK i.e. Neelum, Bagh, Hattain and Sadhnoti. The area of intervention was construction of Flood Protection Walls, Water Conservation Structures, Land Slid Stabilization, CBDRM and CERT.

During audit it was observed that State Disaster Management Authority (SDMA) Govt. of AJ&K vide letter No. SDMA/Ops/1130-37/2019 dated 26.08.2019 informed the Secretary General PRCS National Headquarter Islamabad that SDMA acts as a focal point to facilitate and guide public and civil society organization in disaster resilience development planning and management of emergency response. The project of PRCS deviated from state DRM Policy, plan and road map which is unlawful and against the Government policy to start working on DRR related projects

without sharing the planned interventions and taking SDMA on board. The Secretary General PRCS National HQ Islamabad was informed to seize the activities in AJK till PRCS duly complies with the law and procedures.

It was further observed that a subsidiary agreement regarding project working modalities between PRCS National HQ Islamabad and PRCS AJK State Branch regarding implementation of V2R project in AJK was also signed. According to Clause 3 'Specific Roles and responsibility of the parties', PRCS AJK State Branch will be responsible for day-to-day implementation of filed activities. However, it was observed PRCS National Headquarter Islamabad is executing the projects in AJK and there was a conflict over the jurisdiction for execution of the project between NHQ and PRCS AJK. The matter is under litigation in Court of Law in AJ&K.

Audit is of the view that NDRMF entered in to GIA with PRCS NHQ without obtaining NOC from Government of AJK & related departments which resulted in unnecessary confrontation.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that as per procedures set forth, the accreditation is carried out as a preliminary step to ascertain the eligibility of a potential organization to become a FIP. PRCS HQ Islamabad, got accreditation as an entity while PRCS's AJK or any other Chapter did not apply for accreditation. Further, obtaining NoCs is the responsibility of FIP as provided in GIA's Clause 10 of Schedule III. PRCS NHQ decided to implement project in AJK under its direct supervision as a designated account for NDRMF funds was required to be maintained by NHQ in Islamabad and it was difficult to establish multiple tiers of project implementation. The staff engaged in implementation for this project was hired under PRCS NHQ contracts, however, their administrative management and monitoring in execution of project is supported by PRCS AJK chapter. There were few litigation issues in court of Law in AJK, however, all applications were withdrawn by the petitioners. Currently, there is no active case of conflict on project implementation. In addition, PRCS NHQ did not sign any subsidiary agreement with its local chapter in AJK for the project implementation. In case of PRCS operations, all projects implemented in provinces including AJK and GB are supported and supervised by National Head Quarters (NHQ).

The reply of the management is not acceptable because a case of conflict on project implementation is still pending before the Court of law in AJK which may halt the progress of project. Further, SDMA has also clearly shown its apprehensions

on the projects of PRCS NHQ Islamabad in the jurisdiction of state Government of AJK. Moreover, NOC from state Government of AJK was not produced.

During the DAC meeting held on 7th September, 2021, the para was not discussed.

Audit recommends that the matter be looked into by the management and NoC from concerned quarters be taken for smooth functioning of the project and to avoid wastage of funds.

(AIR Para No. 45)

#### **4.6.4 Non-obtaining of list of prioritized schemes / projects from respective departments / local administration of AJK**

In NDRMF, a Grant Implementation Agreement (GIA) for the project Vulnerability to Resilience (V2R) was signed between Pakistan Red Crescent Society (PRCS) Islamabad and NDRMF on 15.05.2019 for Rs 228.183 million (Rs 159.577 million and Rs 68.616 million to be shared by NDRMF and PRCS as 69.93% and 30.07% respectively). As per proposal, the project was to be launched in 4 districts of AJK. The area of intervention was construction of Flood Protection Walls, Water Conservation Structures, Land Slid Stabilization, CBDRM and CERT.

The Audit team selected one District Bagh for site visit / physical verification. It was observed that PRCS District Bagh signed a proposal for selection of union councils in district Bagh with District Chairman / Deputy Commissioner. As per proposal, 4 union councils were finalized namely UC Bagh, UC Dharra, UC Bani Passari and UC Birpani.

It was observed that record pertaining to identification of most vulnerable areas and prioritized projects with the concerned / line departments of District Bagh was not produced / available.

This state of affairs depicts that PRCS did not consult line departments for selection and prioritization of schemes / projects and apparently selected the schemes / projects on its own.

Audit holds that PRCS was required to approach local administration as well as the concerned departments for selection of projects in most vulnerable UCs / VCs of district Bagh. Further, selection of schemes without involvement of line departments may result in deprivation of as well as duplication of schemes.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that selection of sites for mitigation works is based on hazard mapping by engaging local communities in participatory exercise. Once approved, as per criteria set for financing mitigation works (safeguards/EIRR etc.), the portfolio will be shared with DRM Committee at AJK level which is headed by ACS Development for formal approval, to comply with the requirement defined in GIA. In addition, at local level, departments such as DC Office who is also Chairman of District Level Red Crescent Branch, is regularly updated on the PRCS projects in districts and a number of orientation meetings were conducted with district administration including local government, rural development, and other departments on identification of the mitigation projects.

The reply is not acceptable as no documentary evidences i.e. orientation meetings, correspondence with local administration and other departments / organizations etc. was produced.

During the DAC meeting held on 7th September, 2021, the para was not discussed.

Audit recommends that the matter be taken up with FIPs for prioritization of DRR schemes in coordination with line departments under intimation to audit authorities.

(AIR Para No. 46)

#### **4.6.5 Selection of Project without proper appraisal resulting in non-fulfillment of the basic purpose of Disaster Risk Reduction**

The NDRMF signed a GIA on 19.09.2019 with Punjab Irrigation Department for the project “Rehabilitation of Old DegNullah from Deg Diversion Channel to Q.B. Link Canal (R.D 0+000 to 103+000)”. The total project cost was Rs 449.345 million (70% NDRMF share at Rs 314.540 million + 30% PID share at Rs 134.803 million).

The project description revealed that the catchment area of DegNullah starts from Jammu and Kashmir and enters the territory of Pakistan in District Sialkot at L.O.C and finally outfalls in River Ravi. It was informed by the PID that there are three phases of DegNullah. On the first phase, the channelization work is under process by PID under PSDP scheme. The 2<sup>nd</sup> phase of DegNullah i.e. Deg Diversion Channel to QB. Link Canal (R.D 0+000 to 103+000) is in process with 70% share of

NDRMF. The 3<sup>rd</sup> phase of DegNulluh..e QB Link Canal onwards River Ravi is still unattended.

Audit is of the view that since the 3<sup>rd</sup> phase of DegNulluah is still unattended, the benefits of channelization i.e. disaster risk reduction cannot be achieved as the remaining area of DegNullah (QB Link to onwards River Ravi) will become inundated. This may cause economic as well as health hazard for the dwellers of the area, hence, the NDRMF policy for Disaster Risk Reduction will not be achieved.

In view of the aforementioned situation and to minimize the damages to crops, public properties and other infrastructures etc. it was necessary to channelize the Old DegNullah in its entire length from Deg Diversion Channel to River Ravi along with construction of appropriate structures over the drain.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that due diligence has been carried out during the appraisal of said project while taking into account the downstream impacts of proposed civil works. A reference is made to old DegNullah portion which falls after Q.B. Link Canal. It is to be noted that appropriate structures to mitigate the risk already exist and are supervised by Faisalabad Zone of Punjab Irrigation Department.

The reply is not acceptable because no documentary evidence i.e. record showing existence of appropriate structure at old DegNullah after QB Link Canal was produced.

During verification of record on 28.08.2020, a satellite image / map was produced to audit which does not serve the purpose. Further, no information / study related to downstream impacts was produced to audit.

During the DAC meeting held on 7th September, 2021, the para was not discussed.

Audit recommends that the matter be looked into properly for want of any action directed towards achieving the intended objectives of the project/DRR and removal of any bottlenecks.

(AIR Para No. 47)

#### **4.6.6 Approval of Emergency Services Projects in violation of PAM and Strategic Business Plan – Rs 1,755.65 million**

As per Overall Implementation Plan (Table 2) of Project Administration Manual, three (03) main outputs of NDRMF are as under:

Output 1	Establishment and operationalization of NDRMF
Output 2	Investments to reduce vulnerabilities to natural disasters
Output 3	Improved fiscal management of natural disaster risks.

The output 2 i.e. Investments to reduce vulnerabilities to natural disasters has been further elaborated as under:

- i. Retrofit 500 critical public (social) infrastructures
- ii. Retrofit /reconstruct 300-km of critical flood DRR Structure
- iii. National level MHVRA
- iv. 20 sub national MHVRA
- v. CBDRM plans prepared and executed in 50 vulnerable UCs
- vi. Install / replace two additional weather radars
- vii. Staff of forecasting organization trained in modeling and analysis
- viii. Develop criteria to access projects from DRR perspective

Strategic Business Plan 2018-2020, Table-8, (NDRMF Thematic Areas) Sr. No. 5 (Potential Projects for Phase-I) includes (i) Retrofitting of the infrastructure against disaster and climate change (Schools, hospitals and other important public facilities). (ii) Structural measures in flood prone areas (River works, embankment strengthening and protection walls), and (iii) Structural interventions for drought and dry land management.

Further, as per minutes of 4<sup>th</sup> Risk Management Committee dated 03.09.2019, NDRMF decided to ensure that only those projects involving infrastructure activities / schemes would be selected which were categorized as Category “B” and “C” projects from environmental and social safeguards aspects.

Contrary to above, audit observed that NDRMF signed GIA for Rs. 1755.65 million with FIPs for projects relating to strengthening of Emergency Services (ERS 1122) in KP and GB for procurement of vehicles and equipment etc. These projects have been reviewed by desk review, TAC, RMC and approved by the Board of Directors. The details are as under:

(Rs in million)

Sr. No.	Name of project	Total Cost	NDRMF Share (70%)	FIP Share (30%)	Progress / Remarks
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1	Strengthening of GB Emergency Service (Rescue 1122) at all Districts of GB	350.050	245.053	105.015	GIA signed on 26.11.2019 and an amount of Rs 73.510 million released
2	Disaster Preparedness Support Plan for Emergency Rescue Service (Rescue 1122) KP	613.850	429.700	184.150	GIA signed on 09.01.2020
3	Disaster Preparedness Support Plan for Emergency Rescue Service (Rescue 1122) Merged Districts of Sub Divisions of KP (Phase-II)	791.750	553.310	238.440	Approved by 14 <sup>th</sup> BOD meeting held on 20.03.2020
<b>Total</b>		<b>1,755.65</b>	<b>1,228.063</b>	<b>527.605</b>	---

Audit holds that ERS activities are not in line with PAM and Strategic Business Plan 2018-2020 of NDRMF.

Audit is of the view that such projects were selected which were not in accordance with PAM and approved Business Plan. The selection of these projects apparently seems just to increase the number of projects and utilization of funds.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that as per Objective # 2 of the Memorandum of Association, Fund is mandated to strengthen the technical and financial capacity of the Government of Pakistan to quickly respond to climatic and other natural hazards and disasters. Further, NDMP's Intervention 9 i.e. Establish national emergency response system, supplements to support the strengthening of Rescue Services. Moreover, as per the Result Framework of approved M&E Manual, the indicator 1.6 (c) mandates NDRMF to support establishment of such services. Furthermore, both PAM and Business Plan are "Living Documents" and can be revised/updated during the course of project/program implementation, whenever required. Further, in view of the valuable responses by Rescue 1122 Department with limited resources, the issue of supporting 1122 services was deliberated in detail, discussing the need identification of each item with justification to support, during proceedings/meetings of TAC, RMC and Board Meetings, wherein the members from NDMA, Provincial Government as well as ADB were also present.

The reply cannot be accepted as supporting and financing 1122 services by ignoring the main elements of outputs is violation of PAM and strategic business plan 2018-2020.

During verification of record dated 28.08.2020 NDRMF provided M&E manual (Annex-A Indicator Monitoring Framework Sr. No. 23) and Design and Monitoring Framework. However, the documents provided did not serve the purpose

as the approval of emergency Services Projects is not covered under key output as per 6<sup>th</sup> revised PAM. Further, the said activity was not in Strategic Business plan of NDRMF.

During the DAC meeting held on 7th September, 2021, the para was not discussed.

Audit recommends that suitable corrective measures be taken and in future the projects may be approved in line with the output 2 i.e. Investments to reduce vulnerabilities to natural disasters.

(AIR Para No. 48)

#### 4.6.7 Failure of FIPs to comply with Section 18.1 of Grant Implementation Agreements

According to Grant Implementation Agreement (GIA) signed with Financial Implementation Partners (FIPs), the FIPs shall follow prescribed timelines and pre-requisites with regards to the identification of infrastructure schemes involving civil works, for the purpose of regulatory safeguard studies as under:

Sr. #	Pre-requisites	Days
(a)	Submission of complete roster of the sites and complete details of at least 50% schemes, including but not limited to, identification of sites, designing of civil works, preparation of BOQs, their vetting etc. shall be completed and furnished to the Fund	90
(b)	Complete details of remaining infrastructure schemes, including but not limited to, identification of sites, designing of civil works, preparation of BOQs, their vetting etc. shall be completed and furnished to the Fund	120

NDRMF signed two separate GIAs with non-governmental entities i.e. Agha Khan Foundation and Pakistan Red Crescent Society (PRCS) during May and July 2019 respectively.

During scrutiny of record, it was observed that these FIPs failed to comply with the above referred clauses and despite lapse of one year the FIPs could not submit the details of schemes with identification of sites, designing of civil works, final BOQs etc. It was further observed that the final design and BOQs were still in process and work could not be advertised for award of civil works to contractors. The detail of two FIPs (selected as sample) is as under:

Sr. No.	Name of FIP	Name of Project	Date of signing of GIA	Current Status (As on 30.06.2020)
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1	Agha Khan Foundation (AKF)	Promoting Integrated Mountain Safety in Northern Pakistan (PIMSNP)	24.07.2019	Design consultant hired, third party vetting also carried out. Final design, BOQ has not been prepared. Civil Work not awarded till June 2020.
2	Pakistan Red Crescent Society (PRCS)	Vulnerability to Resilience (V2R)	15.05.2019	Design prepared by PRC. Third party vetting has not been carried out. Final design, BOQ has not been prepared. Civil Work not awarded till June 2020.

Audit is of the view that this state of affairs shows that NDRMF failed to implement the clauses of GIA which may result in delay in completion of projects and cost overrun cannot be ruled out.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that keeping in view NDRMF's experience with both public and non-public entities, NDRMF had carried out a "Lesson Learnt Exercise" in December 2019, wherein it was agreed that the time limit of 90/120 days is unrealistic and would require reconsideration/ enhancement. These recommendations were submitted to ADB and final decision will be taken in due course of time. GIA will then be accordingly modified.

The management admitted the stance of audit. The response / reply of ADB along with amended GIA, if any, may be produced to audit.

During verification of record dated 28.08.2020, the management produced copy of Lesson Learnt Report for verification which shows that recommendations have been made for extension in timelines in Clause 18.1. However, revised GIA duly approved and action for delay for already signed GIAs with FIPs was not provided to audit.

During the DAC meeting held on 7th September, 2021, the para was not discussed.

Audit recommends that the matter be taken up with the FIPs on priority basis to expedite the ongoing development projects and outcome be shared with audit authorities.

(AIR Para No. 49)

#### **4.6.8 Unjustified calculation of Economic Internal Rate of Return (EIRR)**

Para 37 (vii) of Project Administration Manual (PAM) requires that sub-project is technically feasible/viable and the proposed intervention provides the most cost-effective solution (comparing different option), and where applicable the

subproject's economically viability (an EIRR of 12% and above) is established based on economic analysis procedures acceptable to ADB (for all infrastructure and equipment in the investment component - DRR).

The scrutiny of record revealed that NDRMF calculated Economic Internal Rate of Return (EIRR) to assess the feasibility / viability of the sub-projects to take decisions accordingly. The detail of some projects are as under:

Sr. No.	Name of Department / Project	Total Cost Rs. in million	Period	EIRR	O&M Cost	Benefits
1	Punjab Irrigation Department, 4 schemes	1,323.32	21 years	16.5% to 18.3%	25.51	100.15
2	PRCS (V2R)	228.139	16 years	13.7% to 26.8%	0.04	0.40
3	Sindh Irrigation Department	748.411	20 years	13.15%	12.84	105.05

Audit observed as under:

- i. The O&M cost of the projects remains same over the period of project which is unjustified as the component of inflation was not considered.
- ii. The Benefits of the project over the period were kept same as documentary evidences i.e. agriculture area, fixation of rate of yield and infrastructure etc. was not available in record. The inflation rate was also not considered in the benefit part of the project.
- iii. The SOPs / mechanism for calculation EIRR was not approved from Board of Directors / Risk assessment committee of Board and consent of the ADB for fairness and transparency.
- iv. The basis of selection of 12% discount rate on all DRR project was not provided to audit

Audit is of the view that due to weak internal controls and lack of efficiency on the part of the management, the SOPs were not approved from competent forum and economic & financial analysis were kept under control of section / department approving the projects. The retention of constant factor relating to O&M and benefits were kept to increase the EIRR factor.

This state of affair shows that the wrong selection of project on the basis of EIRR cannot be ruled out.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that as per standard practice for deriving EIRR, the benefits and costs of the project are estimated either on the current prices or constant

prices. The projection of inflation is always difficult to estimate its future values. To overcome this issue, it is assumed that the prices of O&M costs and benefits of the projects will increase simultaneously and its overall impact is neutralized in cash inflows and cash outflows. Further NDRMF's consultant, who was a Senior Economist in the Planning Commission, each project's EIRR is reviewed by ADB designated consultant prior to submission for TAC/ RMC / BoD. Project Appraisal & Management Unit is a central unit responsible for ensuring compliance to the approved mechanisms for project appraisal. The unit coordinates the appraisal process both internally and externally and is responsible to ensure completion of all the required information/ documentation for subsequent approval by the competent for a.

The reply of the management is not cogent as NDRMF could not formulate SOPs and got them approved from the BoD for simultaneous implementation across the project. Further, while calculating the EIRR, the inflation, O&M cost and ground realities were not considered. Also, the basis for selection of 12% discount rate were not available on the record.

During the DAC meeting held on 7th September, 2021, the para was not discussed.

Audit recommends that the matter be placed before BoDs through Risk Assessment Committee to formulate a policy on EIRR.

(AIR Para No. 50)

#### **4.6.9 Non-initiation of MHVRA despite lapse of considerable time after signing of GIA**

PAM Para 5 Output 2 relates to investments to reduce vulnerabilities to natural disasters. This component provides funding through matching grants of up to 70% for a range of structural and non-structural interventions carried out by public sector entities or non-government organizations at the federal, provincial, district or community level. Eligible interventions are listed in the NDMP and NFPP-IV (para 7). Specific outputs under the project include: (iv) analytical work, such as multi-hazard vulnerability risk assessments for vulnerable districts and urban centers, including gender related vulnerabilities, as well as climate change research and studies. Further, according to Table-2 of implementation plan, National level MHVRA and 20 Sub-national MHVRAs completed was required to be completed by Q2-2018 and Q3-2019 respectively.

The scrutiny of record revealed that NDRMF was required to conduct National level Multi-hazard Vulnerability Risk Assessment (MHVRA) and 20 subnational MHVRA were to be completed. In this regard, NDMA submitted initial proposal for MHVRA at national level on 25.09.2018. The proposal for MHVRA was cleared after review from NDRMF desk review, TAC, Risk Assessment Committee and finally the project was approved in the 12<sup>th</sup> BOD meeting held on 19.03.2019. The letter of acceptance was issued to the NDMA on 08.04.2019 and the GIA was signed on 15.05.2019 with completion date 14.01.2021. Later on, NDRMF released an amount of Rs. 30.922 million vide cheque No. 41368585 and 93787851 dated 27.08.2019

It was observed that:

- i. GIA was signed in May2019, however, till date of audit i.e. June2020, work was not initiated to complete the project.
- ii. NDRMF took considerable time for receipt of proposal, issuance of letter of acceptance and release of 1<sup>st</sup> Quarter advance i.e. 11 months.
- iii. Cheques No. 41368585 and 93787852 were returned in cash book as un-presented by NDMA on 31.12.2019.
- iv. Work on 20 Sub-national MHVRAs could not be initiated till close of audit i.e. June2020.

Audit is of the view that due to weak performance of NDRMF, the project remained unattended and despite lapse of 2 years the project was not initiated and the desired outcomes could not be achieved in time.

The initial audit observation was issued to the management on 04.08.2020. In response the management replied that as per revised targets, NDMA was required to get the PC-I approved to contribute their 30% share. However, NDMA submitted PC-I for carrying out MHVRA for 100 districts instead of 15, for which planning commission could not provide the requisite funding and this matter is lingering on ever since. Since Feb/March 2020, NDMA is totally committed in Covid-19 response, Locust Emergency & cleanup of Karachi City. Repeated meetings were held with NDMA for expediting the project implementation besides reminding them through emails. To NDRMF's knowledge, some preparatory work has already been undertaken by NDMA. As soon as the situation normalizes the Chairman NDMA has promised to initiate the project.

The reply cannot be accepted as the project has been delayed and could not be started till date of audit viz. June 2020.

During verification of record held on 28.08.2020, the management produced a copy of reminder letter dated 17.08.2020 to chairman NDMA to expedite the matter regarding fulfillment of contractual obligation.

During the DAC meeting held on 7th September, 2021, the management of NDRMF informed that despite a number of deadlines provided to NDMA to open a dedicated assignment account for release of funds by NDRMF, the FIP is unable to make any progress in 18 month. The matter was taken up in BoD and after approval the GIA stands terminated.

No further progress was intimated till finalization of this report.

Audit recommends that the matter be taken up with NDMA at appropriate level to fix responsibility for non-utilization / lapse of funds and outcome be shared with audit authorities.

(AIR Para No. 52)

#### **4.6.10 Preparation of DRF Strategy without due diligence and proper involvement of stakeholders**

PAM Para 6 output-3 includes quantitative risk modeling analysis for the primary natural hazards faced by Pakistan and based on the results, development of a comprehensive national DRR strategy.

Subsidiary Grant Agreement Para 3.1 (B) provides that NDRMF shall provide an efficient mechanism for initiating and undertaking activities and qualified subprojects for design and developing risk financing instruments.

Para 3.01 (C) of Loan Agreement No. 3473-PAK provides quantitative risk modeling analysis to develop a comprehensive national disaster risk financing strategy, development of two priority financing instruments specified in the national disaster risk financing strategy and piloting of one of the priority financing instruments.

The scrutiny of record revealed that contract for Geo referenced Exposure Database for Catastrophe was awarded to M/s SUPARCO during FY 2019-20. The

contract in line with DRF strategy was awarded to 4 individual consultants out of which 2 are international consultants and two national consultants.

It was observed that a proposal was initiated during the month of November 2018 to develop a synergy group for due diligence to frame a DRF Strategy (DRF-SG) and intimation in this regard was forwarded to the quarter concerned during the month of November 2018.

Audit holds that:

- i. The fund was established in 2016 and preparation of DRF strategy is the 3<sup>rd</sup> output of project as envisaged in the PAM, Subsidiary Grant Agreement and loan Agreement but the matter was not taken up with the Provincial Governments and other stakeholders at initial stages.
- ii. The DRF-SG framed by the NDRMF was without approval of the Board of Directors. The nominations were not approved from the concerned Governments and other stakeholders which was important to ensure that the nominated personnel possess subject related experience required for effective implementation of the project.
- iii. The fund did not receive nominations from Finance Departments, Agriculture Department Government of Punjab, SDMA AJ&K and others even after a lapse of one and a half year.
- iv. The first draft of the DRF strategy was developed and shared with key stakeholders for due diligence. It was observed that pandemic and epidemic issues were not addressed in the draft document.

Audit is of the view that the matter was not taken up with the quarters concerned for nomination of personnel for due diligence which resulted in delay in nomination.

The initial audit observation was issued on 04.08.2020. In response the management replied that:

- i) The Fund was established in 2016, the first CEO assumed charge of his office in April 2018 and consequently the DRF portfolio was activated on 13th of August 2018.
- ii) According to clause 10.3 of the Limit of Authority Manual, duly approved by the Board, the Board delegates to the CEO all responsibilities, duties and management / administrative & financial powers to act on any matter. Further, each member of synergy group



is duly nominated by the respective ministry, department or authority. Hence, all the members on the Synergy Group are duly approved by the respective authority.

- iii) The Fund does not have the authority to force any ministry or department in sending nominations to the Synergy Group. Nonetheless, the Fund has written letters to the respective departments / authorities, soliciting nominations. The same is also followed up during provincial consultations.
- iv) The National level DRF strategy in its current format focuses on geophysical and hydro-meteorological hazards and associated disasters. The pandemic and epidemics have traditionally not been considered a part of the overall Disaster Management in Pakistan i.e. NDMP and NFPP-I. Upon the advent of Covid-19 and to legalize the expenditure made by NDRMF, the BOD in its 17<sup>th</sup> meeting, dated 20.03.2020 approved the inclusion of health pandemics and epidemics in the AoA.

The reply is not satisfactory as the matter was not taken up with the stakeholders at appropriate level well in time. The documentary evidences regarding taking up of the matter with the respective Federal / Provincial Government was not provided in support of reply. Moreover, the proof regarding inclusion of pandemic and epidemics was also not provided.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the Para was not discussed.

Audit recommends that the matter be placed before BoDs through Risk Assessment Committee for due diligence and necessary measures.

(AIR Para No. 55)

#### **4.6.11 Engagement of DRF consultants without having framework to develop DRF strategy**

The scrutiny of record revealed that contract was awarded to M/s SUPARCO for Geo referenced Exposure Database for Catastrophe in line with DRF Strategy during FY 2019-20.

NDRMF engaged DRF consultants to develop DRF strategy including 2 international consultants, out of which one was the team leader. The national

consultants were engaged for assistance for risk data maps and modeling for preparing DRF strategy during FY 2019-20.

Audit holds that:

- i. A road map / structure of DRF strategy to develop a comprehensive DRF strategy was not prepared.
- ii. Coordination mechanism among the consultants of the DRF Strategy was not available on record. The work plan chalked out by team leader or NDRMF to expedite the process was not available on record.
- iii. Responsibility to develop a comprehensive DRF Strategy by gathering data / output from of each member of consultant / firm was not available in the record and contract agreements.
- iv. As per PAM, the completion time was 1<sup>st</sup>Quarter of 2020, however no meaningful output was available in the record.

Audit is of the view that execution process was started without considering ground realities and structure of DRF strategy and contracts were awarded without having a detailed work plan / road map to proceed further.

The initial audit observation was issued on 04.08.2020. In response the management replied that:

- i) A complete structure of the DRF strategy, including prospective table of contents was developed before the actual work started on the DRF strategy, based on the extensive consultations with all the stakeholders and consultants at provincial and national level.
- ii) The missions of international consultants to Pakistan and visits of the national consultants were efficiently coordinated so that the entire team was together in the Fund at the time of working on their respective sections. Whereas, an international consultant was obliged to leave the country due to visa limitation; continuous interaction and coordination was in place via Skype and emails. Further, the entire work plan and coordination mechanism were carried out through email streams since the international consultants are not available in person all the time, being an extremely costly proposition.
- iii) Each consultant has an entirely different specialty, while, specific TORs have been designed and duly approved against each position; each consultant was responsible for specific sections of the strategy document. Each section was developed through data collection, data

cleansing, meetings and consultations by respective consultant. Hence, a complete clarity on their respective sections and responsibilities was clearly defined in TORs of the consultants from the very beginning.

- iv) The PAM as well as timeline of loan agreement have been revised. Therefore, the initial timelines mentioned in the PAM are not applicable. Hopefully the same would be completed by Q4-2020.

The reply is not acceptable as documentary evidences regarding road map / structure of DRF strategy, coordination mechanism between National / International consultant and responsibility for development of DRF strategy duly approved from competent authority were not provided in support of reply.

During the DAC meeting held on 7<sup>th</sup> September, 2021, the Para was not discussed.

Audit recommends that the matter be properly justified with documentary evidence.

(AIR Para No. 56)

## **5. Recommendations:**

Recommendations in audit reports of the Auditor General of Pakistan highlight actions that are expected to improve the performance of the audited entity when implemented. The appropriate and timely implementation of audit recommendations is an important part of realizing full benefit of the audit activity.

Audit recommendations are as under:

- i. Matters relating to fulfillment of requirements of Companies Act, Corporate Governance Rules, Articles of Association (AOA), Rules, Regulations and Polices set by Government of Pakistan and NDRMF be taken up at appropriate level so as to fully comply with to improve the governance structure of the Fund.
- ii. Complete Board of Directors (BoD) as well as Board committees be constituted for smooth functioning of the affairs of NDRMF.
- iii. Efforts be made to achieve the key targets with milestones within prescribed time. The development schemes shall be completed well in time to avoid further delays.
- iv. Financial discipline be maintained and steps be taken toward improvement of the financial management systems.
- v. The irregularities on account of irregular transfer of funds and tax refunds from FBR be got regularized from appropriate forum.
- vi. Irregularities pointed out in appointment of consultants and splitting of purchases be addressed through a fact-finding committee and corrective actions be taken accordingly.
- vii. Efforts be made to expedite the efficient and effective utilization of loan / Grant amount from donor beside timely withdrawal of loan / Grant for achievement of planned targets.
- viii. The pay scales of the officials be rationalized after consultation with Finance Division and already incurred expenditure be got regularized from appropriate forum.
- ix. Appointments be made in a most transparent manner in line with prescribed criteria. The violation of TORs and NDRMF HR Manual be investigated and responsibility be fixed for the lapses.

- x. Grant Implementation Agreement (GIAs) shall be signed with FIPs in consultation with stake holders to avoid the chances of conflict of interest ensuring completion of planned schemes / projects in time.
- xi. The start-up delay needs to be covered by strictly following the revised implementation schedule through timely completion of all agreed activities.
- xii. Schemes fulfilling the purpose of Disaster Risk Reduction Policy in line with provision of Project Administration Manual (PAM) and Strategic Business Plan be prioritized.
- xiii. Matter regarding preparation of Multi Hazards Vulnerability Risk Assessment (MHVRA) be expedited and completed on priority.
- xiv. Disaster Risk Financing (DRF) Strategy be prepared with due diligence involving all stake holders and DRF consultants be engaged with proper framework and coordination to develop DRF strategy.

It is expected that the NDRMF management will put in place appropriate systems for monitoring the implementation of recommendations given by the audit authorities in this audit report.

## 6. OVERALL ASSESSMENT

NDRMF was established in 2016 as a Company under Section 42 of Companies Act 2017 to enhance Pakistan resilience to climatic and other natural hazards and disasters. Since incorporation the Fund was not properly constituted and Board of Directors were not appointed as required under the Articles of Associations. The committees required for carrying out the purposes of the Fund were also not constituted and functional as required under Corporate Governance Rules-2013. This resulted into vesting of powers in the office of the Chief Executive Officer (CEO) nullifying the basic scheme conceived by the Government resulting in issues relating to economy, efficiency and effectiveness as highlighted in the audit observations.

**Economy:** In many cases procurements were made without open competitive bidding process which resulted into uneconomical procurements. Moreover, in a number of cases the hiring of consultants and support staff including senior, middle and junior level management were made without observing the prescribed criteria and without due diligence of BoD / HR Committee

**Efficiency:** Efficiency was compromised due to failure to withdrawn full amount of Loan / Grant proceed and non / less utilization of drawn funds, payment of commitment charges, delayed investment of Endowment Fund and transfer of funds for Covid-19 in violation of loan agreement.

**Effectives:** NDRMF could not withdraw the complete amount of loan. The planned targets could not be achieved within the set time which resulted into reduction of key targets as well as extension of time period. Further, physical and financial targets of developmental schemes/ projects could also not be achieved which indicates ineffectiveness in achieving the targets.

## **7. Conclusion**

**7.1 Key Issues for the Future:** NDRMF although made substantial progress in establishment of Fund and its operationalization after appointment of regular CEO, yet the Fund could not meet its targets as set forth in the Project Administration Manual (PAM), which requires review by the management. After the expiry of the term of the previous CEO in 2020, the Fund is being administered through stopgap arrangements. A fulltime CEO having the requisite qualification and skills to manage the Fund is a prerequisite towards the success of NDRMF. Moreover, the BoD and the Board Committees will have to play their due role as required to ensure that the Fund is able to perform the functions as conceived in proper manner.

**7.2 Lessons Identified:** For specialized Public sector entities established to achieve specific objectives like NDRMF, it is important that the policy maker and implementation agencies take concrete steps in timely manner to operationalize the entities as conceived, otherwise the aims and objectives and intended outcomes are likely to be compromised.

## ANNEXURES

### Annexure-A Para No. 4.2.2

#### a. Late achievement of targets

1	The NDRMF established and made operational	Deadline for completion as per RRP-Appendix-I	Actual Date of completion
1.1	Recruit individual consultants	by Q4 2016	Q2 2019
1.2	Disburse endowment proceeds of ADB's and the government's contributions to the fund	by Q4 2016	Q2 2018
1.3	Complete office establishment, key staff recruitment, and development of the operations manual (including safeguard, procurement, and gender policies)	by Q1 2017	Q1 2019
1.4	Procure office equipment, furniture, and vehicles	by Q1 2017	Q2 2019
1.5	Finalize and have the NDRMF approve the accreditation and subproject selection criteria	by Q1 2017	Q2 2018
1.6	Issue the first batch of requests for proposals	by Q2 2017	Q3 2018
1.7	Operationalize the requisite institutional governance, monitoring, fiduciary, procurement, safeguard, and gender policies and procedures	by Q2 2017	Q1 2018 to Q2 2019
1.8	Establish and staff an environmental, social, safeguard, and gender unit	by Q2 2017	Q3 2018
1.9	Establish list of accredited implementation partners	by Q3 2017	Q2 2018
1.10	Approve first batch of subprojects	by Q4 2017	Q1 2019

#### b. Non-achievement of targets

1	The NDRMF established and made operational	Deadline for completion	Status of completion
1.11	Develop, test, and deploy a comprehensive ERP for the fund	by Q4 2018	Not Completed
2	Investment to reduce vulnerability to natural hazards increased		
2.1	Design awareness campaigns for the general public, vulnerable communities, and women	by Q3 2017	Not Completed
2.2	Finalize criteria to assess all new development projects financed by the government's regular budget from a DRM perspective with cost-benefit analysis	by Q1 2019	Not Completed
2.3	Conduct 50 CBDRM plans and/or activities in vulnerable union councils and/or cities	by Q2 2019	Not Completed
2.4	Support modeling and analysis capability and advance training of a forecasting organization	by Q2 2019	Not Completed



2.5	Install and/or replace two weather radars to expand the geographic coverage of an early warning system	by Q3 2019	Not Completed
2.6	Retrofit 500 critical public (social) infrastructure	by Q3 2019	Not Completed
2.7	Conduct 20 subnational MHVRAs (including climate change and gender-related vulnerabilities) in the most vulnerable districts and/or cities	by Q3 2019	Not Completed
2.8	Retrofit and/or reconstruct 300 km of critical flood disaster risk reduction structures	by Q3 2019	Not Completed
3	Analytical work and products to improve the fiscal management of disaster risk completed		
3.2	Complete risk data, maps, and modeling to develop a national DRF strategy	by Q3 2018	Not completed
3.3	Develop a national DRF strategy	by Q4 2018	Not completed
3.4	Develop two DRF instruments for pilot testing	by Q2 2019	Not completed
3.5	Commence pilot testing of one DRF instrument	by Q4 2019	Not completed

**Annexure-B**  
**Para No. 4.2.4**

Sr. No.	Names	Positions	Commencement Date	Cheque No.	Payment made (Rs)	Amount of Tax @ 16%
1	Ms. Rabiya Mukhtar	Structural Design Engineering Specialist	30-05-2019	162,766,489	150,000	24,000
2	Mr. Ehsan Saqib	GIS Specialist	30-05-2019	162766488 176741546	120,000	19,200
3	Mr. Naunehal Shah	Community Based Disaster Management Risk Specialist	30-05-2019	152714157 162766487 162766543 176741545 176741596 176741706	1,000,000	160,000
4	Muhammad Farooq	Project Economic & Financial Analysis Specialist	12/2/2019	162,766,545	1,106,000	176,960
5	MrShaban Babar	Human Resource Management Specialist	27-11-2019	162766544 176741597 176741706	2,720,000	435,200
6	Dr. Muhammad Shahid Iqbal	Hydrologist	30-05-2019	152714158 176741547 176741684	1,025,000	164,000
<b>Total</b>					<b>6,121,000</b>	<b>979,360</b>

**Annexure-C**  
**Para No. 4.2.5**

Sr. No.	Name of Vendor	Equipment Supplied	Invoice Amount	GST	Amount retained as per Contract	Withholding Tax	Net Amount Paid to Vendor	Cheque No.	Date
1	M/s Transworld Business Machines	Photocopier	5,879,860	854,339	-	264,594	4,760,927	4469392	24.04.2019
			-	-	-	-	854,339	29136398	24.02.2019
	<b>Total</b>		<b>5,879,860</b>	<b>854,339</b>	<b>-</b>	<b>264,594</b>	<b>5,615,266</b>		
2	M/s Transworld Business Machines	IT Equipment	2,725,000			122,625	2,602,375	93788008	03.08.2018
3	M/s Transworld Business Machines	IT Equipment	3,639,850	27,084	-	163,793	3,476,057	4469219	15.11.2018
4	M/s Transworld Business Machines	IT Equipment	6,623,450	962,382	-	298055	6325395	4469240	10.12.2018
5	M/s Infotec Business	Generator	9,523,038	1,383,689	-	428,537	7,710,812	4469393	24.04.2019
			-	-	-	-	1,383,689	29136399	24.04.2019
	<b>Total</b>		<b>9,523,038</b>	<b>1,383,689</b>	<b>-</b>	<b>428,537</b>	<b>9,094,501</b>		
6	M/s NAD Furniture Pvt. Ltd.	Furniture & Fixture	5,162,301	750091	258120	206496	3,947,684	4469247	14.12.2018
			-	-	-	-	750,091	99066688	14.12.2018
	<b>Total</b>		<b>5,162,301</b>	<b>750,091</b>	<b>258,120</b>	<b>206,496</b>	<b>4,697,775</b>		
7	M/s NAD Furniture Pvt. Ltd.	Furniture & Fixture (LOT-3)	2,527,785	367,285	126,389	96,056	3,630,590		08.01.2019
8	M/s NAD Furniture Pvt. Ltd.	Furniture & Fixture (LOT-4)	2,207,556	320,786	110,378	83,887		4469270	08.01.2019
							688,041	99066700	08.01.2019
	<b>Total</b>		<b>4,735,341</b>	<b>688,071</b>	<b>236,767</b>	<b>179,943</b>	<b>4,318,631</b>		
9	M/s NAD Furniture Pvt. Ltd.	Furniture & Fixture (LOT-3)	1,682,168	244,417	84,108	63,922	2,412,276	4469318	28.02.2019
10	M/s NAD Furniture Pvt. Ltd.	Furniture & Fixture (LOT-4)	1,464,138	212,738	73,207	55,637			
			-	-	-	-	457,156	29136379	
	<b>Total</b>		<b>3,146,306</b>	<b>457,155</b>	<b>157,315</b>	<b>119,559</b>	<b>2,869,432</b>		
11	M/s NAD Furniture Pvt. Ltd.	Furniture & Fixture (LOT-3)	763,425	25,840	38,171	29,010	721,669	28195530	29.04.2019
12	M/s NAD Furniture Pvt. Ltd.	Furniture & Fixture (LOT-4)	177,840	110,925	8,892	6,758			
			-	-	-	-	136,765	129136400	26.4.2019
	<b>Total</b>		<b>941,265</b>	<b>136,765</b>	<b>47,063</b>	<b>35,768</b>	<b>858,434</b>		
13	M/s NAD Furniture Pvt. Ltd.	Furniture & Fixture (LOT-3)	2,634,197	382,746	131,710	100,099	2,784,098	104469276	24.01.2019
14	M/s NAD Furniture Pvt. Ltd.	Furniture & Fixture (LOT-4)	997,074	144,874	49,854	37,889			24.01.2019
			-	-	-	-	527,621	122681555	24.01.2019
	<b>Total</b>		<b>3,631,271</b>	<b>527,620</b>	<b>181,564</b>	<b>137,988</b>	<b>3,311,719</b>		
15	M/s Adventure Communication Ltd.	Cleaning and Clearing of Total area and dismantling of unwanted previous installations (LOT-1)	2,457,000	357,000	117,936	98,200	2,240,784	104469234	27.11.2018
16	M/s Adventure Communication Ltd.	LOT-2	3,059,601	444,557	152,980	116,265	2,345,799	4469267	01.01.2019
			-	-	-	-	444,557	99066696	01.01.2019

	<b>Total</b>		<b>3,059,601</b>	<b>444,557</b>	<b>152,980</b>	<b>116,265</b>	<b>2,790,356</b>		
17	M/s Adventure Communication Ltd.	LOT-1 & 2	2,333,214	339014					
			2491096	361954					
			2106497	306072			6858572	4469288	
			2,014,757	292742			1299783	22681557	29.01.2019
	<b>Total</b>		<b>8,945,564</b>	<b>1,299,782</b>	<b>447,279</b>	<b>339,932</b>	<b>8,158,355</b>		
18	M/s Adventure Communication Ltd.	LOT-1 & 2	898,852	130,602			2,782,259	104469332	08.03.2019
			2,730,020	396,670			527,272	129136383	08.03.2019
	<b>Total</b>		<b>3,628,872</b>	<b>527,272</b>	<b>181,444</b>	<b>137,897</b>	<b>3,309,531</b>		
19	M/s Adventure Communication Ltd.	LOT-1 & 2	10,869,838				13,265,033	128195569	30.05.2019
			6,431,607				2,513,885	141839136	30.05.2019
	<b>Total</b>		<b>17,301,445</b>	<b>2,513,885</b>	<b>865,072</b>	<b>657,455</b>	<b>15,778,918</b>		
20	M/s Adventure Communication Ltd.	LOT-5	4,999,130		249,957	213,713	3,809,091	4469266	
			-	-	-	-	726,369	99066695	
	<b>Total</b>		<b>4,999,130</b>	<b>726,369</b>	<b>249,957</b>	<b>213,713</b>	<b>4,535,460</b>		
21	M/s Apcon Engineering & Technology	LOT-05	2,428,475	352,855	157,315	119,559	1,850,379	4469317	28.02.2019
			-	-	-	-	352,855	29136378	28.02.2019
	<b>Total</b>		<b>2,428,475</b>	<b>352,855</b>	<b>157,315</b>	<b>119,559</b>	<b>2,203,234</b>		
22	M/s Apcon Engineering & Technology	LOT-05	1,798,819		89,941	76,900	1,370,611	4469333	08.03.19
			-	-	-	-	261,367	129136384	08.03.19
	<b>Total</b>		<b>1,798,819</b>	<b>261,367</b>	<b>89,941</b>	<b>76,900</b>	<b>1,631,978</b>		
23	M/s Apcon Engineering & Technology	LOT-03	6,607,192				5,034,356	128195623	28.06.2019
			-	960,019	330,360	282,457	960,019	141839150	28.06.2019
	<b>Total</b>		<b>6,607,192</b>	<b>960,019</b>	<b>330,360</b>	<b>282,457</b>	<b>5,994,375</b>		
24	M/s Apcon Engineering & Technology		2,474,952				1,885,796	4469277	24.01.19
			-	359,604	123,748	105,804	359,604	22681556	24.01.19
	<b>Total</b>		<b>2,474,952</b>	<b>359,604</b>	<b>123,748</b>	<b>105,804</b>	<b>2,245,400</b>		
25	M/s Apcon Engineering & Technology		4,999,130				3,809,091	4469266	01.01.19
			-	726,369	249,957	213,713	726,369	99066695	01.01.19
	<b>Total</b>		<b>4,999,130</b>	<b>726,369</b>	<b>249,957</b>	<b>213,713</b>	<b>4,535,460</b>		
	<b>Grand Total</b>		<b>89,262,562</b>	<b>12,969,809</b>	<b>3,728,882</b>	<b>3,636,580</b>	<b>81,948,825</b>		

**Annexure-D  
Para No. 4.2.9**

Sr. No.	Description	FY	Name of Firm Shortlisted	Amount
1	Remodeling, Renovation & Interior Décor	2018-19	M/s Adventure communications (Pvt) Ltd.	10,536,708
2	Wooden, Aluminum and Portioning	2018-19	M/s Adventure communications (Pvt)	12,750,071

	Work		Ltd.	
3	Supply of Office Furniture	2018-19	M/s NAD Furniture (Pvt). Ltd., Islamabad	13,215,735
4	Supply of Office Accessories & Electrical Appliances	2018-19	M/s NAD Furniture (Pvt). Ltd., Islamabad	7,682,688
5	Supply & installation of networking system, Electrical Power, Telephone Exchange, Data Networking, Public Address System, CCTV, WiFi & Multimedia	2018-19	M/s ApCON Engineering & Technologies, Lahore	12,559,455
6	Office Furnishing System (Fixtures)	2018-19	M/s Adventure communications (Pvt) Ltd.	10,869,838
7	Office Furnishing System (Telephones Installation, Access Control System)	2018-19	M/s Adventure communications (Pvt) Ltd.	6,431,607
8	Office Furnishing (Accessories)	2018-19	M/s ApCON Engineering & Technologies, Lahore	6,607,192
9	Heavy Duty Photocopier	2018-19	M/s Transworld Business Machine (TBM)	5,879,860
10	Generator Sets	2018-19	M/s Infotec Business, Rawalpindi	9,523,038
11	Fund Operations	2018-19	M/s Transworld Business Machine (TBM)	6,623,450
12	Computer Equipment	2019-20	M/s Transworld Business Machine (TBM)	6,415,971
13	Computer Equipment	2019-20	M/s Info Tec Business	792,230
				<b>109,887,843</b>
1	Procurement of Vehicles		Toyota Fortuner	6,959,072
2	Procurement of Vehicles		Suz. Bolan 800cc	853,691
3	Procurement of Vehicles		Toyota Corolla Altis	2,612,704
4	Procurement of Vehicles		Toyota Corolla Altis	2,612,704
5	Procurement of Vehicles		Toyota Corolla Altis	2,612,704
6	Procurement of Vehicles		Toyota Corolla Altis	2,612,704
7	Procurement of Vehicles		Toyota Corolla Altis	2,612,704
8	Procurement of Vehicles		Toyota Corolla GLI MT	2,330,904
9	Procurement of Vehicles		Toyota Corolla GLI MT	2,330,904
10	Procurement of Vehicles		Honda Civic	3,601,500
11	Procurement of Vehicles		Toyota Hilux Revo	5,822,670
			<b>Total</b>	<b>34,962,261</b>
			<b>Grand Total</b>	<b>144,850,104</b>
			<b>Rate of Stamp duty @ 0.0025</b>	<b>362,125</b>

**Annexure-E**  
**Para No. 4.4.7**

Lot No.	Lots / Packages	RFQs	FY	Name of Firm Shortlisted	US \$	Quoted Rates
1	Remodeling, Renovation & Interior Décor	12.10.2018	2018-19	M/s Adventure communications (Pvt) Ltd.	79,224	10,536,708
2	Wooden, Aluminum and Portioning Work	12.10.2018	2018-19	M/s Adventure communications (Pvt) Ltd.	95,865	12,750,071
3	Supply of Office Furniture	12.10.2018	2018-19	M/s NAD Furniture (Pvt). Ltd., Islamabad	99,367	13,215,735

4	Supply of Office Accessories & Electrical Appliances	12.10.2018	2018-19	M/s NAD Furniture (Pvt). Ltd., Islamabad	57,765	7,682,688
5	Supply & installation of networking system, Electrical Power, Telephone Exchange, Data Networking, Public Address System, CCTV, WiFi& Multimedia	12.10.2018	2018-19	M/s ApCON Engineering & Technologies, Lahore	94,432	12,559,455
<b>Total</b>					<b>426,653</b>	<b>56,744,657</b>
1	Office Furnishing System (Fixtures)	01.02.2019	2018-19	M/s Adventure communications (Pvt) Ltd.	77,642	10,869,838
2	Office Furnishing System (Telephones Installation, Access Control System)	01.02.2019	2018-19	M/s Adventure communications (Pvt) Ltd.	45,940	6,431,607
1	Office Furnishing (Accessories)	25.03.2019	2018-19	M/s ApCON Engineering & Technologies, Lahore	46,859	6,607,192
<b>Total</b>					<b>170,441</b>	<b>23,908,637</b>
<b>Office Equipment</b>						
1	Heavy Duty Photocopier	04.02.2019	2018-19	M/s Transworld Business Machine (TBM)	42,301	5,879,860
2	Generator Sets	04.02.2019	2018-19	M/s Infotec Business, Rawalpindi	68,511	9,523,038
						<b>15,402,898</b>
	Fund Operations	05.10.2018	2018-19	M/s Transworld Business Machine (TBM)	0	6,623,450
<b>Grand Total for 2018-19</b>					<b>597,094</b>	<b>102,679,642</b>
	Computer Equipment	29.07.2019	2019-20	M/s Transworld Business Machine (TBM)	0	6,415,971
	Computer Equipment	29.07.2019	2019-20	M/s Info Tec Business	0	792,230
<b>Total</b>						<b>13,831,651</b>
<b>Grand Total for 2018-19 &amp; 2019-20</b>					<b>597,094</b>	<b>116,511,293</b>

**Annexure-F**  
**Para No. 4.5.2**

Sr. No.	Name	Designation	Date of Birth	Date of Joining NDRM F	Qualification	Qualification & Experience required according to TORs	Detail of record produced	Result of verification
1	KhurramKhalid Khan (E-157)	General Manager - Projects & Operations	30-Sep-61	13-Mar-19	MBA, BSc Civil Engineering	Master's degree in Climate Change, Disaster Management, Project Management, Finance, Economics, Civil or Environmental Engineering or related fields; (ii) at least 16 years of relevant work experience with 5 years in senior management positions;	Bachelors degree produced.	MBA degree is required The MBA degree was not provided to ascertain the specialization.
2	Malik Najaf Khan(E-123)	Manager - Project Appraisal & Management	11-Aug-75	13-Aug-18	MSc Agriculture (Honors)	(i) Must possess a Master Degree or Advance Degree in Disaster Risk / Reduction / Management, Urban and Regional Planning (Hazard Planning), Geography, Environmental Sciences, Engineering, Economics, or closely related field with specific expertise in DRR Management , excellent knowledge of DRR / Management (national and international) (ii) Minimum 12 years of relevant professional experience (General), 7 years professional experience in DRR	Degree alongwith CV produced.	Irrelevant degree and qualification. The candidate did not have relevant degree and experience.

3	Dr. Kamal Ahmed (E-125)	Deputy Manager - Disaster Risk Financing	27-Mar-85	13-Aug-18	Ph.D UME, MS REM	(i) Master's degree in economics, finance or any other related discipline. (ii) At least 08 years of specific experience of working in Pakistan in disaster risk management, with some level of exposure to designing financing instruments to reduce the impacts of disasters.	CV and Degrees produced.	The candidate completed MS and PHD w.e.f 2014 to 2018 and provided experience as senior lecturer, visiting faculty and short term consultant w.e.f Jan.-2011 to July-2018. Therefore, the post qualification experience / working experience was not available.
4	Zohra Bano (E-115)	Deputy Manager - Gender	11-Jul-83	19-Jul-18	Master of Gender Studies	(i) Advanced university degree in Gender Studies, Social Science, International Development or Humanitarian Studies; (ii) At least 8years' work experience in the development sector with a focus on gender mainstreaming;	CV, Degree and referral check produced	Degree relevant, Experience only 3 years in Deputy program manager irrelevant as required. As whole.
5	Muhammad Ashraf * Termed Contract (E-161)	CEO Secretariat Coordinator	1-Jun-53	16-Apr-19	Matriculation	(i) 14-years of education in Business Administration, Finance, Commerce or Economics (ii) 04-years relevant experience in a reputable and large public sector or private organization.	CV and Degrees produced.	The candidate did not have relevant degree and length of experience is less as per TOR and irrelevant.
6	Shehar Bano Syed (E-167)	Corporate Governance Executive	1-Apr-95	4-Jul-19	BA LLB Honors	(i) 14-years of education in Business Administration, Finance, Commerce or Economics (ii) 04-years relevant experience in a reputable and large public sector or private organization.	CV and Degrees produced.	Qualification is irrelevant. Advance degree / Specialization was not provided. The candidate has irrelevant experience i.e. Trainee officer corporate and legal, teaching assistant, Director HR 2 years,

7	Muzza mmil Ahmed (E-147)	Assistant Manager - Procurem ent	19-07- 1989	14-Jan- 19	Masters in Business Administ ration (MBA), BBA	(i) An advanced degree in a suitable discipline or field of study, preferably SCM or in Engineering/ or Finance; (ii) Preferably Four (04) years of experience in management, including work in the public sector and project management.	Degree and CV produced	The employee holds Master degree in Arts (theology) which is irrelevant as required in TOR. Experience is also irrelevant
8	Unber Khan (E-131)	Assistant Manager - Monitori ng & Evaluatio n	7-Apr- 88	5-Nov- 18	Masters of Arts	(i) Post graduate degree in social science, GIS/ remote sensing, Geography, Anthropology or another relevant field. (ii) 04 years' experience of working with state organization, development partners or INGO's.	Degree, certificates and CV produced.	The candidate having Bachelor of Science degree, however the requirement as per TORs was social sciences. The documentary evidence regarding social science was not provided. The candidate served as Major in Pak Army however, experience as per required in TOR was not available.
9	Major Aamer Raza (Retd) (E-141)	Assistant Manager - Administ ration	3-Nov- 78	1-Jan- 19	Bachelors of Science - PMA	(i) 14 years of education in business administration or social sciences from a recognized university. (ii) At least 8 years of experience in administration, logistics management and other administration related duties.	Degree, certificates and CV produced.	Bachelor degree in politics and economics however equivalence was not available. 2 years service in consultancy firm but the field of experience not mentioned. 2 year experience in "Soch" NGO not verified.
10	Ali Rafi (E-135)	Special Assistant to Chief of Staff	29- Nov- 94	5-Dec- 18	BS Honors Politics & Economic s Joint Major	(i) 14-years of education in Business Administration, Finance, Commerce or Economics (ii) 04-years relevant experience in a reputable and large public	Degree, certificates and CV produced.	The candidate did not have relevant degree.



						sector or private organization.		
11	Imran Bhatti (E-149)	Facility Management Coordinator	4-Nov-94	24-Jan-19	Bachelor of Arts	(i) 14-years of education in Business Administration, Finance, Commerce or Economics (ii) 04-years relevant experience in a reputable and large public sector or private organization.	Degree, certificates and CV produced.	The candidate did not have relevant degree.
12	Sadia Rasheed (E-142)	Front Desk Executive	2-Jan-89	7-Jan-19	BA Textile & Fashion Designing	(i) 14-years of education in Business Administration, Finance, Commerce or Economics (ii) 04-years relevant experience in a reputable and large public sector or private organization.	Degree, certificates and CV produced.	The candidate did not have relevant degree.
13	Mubarak Shah (E-156)	Internal Audit Assistant	15-Feb-89	28-Feb-19	BA, MA Political Science	(i) 14-years of education in Business Administration, Finance, Commerce or Economics. (ii) 02-years relevant experience in a reputable and large public sector or private organization.	Degree, certificates and CV produced.	The candidate did not have relevant degree.
14	Muhammad Adil Tameer (E-159)	Support Services Group Assistant	11-Oct-93	25-Mar-19	BE Information Technology	(i) 14-years of education in Business Administration, Finance, Commerce or Economics (ii) 04-years relevant experience in a reputable and large public sector or private organization.	Degree, certificates and CV produced.	The employee holds BE degree in IT which is irrelevant as per TORs. Further the experience is also in IT field which is also irrelevant as required.
15	Madiha Sehar (E-163)	P&OG Coordinator	11-Aug-87	9-May-19	Masters of Science (honors)	(i) 14-years of education in Business Administration, Finance, Commerce or Economics (ii) 04-years relevant experience in a reputable and large public sector or private organization.	Degree, certificates and CV produced.	The employee holds BSc Hon. Agriculture which is irrelevant as per TORs. The candidate did not have relevant experience.

16	IhsanUllah (E-164)	Media Assistant	12-Jan-88	10-Jun-19	Bachelors of Computer Science	(i) 14-years of education in Business Administration, Finance, Commerce or Economics (ii) 04-years relevant experience in a reputable and large public sector or private organization.	Degree, certificates and CV produced.	Degree is irrelevant and field of experience is also irrelevant as IT Developer etc.
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