



**AUDIT REPORT
ON
THE ACCOUNTS OF
CDGL (SWM) / LAHORE WASTE
MANAGEMENT COMPANY**

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

BOD	Board of Directors of Company
COSO	Committee of Sponsoring Organization of Treadway Commission
CG	Corporate Governance
DAC	Departmental Accounts Committee
DCO	District Coordination officer
DDC	District Development Committee
DGA	Director General Audit
DGPR	Director General Public Relation
DO	District Officer
ECNEC	Executive Committee of National Economic Council
EDO	Executive District Officer
EPA	Environment Protection Agency
ESMP	Environment and Social Management Plan
FBR	Federal Board of Revenue
FD	Finance Department
F&P	Finance and Planning
HR	Human Resource
JMF	Job Mix Formula
JV	Joint Venture
LC	Letter of Credit
LWMC	Lahore Waste Management Company
MB	Measurement Book
MRS	Market Rate Schedule
NAM	New Accounting Model
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PDFPR	Punjab Delegation of Financial Powers Rules
P&D	Planning and Development
PFR	Punjab Financial Rules
PDG & TMA	Punjab District Governments & Tehsil Municipal Administration
PDWP	Provincial Development Working Party

PLGO	Punjab Local Government Ordinance
POL	Petroleum Oil and Lubricants
PPRA	Punjab Procurement Regulatory Authority
SAAMA	Services and Asset Management Agreement
SAP	System Application Product
SECP	Security Exchange Commission of Pakistan
S&GAD	Services and General Administration Department

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 115 of the Punjab Local Government Ordinance 2001, require the Auditor General of Pakistan to Audit the accounts of the Provincial Governments and the Accounts of any authority or body established by, or under the control of, the provincial government. Accordingly, the audit of all Receipts and Expenditures of the District Government Fund and Public Account of District Government as well as audit of the Companies established under Section 42 of Companies Ordinance 1984 at the behest of District Government is the responsibility of the Auditor General of Pakistan, specifically by virtue of audit jurisdiction spelled out within the meaning of Section 9 & 11 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001.

The report is based on audit of the accounts of Lahore Waste Management Company, for the financial years 2012-16. The Directorate General of Audit District Governments Punjab (North), Lahore conducted audit of LWMC during financial year 2016-17 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1.00 million or more. Relatively less significant issues are listed in the Annex-A of the Audit Report. The Audit observations listed in the Annex-A shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

The audit results indicate the need for adherence to the regulatory framework as well as environmental laws besides instituting and strengthening enforcement of Environmental legal frameworks, paradigm shifts and strategies to tackle environmentally hazardous solid waste in effective manner also preventing environmental degradation so as to achieve value for money through integrated governance interventions curbing, wastages and redundancies in consonance with norms of probity and propriety.

Most of the observations included in this Report have been finalized in the light of written responses received from the LWMC management. However, DAC meeting could not be convened despite repeated reminders served on the management as correspondence made in this connection remained un-responded till finalization of this report.

The Audit Report is submitted to the Governor of the Punjab in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, who shall cause it to be laid before the Provincial Assembly of Punjab.

Islamabad
Dated

(Rana Assad Amin)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit (DGA), District Governments, Punjab (North), Lahore is responsible to carry out the audit of District Governments, Tehsil / Town Municipal Administrations and Union Administrations of three (03) City District Governments and sixteen (16) District Governments. Its Regional Directorate of Audit, Lahore has Audit jurisdiction of District Governments, TMAs and UAs of one (01) City District Government i.e. Lahore and four (04) District Governments i.e. Kasur, Sheikhpura, Okara and Nankana Sahib.

The Regional Directorate of Audit Lahore has a human resource of 21 officers and staff having 5,271 man-days and annual budget of Rs 28.982 million for the financial year 2016-17. It has mandate to conduct Financial Attest, Regularity & Compliance with Authority Audit and Performance Audit of programmes / projects/ activity. Accordingly, RDA Lahore carried out Audit of accounts of Lahore Waste Management Company, Lahore for the Financial Years 2012-16 recognized as an extended limb of the City District Government Lahore.

LWMC under section 42 of the Companies Ordinance 1984 was established on 19th March 2010. The company is limited by guarantee having no share capital and is formed not for profit within the meaning of Section-42 of the Companies Ordinance. The LMWC is governed by a Board of Directors (BODs), headed by a Chairman.

Audit of Lahore Waste Management Company was carried out with a view to ascertaining whether the expenditure was incurred with proper authorization and in conformity with laws / rules / regulations and procurement of assets and hiring of services etc. were economical or otherwise.

Audit of receipts / revenues was also conducted to verify whether the assessment, collection, reconciliation, and allocation of revenues were made in accordance with laws and rules and there was any leakage of revenue or otherwise.

a) Scope of Audit

Audit of Accounts of Financial years 2012-16 was conducted. Total Expenditure incurred was Rs 614.275 million, Rs 8,476.111 million, Rs 9,126.287 million and Rs 10,960.580 million in financial years 2012-13, 2013-14, 2014-15 and 2015-16 respectively.

b) Recoveries at the instance of Audit

Recovery of Rs 4,884.13 million was pointed out whereas no recovery was affected during the Audit Year 2016-17 till finalization of the report.

c) Audit Methodology

The audit year 2016-17 witnessed intensive application of Desk Audit techniques in this Directorate. This was facilitated by access to live SAP/R3 data to the extent of transfer payments released in favor of LWMC, use of internet facility, and availability of permanent files. Desk review helped auditors in understanding the systems, procedures, and environment of the audited entity before starting field activity. This greatly facilitated in the identification of high risk areas for substantive testing in the field.

d) Audit Impact

A number of improvements, as suggested by audit, in maintenance of record and procedures, have been initiated by the concerned office bearers in LWMC. However, audit impact in the shape of change in rules has not been significant due to non-convening of regular PAC meetings. Had PAC meetings been regularly held, audit impact would have been manifold.

e) Comments on Internal Controls and Internal Audit Department

Internal control mechanism of Lahore Waste Management Company was not found satisfactory during audit. Many instances of weak Internal Controls have been highlighted during the course of audit which includes some serious lapses like withdrawal of public funds devoid of authorization. Negligence on the part of public functionaries may be captioned as one of the important reasons for weak Internal Controls.

f) The key Audit findings of the report

- i. Misappropriation of funds amounting to Rs 45.984 million was reported in nine cases.¹
- ii. Non-production of record amounting to Rs 30,128.634 million was noted in one case.²
- iii. Irregularity and non-compliance of Rs76,968.896million was noted in 67 cases.³
- iv. Recovery of Rs 4,884.130million was noted in 15 cases.⁴

¹ Para 1.2.1.1-9

² Para 1.2.2.1

³ para 1.2.3.1.1-15, 1.2.3.2.1-12, 1.2.3.3.1-10, 1.2.3.4.1-18, 1.2.3.5.1-6, 1.2.4.1-17

⁴ Para 1.2.12,1.2.1.8,1.2.1.6,1.2.1.9,1.2.3.4.15,1.2.2.2.8-9,1.2.4.12,1.2.4.7, 1.2.3.2.12, 1.2.3.2.5, 1.2.4.2

g) Recommendations

- i. The PAO needs to investigate the matter at appropriate forum for taking cognizance of fraudulent drawl and fictitious payments.
- ii. The PAO needs to take appropriate action for non-production of record.
- iii. Management needs to comply with the Public Procurement Rules for economical and rational purchases of goods and services.
- iv. Inquiries need to be held to fix responsibility for losses, unauthorized/irregular payments, and wasteful expenditure.
- v. The PAO needs to make efforts for expediting the realization of various outstanding receipts and receivables.
- vi. The revenue generation plan for realization of user charges need to be activated upon proper authorization.

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

Rs in million

Sr. No.	Description	No.	Budget
1	Total Entities (PAOs) under Audit Jurisdiction	01	34,348.493
2	Total formations under Audit Jurisdiction	01	34,348.493
3	Total Entities (PAOs) Audited	01	34,348.493
4	Total formations Audited	01	34,348.493
5	Audit & Inspection Reports	01	34,348.493
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

Table 2: Audit Observations regarding Financial Management

Rs in million

Sr. No.	Description	Amount Placed under Audit Observation
1	Non production of record	30,128.634
1	Asset management	25.98
2	Financial management	22,688.413
3	Internal controls	59,104.978
4	Others	142.15
TOTAL		112,090.155

Table 3: Irregularities Pointed Out

Rs in million		
Sr. No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operations	76,968.896
2	Reported cases of fraud, embezzlement, theft and misuse of public resources	34.795
3	Accounting Errors (accounting policy departure from NAM ¹ , misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of Audit opinions on the financial statements	74
4	Quantification of weaknesses of internal controls systems	0
5	Recoveries and overpayments, representing cases of established overpayment or misappropriation of public money	4,884.130
6	Non-production of record	30,128.634
7	Others, including cases of accidents, negligence etc.	0
TOTAL		112,090.455

¹ The Accounting Policies and Procedures prescribed by the Auditor General.

CHAPTER-1

1.1 Lahore Waste Management Company

1.1.1 Introduction of Company

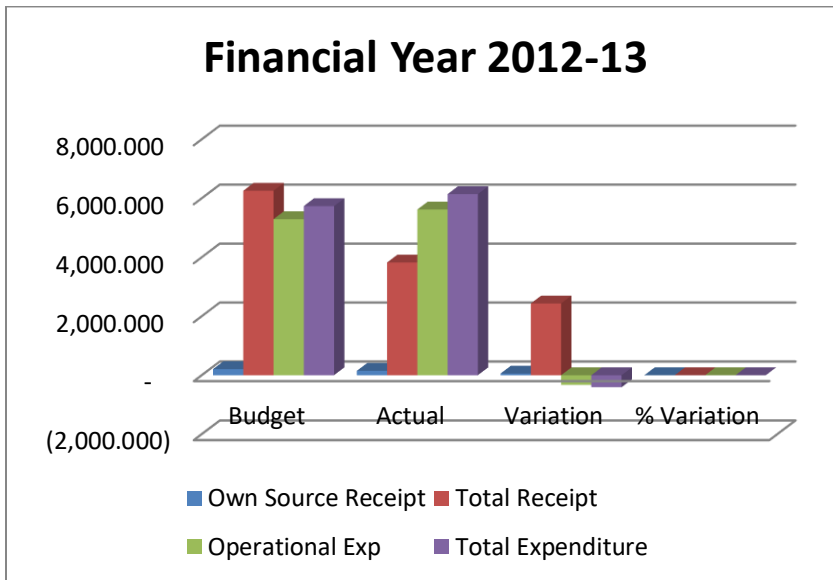
LWMC under section 42 of the Companies Ordinance 1984 was established on 19th March 2010. The company is limited by guarantee having no share capital and is formed not for profit within the meaning of Section-42 of the Companies Ordinance. The LMWC is governed by a Board of Directors (BODs), headed by a Chairman. Through an agreement called SAAMA (Services and Asset Management Agreement), all the functions and assets of SWM department of CDGL and the TMAs have been entrusted to LWMC. LWMC aims to develop an integrated system of solid waste management to ensure efficient collection, transportation, recovery, treatment and disposal of the waste generated in Lahore. The registered office of the Company is located at Shaheen Complex, Egerton Road, Lahore.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

The Budget and Actual Receipt & Expenditure of Lahore Waste Management Company for last four years is as under:

Rs in million

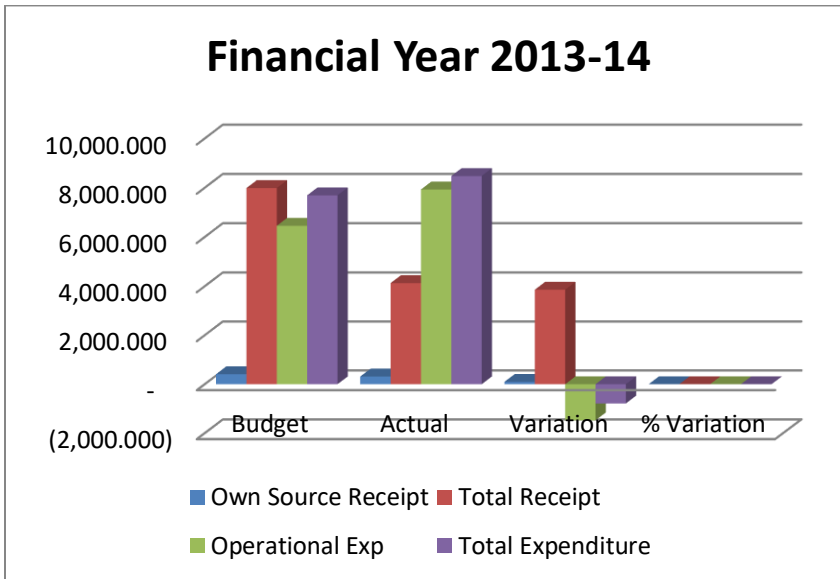
Financial Year	Description	Budget	Actual	Variation	% Variation
2012-13	Own Source Receipt	205.052	148.631	56.421	27.52%
	Total Receipt	6,257.182	3,824.263	2,432.919	38.88%
	Operational Exp	5,293.185	5,620.559	(327.374)	-6.18%
	Total Expenditure	5,736.993	6,142.275	(405.282)	-7.06%



In financial year 2012-13, Actual Own Receipt and Total Receipt are less than budgeted by 27.52% and 38.88 % respectively whereas Actual Operational Expenses and total expenditure are more than budgeted expenditure by 6.18 % and 7.06 % respectively.

Rs. in million

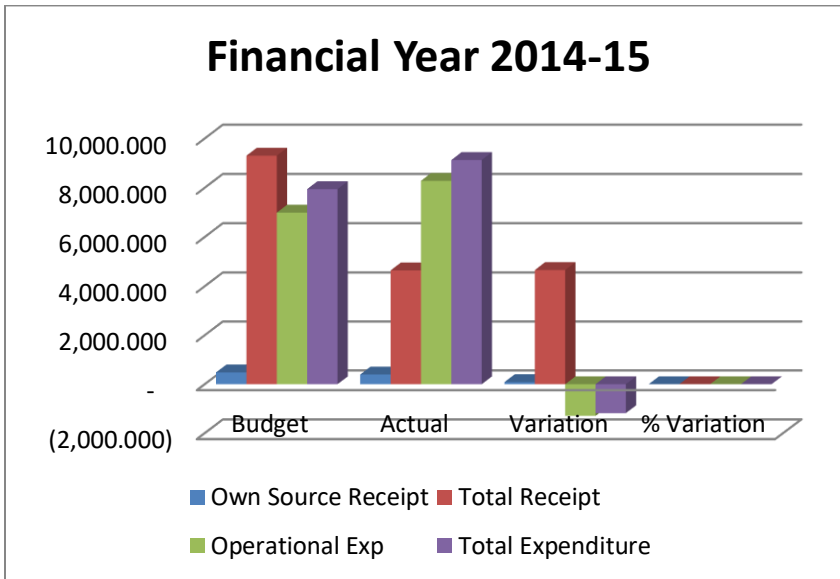
Financial Year	Description	Budget	Actual	Variation	% Variation
2013-14	Own Source Receipt	409.576	315.414	94.162	22.99%
	Total Receipt	7,988.196	4,129.473	3,858.723	48.31%
	Operational Exp	6,454.998	7,930.036	(1,475.038)	-22.85%
	Total Expenditure	7,690.856	8,476.111	(785.255)	-10.21%



In financial year 2013-14, Actual Own Receipt and Total Receipt are less than budgeted receipt by 22.99 % and 48.31 % respectively whereas Actual Operational Expenses and total expenditure are more than budgeted by 22.85% and 10.21% respectively.

Rs. in million

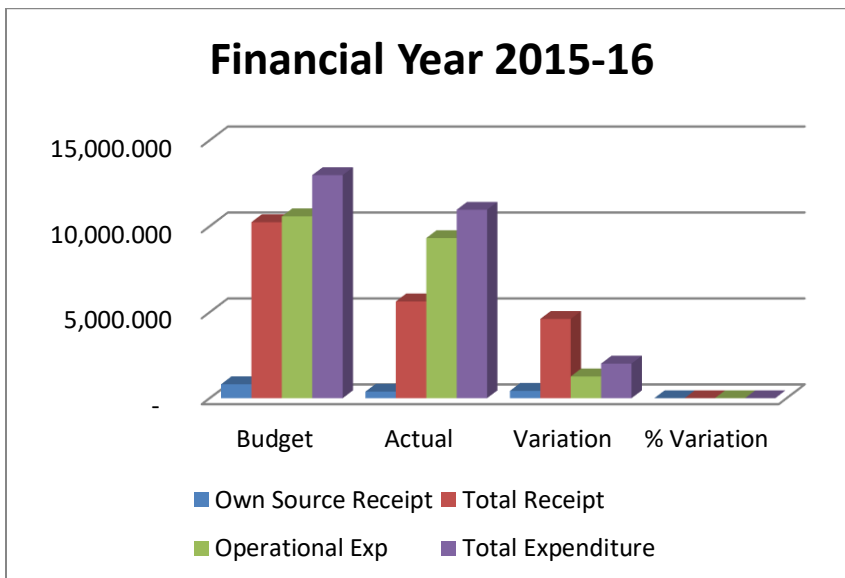
Financial Year	Description	Budget	Actual	Variation	% Variation
2014-15	Own Source Receipt	481.503	397.105	84.398	17.53%
	Total Receipt	9,303.092	4,644.423	4,658.669	50.08%
	Operational Exp	6,989.144	8,281.620	(1,292.476)	-18.49%
	Total Expenditure	7,943.678	9,126.287	(1,182.609)	-14.89%



In financial year 2014-15, Actual Own Receipt and Total Receipt are less than budgeted receipt by 17.53 % and 50.08 % respectively whereas Actual Operational Expenses and total expenditure are more than budgeted by 18.49% and 14.89% respectively.

Rs. in million

Financial Year	Description	Budget	Actual	Variation	% Variation
2015-16	Own Source Receipt	812.167	383.542	428.625	52.78%
	Total Receipt	10,239.135	5,628.900	4,610.235	45.03%
	Operational Exp	10,580.294	9,313.891	1,266.403	11.97%
	Total Expenditure	12,976.966	10,960.580	2,016.386	15.54%



In financial year 2015-16, Actual Own Receipt and Total Receipt are less than budgeted receipt by 52.78 % and 45.03 % respectively whereas Actual Operational Expenses and total expenditure are also less than budgeted by 11.07% and 15.54% respectively.

1.1.3 Brief Comments on the Status of Compliance with PAC/ZAC Directives

The Audit Reports pertaining to following years were submitted to the Governor of the Punjab:

Status of Previous Audit Reports

Sr. No.	Audit Year	No. of Paras	Status of PAC/ZAC Meetings
1	2012-13	05	Not convened

1.2 AUDIT PARAS

1.2.1 Misappropriations

1.2.1.1 Non-transparent Award of Contract for Hiring of Chain Bulldozers Rs 8.640 million

As per Rule 38(2)(a)(vi), (vii) & (viii) of Punjab Procurement Rules 2014, “after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned un-opened to the respective bidders; and the bid found to be the lowest evaluated bid shall be accepted. Further as per Para 3.3 of Procurement Manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him. Moreover, according to Rule, 4 of PPRA, 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

Audit observed that LWMC opted to hire chain bulldozers for Land fill site at Lakhodair despite the fact that as per Services and Asset Management Agreement (SAAMA) two bulldozers, 59 dumpers and 15 front end loaders stood transferred to its inventory from CDGL. This equipment could have been deployed for the purpose at Lakhodair site or Mehmood Booti site. On advertising, the hiring of chain bulldozer on PPRA web site, one firm namely “Samcon” submitted its bidding documents. The bid was rejected adducing the reasons of non-submission of financial bid in time whereas record revealed that Senior Manager Finance had already received the said bidding document on 27-11-2015 which was the closing date for its submission. The bid was unduly rejected on the ground that the same was submitted late, which was not the case and as a matter of fact, the bidder had also been included in technical evaluation. Further, during technical evaluation, M/S Samcon faced rejection of bid due to non-submission of the financial bid. Astonishingly, financial bid of Samcon stood returned owing to want of fulfillment of technical requirements was a self-contradictory position. In addition, M/S Rana Rashid Ali & Co, another firm was also communicated rejection of bid letter despite the fact, neither bid document of the firm was taken on company’s record nor technical evaluation was done. Resultantly,

M/S Webog Global was unduly awarded the contract of Rs 8.640 million as a proven instance of mis-procurement.

Audit holds that procurement committee favored the selected firm i.e M/S Webog Global by intentionally disqualifying M/s Samcon and Rana Rashid Ali & Co through concealment / mis-statement of facts also circumventing the compulsion to abide by imperatives of bringing value for money in competitive and transparent manner due to collusive practices.

Department replied that Chain bulldozers were not in worthy condition. M/s Samcon did not follow single stage two envelope procedure and had not submitted the financial bid. Rana Rashid Ali & Co also did not submit the bid in time. Departmental reply was not tenable as it was borne on record of the Company that Technical evaluation was rejected due to non-submission of the financial bid and financial bid was returned owing to non-compliance of technical requirements. The record appended with reply was also at variance with record compiled at the time of technical evaluation which was even more serious a lapse. Further, late submission of rejected bid was ruled out. The management had not denied transfer of chain bulldozers from CDGL and against the transferred inventory, no mention of un-serviceable / beyond economical repair status had been mentioned. Ironically, no process of auctioning of the said machinery was finalized to justify hiring on rent from private firms. The deployment of these chain bulldozers prior to hire purchase mentioned in the Audit findings are not disowned either. Even otherwise, the technical assessment as to the working condition and cost of M&R for these inventory items was also not brought on record. The requirement to deploy chain bulldozers was not to be catered through a separate source with additional cost. As per minutes of 3rd BoD meeting, two chain bulldozers of NLC for rehabilitation of Mehmood Booti site were requisitioned from Commissioner Lahore according to item 9 of minutes of meeting.

This resulted in loss of Rs 1.845 million to public exchequer.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for affecting recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.3]

1.2.1.2 Fraudulent Payment of Rs 8.147 million

As per Para 3.3 of Procurement Manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.” Further, as per Rule 4 of Procurement Rules 2014, “Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Audit observed that the Company made payment of Rs 8.147 million to M/s Sha. Saadat Ali & Co for test and studies for the feasibility study of Waste to Energy Project. Tender was uploaded on PPRA website on 10-03-2016. In response only one firm i.e M/S Sheikh Saadat & Co submitted its bid. The Bid Evaluation Committee comprising G.M (P&C), CFO and Internal Auditors did not vet technical evaluation of the firm but evaluation was only approved by Manager (P) who was not member of technical evaluation committee. M/S Sh. Saadat & Co was a construction company and did not possess any experience in terms of validly applicable accreditation to carry out tests and studies in Environmental and Energy projects. Further, Financial Bid of firm was opened on 13-04-2016 which was subsequently recommended for award of contract by .G.M (P&C), G.M (Operations) and CFO and approved by Managing Director. The contract was awarded to the firm vide letter No.1486 dated 25-04-2016. Coincidentally, the same feasibility study for Waste to Energy project had been completed and submitted by M/s Eco Air on 20-02-2016 to LWMC. It seems that tests and studies of the project already carried out by M/S Eco Air in spite of being integral component of the said job order were again entrusted to M/S Sh. Saadat & Co. constituting fake and fictitious payment.

Audit holds that fictitious expenditure was booked and paid due to defective financial discipline and weak internal controls.

This resulted in loss of Rs 8.147 million to public exchequer.

Management replied that M/s Saadat & Co had relevant experience and cost of tests was not included in contract price with M/S Eco Air. Reply was not tenable as contract was awarded after the submission of

feasibility report by Eco Air. As a matter of fact, experience certificates submitted by M/s Saadat & Co were about compaction tests etc

The matter was again reported to the Management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for affecting recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.8]

1.2.1.3 Fraudulent Award of Contract for Purchase of Safety Gadgets - Rs 6.526 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, "a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that LWMC made payment of Rs 6.526 million to M/S A&M Associates for purchase of safety gadgets for desilting. Five firms participated in the bidding process. GM Chowdri & Sons was disqualified in terms of purportedly false assertion that firm had not been registered with Sales Tax Department. The fact of the matter is that M/S G.M Chowdri got registered with Income Tax Department w.e.f 21-03-2002 and Sales Tax Department w.e.f. 29-10-1998. Secondly, M/S SS Traders was technically ousted on the unsubstantiated knock out condition on the premise that the firm's tax payer status for three years and income tax returns were not submitted with the concerned authorities. Actually, SS Trader turned out to be an active tax payer when checked from FBR web site. It was illogical that the firm whose status for tax compliance was active as to how it would not be registered with tax authorities, three year before. Audit is of the view that the facts of M/S Chowdri & Sons were concealed and mis-stated.

Audit holds that non transparent contract for purchase of safety gadgets worth Rs 6.526 million was awarded due to defective financial discipline and weak internal controls.

This resulted in mis-procurement of Rs 6.526 million from public exchequer.

Management replied that M/s G.M Chowdri& Sons was not registered with Sales Tax Department at the time of bid submission. SS Trader was registered with tax department since 15-12-2013. Reply was not cogent as documentary evidence submitted by LWMC in support of its reply shows that M/s G.M Chowdri stood registered with Income Tax w.e.f. 21-03-2002 and Sales Tax Department w.e.f. 29-10-1998.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends seeking regularization of the matter in prescribed manner besides fixing of responsibility on person(s) at fault under intimation to Audit.

[PDP No.53]

1.2.1.4 Fake Payment for Plantation on Landfill Site Rs4.79 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him. Agreement between LWMC and CEVKA CEA JV and bidding document namely “Bill of Quantities” did not encompass any provision for landfill site plantation to be maintained for one year. Furthermore, the mandate of physical verification of roads/ structures had been conferred upon the Audit Teams during DGs Conference in terms of a directive by Auditor General of Pakistan circulated vide DG Audit Sindh letter No. DGAS/PPC/Policy/2015-16/467/TR-316 dated 20-04-2016. In addition thereto, as per para 127 (6) and 129 (i) of PWD Code, payment for all work done should be made on the basis of measurement recorded in MB in accordance with the work actually done at site, measured in person by the SDO and he will be responsible for general correctness of the bill as a whole. Moreover, according to Rule 4 of PPRA, 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

Audit observed that plantation and its maintenance was paid for Rs2,837,106 for period of one year out of development funds. No plantation was found on Lakhodairlandfill site on physical verification of Audit. Further, same was not permissible / authorized through operative bill of quantities. Moreover, Company also awarded contract for supply and maintenance of plants on 01-10-2014 to M/s Pattoki Nizami Nursery Farm for dumpsites at MahmoodBooti and Lakhodairworth Rs 1.85 million with a disregard to the principle of value for money.

Audit holds that fake and wasteful payments were made ignoring norms and canons of probity and propriety due to defective financial discipline and weak internal controls.

Management replied that M/S CEVKA CEA JV made plantation at LOT 1&2 of landfill site Lakhodairwhereas Pattoki Nizami Nursery Farm made plantation on entrance and weigh bridge. Reply was not acceptable as no plantation was done by CEVKA CEA in proximity with LOT 1&2. Further, a very few plants could be seen at entrance and weigh bridge which signified that maintenance of plants had been neglected at the outset and payment made turned out to be wasteful. Value for money principle was compromised. Further, terms and conditions of environmental clearance for growing 20,000 trees were breached due to administrative lapse.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking write off of losses as well as regularization of expenditure besides fixing of responsibility against person(s) at fault under intimation to Audit.

[PDP No.5 & 44]

1.2.1.5 Fraudulent award of Contract - Rs 1.845 million

As per Rule 38(2)(a)(vi), (vii) & (viii) of Punjab Procurement Rules 2014, “after the evaluation and approval of the technical proposal, the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned un-opened to the respective bidders; and the bid found to be the lowest evaluated bid shall be accepted. Further according to Sr. No. 6(i) of Schedule-II of Punjab District Government Rules of Business 2001,

prevention and control of infectious and contagious diseases is the responsibility of District Health Department. According to Finance Department Govt. of Punjab's letter No. IT(FD)3-7-2000 dated 1-1-2001, on completion of the project, the concerned executing agency will render a completion certificate and statement of accounts together with refund of residual balance of the amounts placed at his disposal to the concerned DDO for his record.

Audit observed that LWMC arrogated to itself the role and functions of CDGL Health Department without securing transfer of funds for expenditure meant for Dengue eradication purpose. Moreover, the company made payment of Rs 1.845 million to M/S Third Eye Media for "Development and Release of TV add on Local Channels". The TV advertisement was related to Dengue awareness and monsoon which was not under the purview of the company. Mid of November was not the season of monsoon and Dengue mosquito infections. The contract was awarded to M/S Third Eye Media vide letter No. LWMC/GMP/2211 dated 24-10-2014 before undertaking technical and financial evaluation of the firm in question. The evaluation of the firm was made on 13-11-2014 for award of contract. The payment of Rs 1,845,000 was booked in accounts on 13-11-14 vide journalvoucher196 on the same date of evaluation. It is also worth mentioning here that same activity was advertised on PPRA website on 29-8-2014 expending amount worth Rs1.880 million and paid vide Journal Voucher 3 dated 01-10-2014 to M/S Third Eye Media.

Audit holds that fake expenditure was booked and paid due to defective financial discipline and weak internal controls.

This resulted in loss of Rs 1.845 million to public exchequer besides burdening of additional liability upon the company forced to cope with the resource crunch and serious questions of financial sustainability.

Department replied that date on award letter was inadvertently put as 24th October instead of 14th November. Further, dengue awareness was under purview of LWMC as it was on frontline in eradicating this menace and spending a lot every year. Dengue seasons stretched from March to November. Departmental reply was not tenable. Dak Diary record relating to this case showed the date of dispatch of award letter to fall on 18-11-2014 instead of 14-11-2014. Job completion on the part of contractor could not commence before 18-11-2014 which was the date of dispatch of award letter. Delivery challan of the project delivered was not brought on the record. Moreover, relevance of value for money during the currency of overstretched dengue season up to November was

conspicuous by absence. The replication of functions assigned to offices of LWMC which were extraneous to jurisdictional mandate of SAAMA ousting the role of LWMC unless funds transfer and requisition of services materialized from CDGL. Proper requisition from CDGL or revision in SAAMA agreement was warranted before undertaking award of this contract. The admission of spending of lot of funds on Dengue by LWMC further requires moving a case to seek transfer of funds from concerned Agencies upon whom the role of dengue eradication specifically devolved.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends recoument of funds besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.2]

1.2.1.6 Fake Procurement of Awareness Material - Rs1.817 million

As per Rule 38(2)(a)(vi), (vii) & (viii) of Punjab Procurement Rules 2014, “after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned unopened to the respective bidders; and the bid found to be the lowest evaluated bid shall be accepted. Further, according to Rule 4 of PPRA, 2014, A procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

Audit observed that payment of Rs1.817 million was made to World Trans Logistics for provision on necessary items for awareness at EidulAzha 2014. Advertisement was uploaded on PPRA website on 28-08-2014 whereas Managing Director accorded permission for incurrence of expenditure on 29-08-2014. Firm was technically and financially evaluated on 8-10-2014. Award letter bearing No. LWMC/GMP/2035 dated 04-10-2015 was issued on a date which was before completion of technical and financial evaluation of firm in question. Further, EidulAzha event was celebrated on 06, 07 & 08 of October 2014. The awareness campaign of event did not precede the

Eid celebrations but were belatedly carried out at the very time of celebration rendering the awareness campaign redundant as the outset which was not comprehensible.

Audit holds that fake expenditure was booked and paid due to defective financial discipline and mis-procurement.

This resulted in loss of Rs 1.817 million to public exchequer.

Management replied that Managing Director accorded approval of the evaluation on 3rd October. Reply was not tenable as documentary evidence provided by LWMC in support of its reply revealed the date of approval to the contrary falling on 8th October.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends imposition of recovery besides fixing responsibility against the person(s) at fault under intimation to Audit

[PDP No.10]

1.2.1.7 Doubtful Procurement of Material - Rs 1.500 million

As per rule 4 of Punjab Procurement Rules 2014, Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. As per Para 3.3 of procurement manual of Lahore Waste Management Company, a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that LWMC procured awareness material for celebration of Independence Day for Rs1.500 million vide Letter No.LWMC/GMP/2483dated 10-08-15. Material was delivered on 13 & 14th August as per delivery note of Hussain & Co. Goods Received Note for all items was prepared by company on 13-08-2015. Material received on the day of celebration was not logical to corroborate timely consumption as distribution and installation/fixing items was not possible. Further, company failed to provide distribution and delivery record of procured material.

Audit holds that doubtful procurement of material was made due to defective financial discipline and weak internal controls.

Management replied that most of material was received on 13th and few items were received on 14th August well before the celebrations. Reply was not tenable as installation/ fixing items was not possible to serve the requisite purpose. Delivery time was not adhered to by the supplier so as to defeat the value for money principle.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends initiation of an independent detailed inquiry besides fixing responsibility against person(s) at fault under intimation to Audit.

[PDP No.101]

1.2.1.8 Fake Payment of Rs 1.040 million

As per Rule 4 of Punjab Procurement Rules 2014, “Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Audit observed that tender for Waste Characterization Study was uploaded on PPRA website on 20-11-2014 with the closing date 04-12-2014. Tender was cancelled on 11-12-2014 on account of the reason that “No firm qualified for bid”. Cancellation of Tender was also uploaded / published on PPRA website. Contrary to cancellation of tender, M/s Sh. Saadat & Co was awarded the contract for waste characterization study for Rs1.040 million vide letter No. LWMC/GMP/97 dated 06-01-2015. Further, Waste Characterization Study was conducted to explore technologies for waste to energy project. Earlier the company had hired the services of ECOAir for waste to energy project in the beginning of 2013. Pre-feasibility study report was submitted in December 2013. The contract for conducting feasibility study was executed on 08-01-2015. It is worth mentioning here that M/s Sh. Saadat & Co was Construction Company having no experience of waste to energy projects etc. The contract awarded to Sh. Saadat & Co with identical scope of work inclusive thereof was already assigned to M/S ECOAir.

Audit holds that fake expenditure was booked and paid due to defective financial discipline and weak internal controls.

This resulted in loss of Rs 1.040 million to public exchequer.

Management replied that Waste Characterization Study was done for M/S RWMC as per consultancy agreement. Further bidder qualified the technical criteria. Management reply was not tenable as Tender was cancelled. Further, contract was awarded against two requisitions of waste characterization study one for LWMC for waste to energy project and other for RWMC. Experience certificates submitted by Saadat & Co were about compaction tests etc. Evidence of recouping of funds from RWMC against this outsourcing arrangement in terms of contractual obligation was also missing.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends imposition of recovery besides fixing responsibility against the person(s) at fault under intimation to Audit

[PDP No. 9]

1.2.1.9 Fraudulent payment of Rs 0.490 million

As per Rule 38(2)(a)(vi), (vii) & (viii) of Punjab Procurement Rules 2014, “after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned un-opened to the respective bidders; and the bid found to be the lowest evaluated bid shall be accepted.

Audit observed that company awarded contract for communication material in relation to EidulAzha 2014 to M/S World Trans Logistics vide Letter No. LWMC/GMP/2035 dated 04-10-2014 worth Rs 1.816 million. The expenditure thereof was booked vide journal voucher No 39 dated 29-10-2014 valuing Rs 1.816 million. Again Expenditure of Rs 489,699 was booked vide J.V No 196 dated 29-10-2014 against same award letter and invoice of M/S World Trans Logistics which was paid vide Bank Payment voucher No 167 dated 30-01-2015 . Hence, amount of Rs 489,699 was paid fraudulently to supplier.

Audit holds that excess expenditure of Rs 489,600 was booked and paid due to defective financial discipline and fraudulent practices.

This resulted in loss of Rs 489,600 to public exchequer.

Management replied that no fraudulent payment was made to the supplier. The excess expenditure booked in the system was adjusted accordingly. Reply was not tenable as evidence of adjustment settled against other claims was not provided without which temporary embezzlement could not be ruled out.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends imposition of recovery besides fixing responsibility against the persons at fault under intimation to Audit

[PDP No.14]

1.2.2 Non-Production of Record

1.2.2.1 NonProduction of Record - Rs. 30,128.634 million

According to Section 14 (2, 3) of Auditor General of Pakistan (Functions, Powers & Terms and Conditions of Service) Ordinance 2001, the officer in charge of any office shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition. Any person or authority hindering the auditorial functions of the Auditor General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person. As per para 6.16 of Financial Accounting Manual of Lahore Waste Management Company, "The retaining period of vouchers and supporting documents shall be ten years while ledgers, audited accounts and their supporting financial records shall be retained permanently for all accounts"

Management of Lahore Waste Management Company did not provide record relating to Turkish Contractors entailing expenditure for seven years with incurred cost already paid worth Rs 30,128.634 million despite repeated requests as detailed below:

Sr. No.	Description of Record
1.	Prequalification & bidding documents submitted by International Contractors e.g Albayrak, Ozpak
2	Prequalification procedure and minutes of prequalification committee proceedings. Bidding procedure and minutes of its committee. Approved evaluation criteria. Vetting of contract agreement as compared to bidding document draft prepared by designated consultant M/S ISTAC under the ambit of strategic waste management plan.
3	Record about inquiries held on the directions of BODs relating to mis-procurements
4	The approval of BOD for accepting the bid in Pakistani Rupee and record of subsequent amendment in currency unit for offers and payments as well as payment place and conditions incorporated in the bidding condition in terms of Article 18 and Article 40.1.20
5	Record of deviation / variation order
6	Record of clarification of bids under Article 29.
7	Detailed price analysis under Article 28.6
8	KPI under Article 36.1 of the Bidding Document
9	Enlisted catalogue of reports to be generated under Article 49.9 of the Bidding Document
10	Evidence of determination for transportation and food expenses meant for workers under Article 50.1.2 of the bidding conditions.
11	The list of employees engaged and salaries paid for by the contractor under Article 50.1.10.

12	Record showing penalties imposed on the staff at the behest of the contractor under Article 50.1.11
13	Proceedings of disciplinary procedures by a disciplinary committee under Article 50.1.12
14	Record for work schedule entailing extra fee to workers for further work under Article 50.1.17
15	Agreement with Medical Institutions for ensuring staff medical examination and enforcement of this agreement under Article 50.1.18
16	Record for procurement retention and maintenance of back up vehicles and equipments under Article 50.2.1&3
17	Approval of Technical committee for procuring vehicles to be supplied by contractor under Article 50.2.5
18	Inspection and survey reports mandated to a designated commission under Article 47.1
19	Record for time period of business extended under Article 44.2.2.
20	Evidence of site delivery in relation to technical specification document under Article 43.1
21	ISO 14001:2004 Environment Management System Quality Certificate, ISO 9001:2000 (including solid waste collection services) Quality Management System Certificate, OHSAS 18001 certification for occupational health and safety management which remain valid as of prequalification date and which are of international standards, or their copies certified by a competent authority as required under Article 8.2.4

Audit holds that contracts were awarded to Turkish Contractors by bypassing prequalification and bidding procedure to extend special favor to the contractors due to defective financial discipline and weak internal controls.

Management replied that the documents have already been provided and these were again being annexed herewith. Reply was not tenable as above demanded record was not provided during audit. Further, documents annexed with replies were only specimen documents issued to prospective bidders.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for production of record besides fixing of responsibility for awarding of contract without fulfillment of the conditions of prequalification and adherence to bidding procedure against person(s) at fault under intimation to Audit.

[PDP No.1]

1.2.3

Irregularities / Non-compliance

1.2.3.1

Corporate & Legal Issues

1.2.3.1.1 Unlawful Incorporation of LWMC

As per CG-2 of Strategic Solid Waste Management Plan, “Registration of LWMC with SECP, time frame for the task was 0-36 months”. Further, as per article 2 of Articles of Associations of LWMC, the subscribers to these presents and to the Memorandum of Association hereunto annexed shall be admitted to membership of the company as the first Board of Directors.

Audit Observed that Lahore Waste Management Company (LWMC) was incorporated under section 42 of Companies’ Ordinance 1984 by Registrar of Joint Stock Companies (EDO F&P) as per powers conferred by section 5 of Companies’ Ordinance 1984. The registration of the company was given effect by the incumbent EDO F&P who happened to be signatory/ promoter of the said company got registered as “not for profit” entity without expanding the strength of its membership. LWMC have no membership at all and shows no membership on its annual return furnished to the office of Joint Registrar of Companies. Further, as per Objective No 9, 10 and 29 of MOA of LWMC, the activities of the company would extend to whole of Pakistan and abroad. Further, Article VI (A) of MOA empowers LWMC to raise funds and accept grants, loans or financial assistance from any Government or organization whether, domestic or international for use in work consistent with the purpose and objects thereof. Moreover specific conditions of approved strategic plan stood violated on account of dormant efforts to seek SECP registration for LWMC.

Audit holds that LWMC is not lawfully incorporated by Registrar of Joint Stock Companies because its objectives are not confined to a single province. LWMC has not got extended the membership of the so called Not For Profit Company contravening clause 2 of the Article of Association. LWMC was incorporated by the very officer who happened to be one of its promoters. LWMC violated the binding condition of its strategic waste management plan and has conceded inexplicable time overrun on this account.

Management replied that LWMC’s objects were confined to single (Punjab) Province. As per section 5 of Companies’ Ordinance, 1984, the powers conferred by this Ordinance on the Federal Government or the Commission shall, in relation to companies which are not trading corporations and the objects of which are confined to a single Province, be the powers of the Provincial Government. Reply was not tenable on account of existence of above anomalies such as nil membership

contravention of the provisions set forth in company's own strategic plan and breach of Article of Association wherein expansion of membership is made a binding condition. The SECP oversight had been evaded by LWMC.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for prompt remedial action besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.24]

1.2.3.1.2 Unlawful Nomination of Directors of LWMC

As per section 178(6) of Companies' Ordinance 1984, the directors of a company not having share capital shall be elected by members of the company in general meeting in the manner as provided in Articles of Association of company. As per Article 23 of Articles of Association of Lahore Waste Management Company, company is limited by guarantee having no share capital and is formed not for profit within the meaning of section 42 of the Companies Ordinance 1984 and is purely owned and financed by the Government of the Punjab and the City District Government, Lahore, thus the Government of Punjab and the City District Government shall have joint authority to nominate members of the Board of Directors.

Audit observed that members of Board of Directors are appointed /nominated by Government of Punjab as per article 23 of Articles of Association of Lahore Waste Management Company. As per section 178(6) of the Companies' Ordinance 1984, Directors of company shall be appointed by members of company in general meeting in the manner as provided in articles of association of company. Article 23 of Articles of Association of LWMC is ab initio void as it contradicts with the laid down provisions of Section 178(6) of Companies' Ordinance 1984.

Audit holds that insertion of contradictory clause in Articles of Association contravening the legislative intent of section 178 (6) of Companies' Ordinance 1984 is ab-initio void.

Management replied that provision of section 178 of Companies Ordinance 1984 do not apply as directors are nominated by Provincial Government. Reply was not tenable as Articles of Association of a

company could not have contradictory clause nullifying the substantive provisions of the Companies' Ordinance 1984.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this Report.

Audit recommends for prompt remedial action as well as seeking regularization besides fixing responsibility against person(s) at fault under intimation to Audit

[PDP No.25]

1.2.3.1.3 Compliance of Rules and Regulation not Ensured

As provided under Rule 24 of the Public Sector Companies (Corporate Governance) Rules, 2013, Compliance with the rules.—(1) Every Public Sector Company shall publish and circulate a statement along with its annual report to set out the status of its compliance with these rules, and shall also file with the Commission and the registrar concerned such statement along with its annual report.(2) Every Public Sector Company shall ensure that the statement of compliance with the rules is reviewed and certified by external auditors, where such compliance can be objectively verified, before publication by the Public Sector Company. (3) Where the Commission is satisfied that it is not practicable to comply with any of these rules, the Commission may, for reasons to be recorded, relax the same subject to such conditions as it may deem fit to impose.

Audit observed that submission of compliance statement of rules and regulations was not ensured by LWMC. Contrary to substantive provisions of law, the said compliance statement was not got reviewed and certified by the external auditors of the company.

Management replied that Public Sector Companies (CG) rules 2013 were not applicable to LWMC and a case was pending before Lahore High Court Lahore about applicability of these rules to public sector companies registered under section 5 of the Companies Ordinance 1984. Matter is sub judice. The contention of the Management was untenable as LWMC's own strategic plan envisaged registration with SECP and adherence to the rules notified in pursuance thereof. There also existed a directive through a BOD meeting to submit credentials of the company for registration with SECP for which only an abortive attempt was made. The applicability of the rules ibid had not been restrained and suspended by any injunctive order by the Court of Competent jurisdiction. The Rules

ibid had been notified in furtherance of the enabling provisions of substantive law. The definition clause of the Rules ibid attracts the jurisdiction of SECP unduly denied by the management. Article 148 of the Constitution makes it imperative on all public functionaries of the Government Agencies in the Province to ensure enforcement of Federal Laws and Companies Ordinance and Rules framed there-under are no exceptions. Similarly, Article 5 of the Constitution would be contravened, if Obedience to Constitution and the Law is abandoned to entail serious deviations and departures in derogation thereof. Even otherwise incorporation of LWMC as Not for Profit Company with no broad based membership is an instance of self-defeated tragedy of noble intentions. More so territorial confinement of the operational jurisdiction of LWMC to Punjab is not substantiated from contents of Memorandum and Articles of Association of LWMC. Statement of compliance or relaxation of its submission are binding under the Companies Ordinance 1984 and are being adhered to by other companies controlled by Punjab Government even though established under Section 42 of Companies Ordinance 1984 despite being not for profit corporate entities.

Audit recommends remedial action as well as regularization of the matter besides fixing responsibility against person(s) at fault under intimation to Audit.

[PDP No.115]

1.2.3.1.4 Setting aside subscription to KPIs

As provided under Rule 17 of the Public Sector Companies (Corporate Governance) Rules, 2013, the annual report of a Public Sector Company shall contain a statement on the remuneration policy and details of the remuneration of members of the Board, Separate figures need to be shown for salary, fees, other benefits and other performance-related elements. The directors' report of a Public Sector Company shall also include the following, where applicable, namely:—

(d) key performance indicators of the Public Sector Company relating to its social objectives and outcomes which significantly reflect the work and impact of Public Sector Company and a comparison of actual results with the budgeted figures. Such indicators shall focus on as to how well the Public Sector Company has responded to accountability requirements, improved service delivery, reduced costs and adherence to the principles of environmental and corporate social responsibilities;

(f) significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations,

shall be outlined along with future prospects, risks and uncertainties surrounding the Public Sector Company;

Audit observed that the above mandatory disclosures on annual basis were conspicuous by absence.

Management replied that Public Sector Companies (CG) rules 2013 were not applicable to LWMC and a case was pending before Lahore High Court Lahore about applicability of these rules to public sector companies registered under section 5 of Companies Ordinance 1984. Matter is sub judice. The contention of the Management was untenable as it was also the requirement of Finance Department on the issue of market based salaries to have business plan, KPIs, KRAs to be duly approved and adhered by all the companies under the control of provincial government. The BOD of LWMC also desired for evolving benchmarking for objective assessment of performance indicators. LWMC's own strategic plan envisaged registration with SECP and adherence to the rules notified in pursuance thereof. The applicability of the rules *ibid* had not been restrained and suspended by any injunctive order by the Court of Competent jurisdiction. The Rules *ibid* had been notified in furtherance of the enabling provisions of substantive law. The definition clause of the Rules *ibid* attracts the jurisdiction unduly denied by the management. Article 148 of the Constitution makes it imperative on all public functionaries of the Government Agencies in the Province to ensure enforcement of Federal Laws and Companies Ordinance 1984 and Rules framed there under were no exceptions. Similarly, Article 5 of the Constitution would be contravened, if Obedience to Constitution and the Law was abandoned to entail serious deviations and departures in derogation thereof. Even otherwise incorporation of LWMC as Not for Profit Company with no broad based membership was an instance of self-defeated tragedy of noble intentions. More so territorial confinement of the operational jurisdiction of LWMC to Punjab was not substantiated from contents of Memorandum and Articles of Association of LWMC. Business plans KPIs and KRAs have also been got approved from Finance Department by other companies controlled by Punjab Government even though established under Section 42 of Company Ordinance as not for profit corporate entities.

Audit recommends seeking prompt remedial action as well as regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.126]

1.2.3.1.5 Hampering of Audit Committees Functions.

As provided under Rule 21 of the Public Sector Companies (Corporate Governance) Rules, 2013 captioned as Audit Committee.

(1) 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 (4), the Board shall determine the terms of reference of the audit committee. The terms of reference shall be in writing, specifying the mandate of the audit committee. The audit committee shall have full and explicit authority to investigate any matter within its terms of reference and shall be provided with adequate resources and access to all relevant information.

Audit observed that Audit Committee of LWMC remained embodiment of a dysfunctional organ due to weak internal controls. The committees of the board were not notified upto its 20th meeting and still TORs were further delayed contrary to substantive provision of rules. Moreover, Audit Committee could not dwell upon audited accounts for the financial year 2010-11 and 2011-12.

Management replied that the Board of Directors duly constituted the Audit Committee. The members are financially literate and majority of them, including its chairman is Independent Non Executive Directors. The chairman of the Board as well as the chief executive of LWMC is not a member of the audit committee. The Audit Committee usually meets in every quarter. The Audit Committee had frequent meetings with Internal Auditor. The Board duly approved the terms and reference of the Audit Committee. Reply was not tenable as company did not provide any evidence in support of reply and had not even specified the date of notification of Audit Committee members as well as its TORs.

Audit recommends seeking regularization of the matter besides fixing of responsibility under intimation to Audit.

[PDP No.119]

1.2.3.1.6 Instances of exercise of self-assumed jurisdiction and ignored priorities

As provided under Rule 5 (7) (d) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall also formulate significant policies of the Public Sector Company, which may include the following, namely:

- (b) the implementation of an effective communication policy with all the stakeholders of the Public Sector Company;

(c) the identification and monitoring of the principal risks and opportunities of the Public Sector Company and ensuring that appropriate systems are in place to manage these risks and opportunities, including, safeguarding the public reputation of the Public Sector Company;

(e) marketing of goods to be sold or services to be rendered by the Public Sector Company;

(i) borrowing of moneys up to a specified limit, exceeding which the amounts shall be sanctioned or ratified by a general meeting of shareholders;

(n) development of whistle-blowing policy and protection mechanism;

(8) Any service delivered or goods sold by a Public Sector Company as a public service obligation where decisions are taken in fulfilling social objectives of the Government but are not in its commercial interests, outlay of such action shall be quantified and request for appropriate compensation there-for shall be submitted to the Government for consideration.

Audit observed that policy frame work had not been fully evolved as provided under rules referred above particularly capital expenditure planning and control with conditions of submission of project proposal before duly approved forum was conspicuous by absence as the role and jurisdiction of PDWP and even ECNEC stood arrogated within hierarchy of LWMC. The representation of Finance Department and P&D Department was not ensured on BOD strength upto its 20th initial meetings whereas till such time projects for landfill site and outsourcing of cleanliness operation to international contractors had already been got approved. The BOD or AGM did not specify borrowing limit for ratification of loan to be acquired by the company. Whistle blowing policies were not circulated either. As regards marketing of goods to be sold or services to be rendered by the Public Sector Company, the product of Lahore compost with stock piles of composted fertilizer were neither marketed by Lahore compost nor by LWMC to whom the said site had been handed over. Specified limit for borrowing of money had not been determined either. Quantification for compensation against subsidized operations was not got approved from the Government.

Management replied that all above mentioned functions have been delegated to the different committees consisting of the members from Board of Directors of the Company. Reply was not tenable as mega projects were not got approved from competent forum and evidences of compliance with above mandatory conditions were not shared with Audit.

Audit recommends seeking regularization of the matter in the prescribed manner besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.123]

1.2.3.1.7 Pick and choose preferences in internal audit.

As provided under Rule 22 (4) of the Public Sector Companies (Corporate Governance) Rules, 2013, the internal audit function shall have an audit charter, duly approved by the audit committee and shall work, as far as practicable, in accordance with the standards for the professional practice of internal auditors issued by the Institute of Internal Auditors (the global professional organization of internal audit profession).

Audit observed that Internal audit charter approval, devolving on the BOD's Audit Committee was neither given effect nor was the said charter framed. The TORs of the said committee did not stipulate conferment of this mandate on the designated committee.

Management replied that Internal auditors of LWMC had been appointed as per PPRA Rules and Internal audit plan/charter which was aligned as far as practicable with the guidance provided by the Institute of Internal Auditors and was approved by the Audit Committee and was part of every quarterly report of Internal Auditors which was presented to the Board Audit Committee. Reply was not tenable as policy frame work for internal audit was not devised and approved. If it were so, the management would have shared copies of the same with Audit. Moreover, Audit Committee had not been notified for the initial period upto 21st meeting of BOD.

Audit recommends seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.117]

1.2.3.1.8 Unlawful use of the Name of City District Government Lahore

As per section 37 of Companies Ordinance 1984, "Except with prior approval in writing of the commission, no company shall be registered by a name which contains any words suggesting or calculated to suggest any connection with the Federal Government or Provincial Government or any department or authority of any such department. As per Clause VI (I) of Memorandum of Association of LWMC, The

Company in all its letter heads, documents, sign boards, and other modes of communications, shall with its name, state the phrase “A company setup under section 42 of the companies ordinance, 1984”

Audit observed that name of City District Government Lahore was being used in common seal of company and in the stamps of its Officers. Further, phrase “A Company setup under section 42 of the company ordinance 1984” is missing in common seal of the company, stamps of its officers, printed files covers, vehicles logo, uniform of workers in violation of rules *ibid*.

Audit holds that Name of City District Government Lahore is being used due to misrepresentation on part of the management.

Management replied that LWMC ensured compliance of all the applicable rules and regulations. Reply was not tenable as LWMC was not inscribing phrase “A Company setup under section 42 of the Companies Ordinance 1984 and on the contrary is using City District Government Name. Denial of LWMC is devoid of veracity. Letter head for reply of these observations also contains the mono gram of CDGL.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit

[PDP No.22]

1.2.3.1.9 Un-reliable Accounting Software

As per Generally Accepted Accounting Principles, “Journal is a record that keeps accounting transactions in chronological order, i.e. as they occur. Ledger is a record that keeps accounting transactions by accounts. Account is a unit to record and summarize accounting transactions. As per Generally Accepted Accounting Principles, “the Journal is the point of entry of business transactions into the accounting system. It is a chronological record of the transactions, showing an explanation of each transaction, the accounts affected, whether those accounts are increased or decreased, and by what amount.

Audit observed that Journal vouchers of Lahore Waste Management Company were not in chronological order. Further, Journal

Vouchers were not serially numbered. As per Internal Auditor's Report, Accounting software allowed recording of entries in back dates. Back dated entries in the system and absence of sequence in posted vouchers affects overall integrity of the accounting record and its authenticity could not be verified.

Audit holds that loopholes in accounting software were unduly kept by management to manipulate data to achieve desired results due to defective financial discipline and weak internal controls.

Management replied that postings were always allowed in open period in all the accounting software. However, after closing of the period no one has to make entry in that closed period. Reply was not tenable because detected instances of back dated entry, non-maintenance of vouchers in serially numbered sequence & non-existence of chronological order had not been got rectified.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for regularization besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.65]

1.2.3.1.10 Unlawful transfer of enforcement functions and powers through Agreement

As per clause 10 of Services and Asset Management Agreement for Solid Waste Management in Lahore between CDGL and Lahore Waste Management Company, persons to be notified by the LWMC shall perform functions and exercise powers of the District Officer (Solid Waste Management), Lahore or any other powers and functions as specified in the CDGL Solid Waste Management Bye Laws to the extent, from time to time, determined by the LWMC for the purpose of performance of functions assigned to the LWMC. Further, According to Section 54-A (q) of Punjab Local Government Ordinance, 2001, the TMAs in City District Lahore have certain Functions to perform in respect of enforcement but lacked organizational capability to perform those functions and hence they deem it expedient in public interest to entrust those functions to the LWMC for the purpose of efficient enforcement as envisioned in clause 5 of this agreement.

Audit observed that above enforcement functions of CDGL were transferred to LWMC through an amendment in SAAMA agreement. Moreover, CDGL solid waste management bye laws were not given effect at any stage. An authority or officer could not transfer enforcement powers conferred by legislation (PLGO 2001- provincial legislation) to a corporate body through an agreement. If transfer of enforcement power is required in public interest, it needs provincial legislation.

Management replied that employees transferred from CDGL to LWMC are performing enforcement functions on the recommendations of CDGL. Reply was not tenable as employees had been transferred to LWMC and their management control passed to LWMC. Moreover, nullification of Provincial legislative enactment relegating the same subservient to SAAMA would be an open invitation to a legal contradiction.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.23]

1.2.3.1.11 Imprudent Transferring of Functions, Assets and Funds to LWMC

As provided under Rule 5 (7) (d) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall also formulate significant policies of the Public Sector Company, which may include the identification and monitoring of the principal risks and opportunities of the Public Sector Company and ensuring that appropriate systems are in place to manage these risks and opportunities, including, safeguarding the public reputation of the Public Sector Company;

Further, as per item 1.1 of Contract agreement between LWMC and M/S ISTAC special Conditions governing above contract, Projects means

- I. Preparation and implementation of strategic solid waste management plan compliant with national and international standards for municipal solid waste, hospital waste,

construction and demolition waste and non-hazardous industrial waste at Lahore.

- II. Preparation of projects of transfer station, rehabilitation of old dumping areas of Mehmood Booti and new Landfill site design and control/ supervision during construction.

As per clause 3.4 of Punjab Planning Manual, All the projects up to Rs 10,000 million are submitted to Provincial Development Working Party (PDWP) for approval

During the Audit of Solid Waste Management operations in Lahore for the financial year 2012-16, it was observed that CDGL transferred its functions, Assets and Funds to LWMC on 11-11-2010 through an agreement (SAAMA). Decision is considered binding against the rules, probity and propriety as condition of putting in place risks management threatening significant policies were not fulfilled due to following reasons:

1. LWMC is unable to become a self-sustained entity as it has no revenue generation plan. Survival of LWMC depends upon Government Grants and Loans. Loan of Rs 22.390 million has been given without any terms and conditions. So far scientific dumping in sanitary landfills site for the waste collected is yet to see the light of the day.
2. LWMC failed to develop projects of transfer station, rehabilitation of old dumping areas of Mehmood Booti and full commissioning of the new Landfill sites.
3. LWMC failed to introduce / establish Integrated Solid Waste Management despite expenditure against these functions had already increased manifold.
4. LWMC performed its functions through contractual agreement (outsourcing) with international contracts instead of developing its own system which was the primary responsibility of LWMC at the time of signing of SAAMA. Further, services were hired at too exorbitant rates.
5. Contracts for hiring of Services of International contractors were executed in foreign currency with appreciation of dollars exchange rate conceded whereas approved bidding conditions by BOD were not adhered which prescribed admissibility of payment in Pakistan rupees rate against each dollar at the time bid was offered.
6. Unlawful transfer of enforcement functions of CDGL were opted for.

7. Mega projects were being executed without approval of ECNEC and in breach of provisions of the planning manual:
8. Incorporation of LWMC under section 5 of Companies Ordinance 1984 was not valid.

Audit holds that Decision of transfer of functions, Assets and Fund of CDGL to LWMC was taken without steering transition in conformity with norms of a going concern.

Management replied that LWMC was efficiently managing its resources for better services of Solid Waste Management. Reply was not tenable as only construction of landfill site without commissioning its operations and solid waste lifting capacity could be increased despite 900% (approx) increase in expenditure. Major components of Integrated solid waste management remained unattended which connotes that ISWM had to be a systematic approach that combines and integrates source reduction, reuse, recycling, composting, energy recovery, land filling and included any other processes in order to conserve and recover resources and dispose of solid waste in a manner that protected human health and the environment.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends seeking holistic appraisal of the decision so as to devise strategy to save public interest under intimation to Audit.

[PDP No.33, 78]

1.2.3.1.12 Want of Appointment of Chief Internal Auditor

As per rule 22 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, there shall be an internal audit function in every Public Sector Company. The chief internal auditor, who is the head of the internal audit function in the Public Sector Company, shall be accountable to the audit committee and have unrestricted access to the audit committee. Further, Rule 13(1) of Public Sector Companies (Corporate Governance) Rules, 2013, provides that the Board shall appoint a chief financial Officer, a company secretary and a chief internal auditor.

Audit observed that Lahore Waste Management Company outsourced its internal audit function instead of appointing a chief internal auditor. The internal audit mandated to a firm would only be a contravention of above cited provision of Corporate Governance Rules.

Management replied that Public Sector Companies (CG) Rules 2013 are not applicable to LWMC and a case was pending before Lahore High Court Lahore about applicability of these rules to public sector companies registered under section 5 of the Companies Ordinance 1984. Matter was sub judice. The contention of the Management was untenable as the very strategic plan of the LWMC envisaged registration with SECP and adherence to the rules notified in pursuance thereof. There also existed a directive through a BOD meeting to submit credentials of the company for registration with SECP for which only an abortive attempt was made. The applicability of the rules ibid had not been restrained and suspended by any injunctive order by the Court of Competent jurisdiction. The Rules ibid had been notified in furtherance of the enabling provisions of substantive law. The definition clause of the Rules ibid clearly envisaged the applicability of jurisdiction unduly denied by the management. Article 148 of the Constitution 1973 makes it imperative on all public functionaries of the Government Agencies in the Province to ensure enforcement of Federal Laws. On the same analogy, Companies Ordinance 1984 and Rules framed there-under are no exceptions. Similarly, Article 5 of the Constitution would be contravened if Obedience to Constitution and the Law was abandoned to entail serious deviations and departures in derogation thereof.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends seeking regularization of the matter besides fixing responsibility on person(s) at fault under intimation to Audit.

[PDP No.6]

1.2.3.1.13 Loss due to imprudent/Unlawful Receiving of Loans Rs 22,980.641 million

The provisions of section 107 read with Section 120 of PLGO 2001 legally bar the CDGL to incur any debt. Furthermore, it has been expressly set forth under memorandum of association of LWMC that former is an extended limb of the latter. Moreover, as provided under Rule 5 (7) (d) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall also formulate significant policies of the Public Sector Company, which may include that the identification and monitoring of the principal risks and opportunities of the Public Sector Company and

ensuring that appropriate systems are in place to manage these risks and opportunities, including, safeguarding the public reputation of the Public Sector Company.

Audit observed that Loan amounting to Rs22,980.641 million was received by LWMC. No terms & conditions of loan were agreed with Punjab Government. Loan was being received in quarterly installments without any agreement and the same continued to pileup with passage of time. Quarterly installments of Loan were used to finance routine expenses of company. Management was compromising sustainability and viability of company as repaying capacity of LWMC was not considered while receiving and sanctioning of Loan either by Finance Department – Government of Punjab or by Management of Lahore Waste Management Company. It was worth mentioning here that Lahore Waste Management Company was showing inability to repay loans and demanding conversion of loans into grants whereas accumulation of debt would drastically damage the credentials of the company as a going concern which can entail extinction of the corporate entity. Full cost recovery principles were utterly disregarded while conceding huge financial liability.

Audit holds that receiving of loan without agreement and without consideration of repaying capacity was due to defective financial discipline and weak internal controls.

Management replied that LWMC was not in position to sign a loan agreement and repay amount as the operations of LWMC were not self-supportable. Management admitted the lapse. Audit is of the view that remedial action to prove the credentials of the company as a going concern had to be reinforced. The company being a legal entity cannot approbate and reprobate blowing hot and cold in the same breath. It did not seek loan and pressed for grants yet it received the loaned amount and consumed it, still declining to sign the loan agreement. The CDGL had also covertly conceded debt in contravention of substantive provision of law through LWMC as its extended limb, as fiscal transfer cover of PFC allocation was not available against these loaned transactions.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking regularization and activation of revenue generation plan besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.26, 116]

1.2.3.1.14 Non-Transfer of Closing Balance to CDGL Rs10,245.633 million

As per clause 9 (xi) of SAAMA, if after meeting all present and future liabilities of LWMC, any surpluses are available with the LWMC at the end of financial year as reflected in the audit reports of LWMC, the CDGL will have exclusive right to utilize the surpluses. Further as provided in Letter of Support issued by Punjab Finance Department, the Finance Department, Government of Punjab is supportive of the initiative and intends to provide financial support to M/SLWMC regarding its existing and future operations, financial obligation directly or indirectly relating to solid waste management services, liquidation of validly accrued liabilities and commitments lawfully made by M/S LWMC on case to case basis.

Audit scrutiny revealed that LWMC and Finance Department gave effect to transitions to transfer loan amounts surplus to actual requirements on the basis of inflated projections. The releases of loan installments were not obtained against any project / program with specific deliverables on case to case basis. Moreover, during Audit of Lahore Waste Management Company for the financial years 2012-16, it was observed that closing balances at the end of each year had not been transferred to CDGL in violation of SAAMA agreement as detailed below:

Sr. No.	Financial Year	Closing Balances (Rs in million)
1	2012-13	1,427.167
2	2013-14	2,079.587
3	2014-15	3,586.031
4	2015-16	3,152.848
Total		10,245.633

Management replied that as per clause 9(v) of SAAMA agreement, “Amount received by the LWMC from the CDGL during a financial year, which remained unspent on the close of that financial year shall be retained by the LWMC and shall be utilized, in addition to the amounts budgeted for the ensuing financial year, for performance of functions assigned to the LWMC under clause 2 of this agreement.” Reply was not tenable as contradictory clauses existed in SAAMA agreement. The

dispensation in vogue would only be sanctified upon revision of SAAMA in the manner prescribed upon vetting by Finance and Law Department. The violation of the specific conditions of the letter of support confining loan payment to costing of project / program on case to case basis also warranted cognizance at appropriate level. The provision of agreement relied upon by LWMC only was meant to extend legal cover to unspent balance against amount received by LWMC from the CDGL. As a matter of fact, the closing balances mentioned above did not relate to transfer of funds from the CDGL and unspent balance were savings against funds received from Finance Department and own source revenues. Hence the response of LWMC was unsubstantiated and it actually indulged in blockage of funds and breach of the conditions of funding by Finance Department to confine financial support on project to project basis.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for transfer of closing balance besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.20]

1.2.3.1.15 Non-maintenance of essential record of procurements

As per Para 13.5 of Procurement and Contracts Manual of Lahore Waste Management Company, "Procurements and Contracts Department shall maintain the following record:

- i. PR Numerical Register
- ii. PO Numerical Register
- iii. Open PO file with indexation
- iv. Open PR file with indexation
- v. Procurement committee Minutes Register
- vi. Bids committee Minutes Register
- vii. Supplier Performance Reports
- viii. Supplier Assessment Questionnaire.
- ix. Supplier Assessment Questionnaire.
- x. Vendor Master file.

Audit observed that Procurement and Contracts department of LWMC did not maintain above mentioned record or opted not to provide the same to Audit contrary to provisions of contracts Manual. In the

absence of basic record, genuineness, authenticity and transparency of procurements could not be verified.

Audit holds that mandatory record of procurement was not maintained due to defective financial discipline and weak internal controls.

Management replied that it was not mandatory to maintain the above mentioned record. Reply was not tenable as procurement manual was approved by BODs and derogation of this BOD approval could not be countenanced.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016, followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends seeking regularization of expenditure against entire procurement besides fixing responsibility in respect of person(s) at fault under intimation to Audit.

[PDP No.31]

1.2.3.1.16 Absence of Segregation of Duties yielding Weak Internal Controls System

As per COSO Frame work for internal controls, “dividing or allocating tasks among various individuals making it possible to reduce the risks of error and fraud was imperative.”

Audit observed that Chief Financial Officer remained part of procurement committee and had taken part in procurement process i.e technical evaluation and financial bid opening & evaluation. The Officer also authorized payments made from company’s funds and also performed duties of recording expenditure in the books of accounts. The same Officer was also declared as authorized cheque signatory. It was thus evident that one person i.e CFO had been involved in technical& financial evaluation of procurement, payment made to suppliers, recording of transactions and putting signature on cheques. Audit holds that performance of all activities by one person was synonymous with red flag sings particularly when the entity was not able to root out manipulation of record, insertion of back dated entries in to accounting software etc.

Audit holds that responsibility/ job assignment of the incumbency of CFO was not designed as per rules of internal control system due to defective financial discipline and weak internal controls system.

Management replied that CFO was part of procurement committee as per procurement manual and only recommended technical /financial evaluations to the competent authority. Reply was not tenable as management did not dispute absence of segregation of duties mandatory under COSO frame work for internal controls.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for change of job description to establish strong internal control system besides fixing responsibility against person(s) at fault under intimation to Audit.

[PDP No.107]

1.2.3.1.17 Non-maintenance of Register of Interests

As provided under Rule 5 (b)(iv) of the Public Sector Companies (Corporate Governance) Rules, 2013, "Register of interests" is maintained to record all relevant personal, financial and business interests, of directors and executives who have any decision making role in the company, and the same shall be made publicly available. Such interests may include, for instance, any significant political activity, including office holding, elected positions, public appearances and candidature for election, undertaken in the last five years"

Audit observed that Register of interest as required by Corporate Governance Rules was not maintained.

Management replied that no instance of conflict of interest arose which can be recorded in the Register of interest. Reply was not tenable as BOD members were not afforded the option to declare absence of conflict of interest binding under Corporate Governance Rule. Moreover, political figures and elected office holders also remained on the strength of BODs. Further, specifically Managing Director urban unit had been member of Board of Directors of LWMC whereas several transactions had materialized between urban unit and LWMC.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends seeking regularization of the matter in the prescribed manner besides fixing responsibility under intimation to Audit.

[PDP No.122]

1.2.3.1.18 Dereliction in determination of mutually agreed KPIs

According to clause 2 of SAAMA agreement, all audit reports of LWMC and audited accounts of the LWMC shall be submitted to the CDGL by the LWMC within one month of finalization thereof. &

According to clause 12 of SAAMA agreement, the LWMC shall, on the 1st day of June of every financial year submit a list of mutually agreed key performance indicators as specified in Annexure-F along with the claims for claiming finances and budgets for the year.

Audit observed that LWMC and CDGL had not evolved any arrangement to exchange above critically vital documents impinging upon performance of contractual terms. KPIs with deliverables and key result areas had to be notified on yearly basis for securing achievements on the basis of objectively set forth criteria. The matters had been kept in cold storage.

Audit holds that KPIs were not mutually agreed with CDGL on year to year basis due to defective financial discipline and weak internal controls. Moreover, solid waste disposal remained unscientific and caused environmental degradation which constituted a deviation from the norms of Integrated solid waste management.

Management replied that CDGL and LWMC never felt the need to review existing KPIs. Reply was not tenable in view of the fact that as per SAAMA agreement, it was mandatory to arrive at mutually agreed KPIs to issue finances to LWMC every year. Both the parties, LWMC and CDGL had evidently not bothered to care for the public money.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends seeking regularization of the matter in the prescribed manner besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.131]

1.2.3.1.19 Non maintenance of fixed Asset Register

As per para 7.1.2.2(i) of Accounting and Financial Reporting Manual, “LWMC shall maintain a central record of fixed assets in the Accounts and Finance Department. This central record of fixed assets shall be referred to as the Fixed Assets Register which shall list down the following details:

- Description of the asset
- Location of the asset
- Cost
- Current depreciated amount
- Depreciation written off to date
- Asset’s residual value
- Mode of acquisition- purchase, lease or donation
- Date of acquisition

As per para 7.1.2.2.2 of Accounting and Financial Reporting Manual of LWMC, “all heads of departments under whose control any fixed asset falls shall promptly inform the Chief Financial Officer and Manager Administration about the change or acquisition of fixed asset and the Manager Administration shall provide the Chief Financial Officer in writing with any information required to compile the fixed asset register, and shall promptly advise the Chief Financial Officer in writing of any material change which may occur in respect of such information.

Audit observed that LWMC had not prepared its Fixed Assets Register as required by above quoted rules. The Register did not depict clear picture of the total assets purchased by LWMC, and transferred from CDGL. All the Fixed Assets mentioned in the Balance Sheet of the company like (IT equipment, Plants & Machinery, Furniture and Fixture, Office Equipment and vehicles) purchased from time to time were not incorporated in the Fixed Assets Register manually maintained by LWMC. The Register was neither authenticated nor signed by any authority responsible for its preparation. Evidence of title of transfer of the land procured and taken over by LWMC under SAAMA for civil works for the land fill site was not shared with audit. The transferred assets remained without valuation whereas, LWMC had been declared agent for custody, utilization and its disposal. More so, on disposal of sale / auction of un-serviceable stock, the proceeds were not transferred to principal owner.

Audit holds that Fixed Asset Register was not maintained by LWMC due to defective financial discipline and weak internal controls. Management admitted the lapse.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.64]

1.2.3.2

Deficiencies in Engaging Outsourced Contracts

1.2.3.2.1 Mis-procurement of Services of Turkish Contractors of Rs. 30,128.634 million

As provided under Rule 26 of PPRA Rules, 2014, a procuring agencies shall allow all prospective bidders to participate in procuring procedure without regard to nationality. Further as per Chapter 5 of PFR Vol-I, the terms of a contract must be precise and definite, and there must be no room for ambiguity or misconstruction therein and it has further been set forth in the Note that contract or agreement to execute a contract should be executed or entered into and no tenders for a contract should be accepted without previous consultation with the Finance Department if expenditure of money or abandonment of revenue is involved for which previous consultation with the Finance Department is required. Moreover, as per para 7.3.2 of procurement manual of Lahore Waste Management Company, "LWMC shall ensure that in International Competitive Bidding (ICB), all eligible international prospective bidders are provided with timely and adequate notification of a LWMC's requirements and an equal opportunity to bid for the required services, goods and works.

Audit observed that Contracts with international contracts Albayrak and OzPak for Rs 13,746.047 million and Rs 16,382 million respectively were not properly executed as detailed below:

1. Discriminatory conditions were added to disqualify all consortiums from participation in the bidding process as per Article 14.1 of conditions of International competitive bidding.
2. Bidding documents were not got vetted from Finance and Law Department in violation of Board of Director's decision taken in 16th BOD meeting on 17-09-2011.
3. Availability of financial resources of LWMC was disregarded while executing Contracts with Turkish companies. Company did not have funds for payment of outsourced services and it had to borrow Rs 22,980.641 million in first four years. Further, Loan was being received without any formal written agreement.
4. Manual Sweeping component was included in contract despite 100% labour cost was borne by LWMC and on this account Company had to pay heavy amounts to Turkish Contractors for nothing.
5. Name of contractor had not been written in the name clause of contract.
6. Contract documents were not signed by contractors except first page.

7. Changes made through negotiations were not included in the contracts.
8. Mechanical Washing and manual sweeping were admitted for payment in Team days. Meaning of team days had not been defined for mechanical washing and manual sweeping.
9. Constituents of management cost had not been defined by contracts.
10. Confused description of expenses in relation to burden of insurance cost is set forth under contractual clauses.

Audit holds that Contracts with Turkish Contractors were not concluded with vigilance and due care. Lacunae were covertly kept to impart financial benefit to the contractors due to defective financial discipline and weak internal controls.

Management replied that compliance will be ensured for future contracts. Management admitted the lapse. However, reply regarding discriminatory bidding conditions and vetting of contract by Finance Department was evaded by the entity.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends detailed investigation into these cases of mis-procurement and faulty contract finalization besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.4, 106]

1.2.3.2.2 Irregular Expenditure Escaping Approval of ECNEC.

As per clause 3.4 of Punjab Planning Manual, all the projects referred by provincial government exceeding Rs 10,000 million or having external financing (no limit) are submitted to Executive Committee for National Economic Council (ECNEC) for approval.

Audit observed that contracts were awarded in violation of rule as no prior sanction for scheme / project in terms of PC I and PC II laying down capital or revenue expenditure for outsourcing SWM services had been formally submitted for approval. The structure to evolve delegations was non-existent in LWMC. Same was the case with the project for construction of landfill site which had an outlay of Rs 1,450 million. The project of ISWM was also attracting the purview of ECNEC in view of

imperatives of payment in foreign exchange. Even P&D representation in LWMC technical committee had not been materialized at the time approval was to be obtained from the forum of competent jurisdiction.

Sr. No.	Name of Contract/Project	Name of Contractor	Date	Amount US\$	Amount Rs in million
1	Contract for Solid Waste Collection and Transportation, Mechanical Sweeping and Manual Sweeping , Mechanical washing within boarders of Zone-I	Albayark	03-11-2011	146,001,567	13,746.047
2	Contract for Solid Waste Collection and Transportation, Mechanical Sweeping and Manual Sweeping , Mechanical washing within boarders of Zone-II	OZPAK	03-11-2011	174,005,172	16,382.587
3	Construction of Land fill site at Lakhodair	CEVKA CEA JV	1-09-2013	-	1,298.711
Total					31,427.345

Audit holds that contracts were awarded without approval of ECNEC due to defective financial discipline and weak internal controls.

It resulted into irregular expenditure of Rs 31,427.345 million from public exchequer.

Management replied that approval of ECNEC was not required as the funds were allocated by the Finance department, Government of Punjab from non-development budget. Reply was not tenable as clause 3.4 of Punjab planning manual refers to all projects for which it was binding to attract jurisdiction of ECNEC. Moreover, other companies controlled by Punjab Government were not seeking exemption from presenting projects / programs before PDWP and ECNEC.

Audit recommends for remedial action as well as seeking regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.61]

1.2.3.2.3 Irregular award of contracts

As per Section 33-B of NAB Ordinance 1999, all Ministries, Divisions and Attached Departments of the Federal Government, all departments of Provincial and local governments, statutory corporations or authorities established by Federal Government or Provincial Government and holders of public Office shall furnish to NAB a copy of any contract entered into by such Ministries, Divisions and Attached Departments of the Federal Government, or authorities established by the Federal Government or Provincial Government or such holder of public office on its behalf, as the case may be, of the minimum monetary value of fifty

million rupee or more, within such time as is reasonably practicable from the date of signing such contract.

Audit observed that Lahore Waste Management Company executed the contracts valuing above Rs 50 million without furnishing its copies to NAB authorities as required by NAB Ordinance. The detail of contracts is given below:

Sr. No.	Name of Contract/Project	Name of Contractor	Date	Amount US\$	Amount Rs in million
1	Contract for Solid Waste Collection and Transportation, Mechanical Sweeping and Manual Sweeping , Mechanical washing within boarders of Zone-1	Albayark	3-11-2011	146,001,567	13,746.047
2	Contract for Solid Waste Collection and Transportation, Mechanical Sweeping and Manual Sweeping , Mechanical washing within boarders of Zone-II	OZPAK	3-11-2011	174,005,172	16,382.587
3	Construction of Land fill site at Lakhodair	CEVKA CEA JV	1-09-2013	-	1,298.711
				Total	31,427.345

Audit holds that contracts were awarded without sending its copies to NAB due to defective financial discipline and weak internal controls.

Management replied that in the light of the section 33.B of NAB Ordinance 1999, LWMC did not fall in aforementioned definition. Reply wasnot tenable as being a Public sector controlledcompany, LWMC had to submit copies of contract to NAB authorities along with ancillary documents in relation to competitive bidding and evaluation of bids accepted.

Audit recommends prompt remedial action to furnish all contract documents to the NAB authorities seeking condonation of delay as well as regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.71]

1.2.3.2.4 Unjustified payments of Manual Sweeping Rs 2,126.060 million

As per Chapter 5 of PFR Vol-II, the terms of a contract must be precise and definite, and there must be no room for ambiguity or misconstruction therein. Further, as per Para 3.3 of procurement manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or

misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that Manual Sweeping was being paid @ \$25.37 as per Team day. In Manual Sweeping contractor provides Sweeper (broom) Trash Dustpan and wheel Handcart whereas labour and its management cost was being paid by Lahore Waste Management Company. Unit of payment Team day did not reflect the cost of labour burdened on the contractor. The Term “Team day” was also not defined in the contract. Further, rate for provision of Sweeper (broom), Trash Dustpan and wheel Handcart was too exorbitant. In fact, Lahore Waste Management Company was paying twice for manual sweeping first to Labour placed under the control of the service provider and second to International contractor who engages the employees placed at its disposal by the LWMC/ CDGL as detailed below:

Name of Contractor	2015-16 (Rs)	2014-15 (Rs)	2013-14 (Rs)	Total (Rs)
Albayrak	276,436,365	292,284,756	328,620,655	897,341,776
Ozpak	400,160,248	407,787,956	420,769,882	1,228,718,086
	676,596,613	700,072,712	749,390,537	2,126,059,862

Figure for financial year 2012-13 are not included due to non-availability separately

Audit holds that Contracts with Turkish Contractors were not concluded with vigilance and due care. Lacunae remained unattended as far as LWMC management was concerned so as to extend undue financial benefit to the contractors due to defective financial discipline and collusive practices.

Management replied that payments had been made according to the terms of contract. Reply was not tenable as at the very outset, the definition for Team Day was not inserted in the agreement.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for insertion of precise definitions of all terms with financial repercussions left undefined in the service contract as well as regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.85]

1.2.3.2.5 Unjustified payments for Mechanical Sweeping Rs1,746.949 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him. Further, As per Article 5 of Contract between Lahore Waste Management Company and M/sAlbayrak& M/sOzpak, Mechanical sweeping, sweeping of concrete and any kind of asphalt and non-asphalt roads with vacuum or brand type mechanic vehicles will be paid @ \$43.82 per ha,whereas, ha is equal to 1000 m².

Audit observed that main roads of Lahore are entrusted to contractors for Mechanical sweeping whereas service roads of main roads and small or local roads are being swept by LWMC. Sweeping of roads involves only both edges of roads. Main or central part of roads needednot to be swept as it had no dust, mud etc. Dust, mud or garbage primarily pile up on edges. Area of road edge which had to be swept is 1ft to 1.5ft. Area of both edges cannot logically measure beyond 2 ft to 3 ft. Contractors were being paid for full width of the road. Further, full width of road neither required sweeping nor could be included in the measurements for services on ground. On de facto basis, roads were not swept by the contractors. Payments made on account of mechanical sweeping were also unjustified as detailed below:

Name of Contractor	2015-16 (Rs)	2014-15 (Rs)	2013-14 (Rs)	Total (Rs)
Albayrak	245,633,886	495463265	248630295	989,727,446
Ozpak	194,815,193	379850813	182555249	757,221,255
	440,449,079	875,314,078	431,185,544	1,746,948,701

Figure for financial year 2012-13 are not included due to non-availability separately

Audit holds that Contracts with Turkish Contractors were not concluded with vigilance and due care and lacunae had been left unattended for collusive motive to favor the contractors.

Management replied that payments had been made according to the terms of contract. Reply was not tenable as management failed to abide by canons of probity and propriety.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for insertion of precise definitions of all terms with financial repercussions left undefined in the service contract as well as regularization of expenditure, besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No. 85]

**1.2.3.2.6 Unjustified Payment of Management Cost
Rs1,279.146 million**

As per clause 16 of Administrative Specification Document for Solid Waste Collection and Transportation, Mechanical Sweeping and Manual Sweeping, Mechanical Washing, “ applicants shall give their offers in terms of unit price calculated on the cumulative value found as a result of multiplying the offered unit price per every work item with the quantity. As a result of grant of tender, the agreement will be signed with the winning Applicant in terms of unit price on the cumulative value found by multiplying the offered unit price per every work item with the quantity. Moreover, As per clause 22.1 of Administrative Specification Document for Solid Waste Collection and Transportation, Mechanical Sweeping and Manual Sweeping, Mechanical Washing “ The Management costs of the employees, to be employed in work of the tender whose personal rights pertain to the client are also included in bid price. As per Clause 6.1 of contract “Regarding the performance of the work subject to the tender, any and all insurance expenses related with fuel, managerial staff, spare parts, maintenance-repair, depreciation, transportation, vehicles and equipments as well as cost of transportation, cleaning supplies (trolleys, bags, sweeper etc) in connection with the performance of work under tender, are included in the bid price. Also the management costs of the employees to be employed in the work of the tender, and whose personal rights pertaining to the Client are included in the bid price.

Audit observed that Company awarded contract to M/S Albayrak and OzPak for collection of Waste Mechanical Sweeping, Mechanical Washing and Manual Sweeping after inclusion of addition expenses against management cost in terms of offered unit price per every work item under article 22.1 of Administration specification document. Further, the term “Management Cost” is not defined in the contract. The addition

of management cost in the contract price and payment thereof was evidently exorbitant as detailed below:-

Name of Contract	F.Y 2015-16 (Rs)	F.Y 2014-15 (Rs)	F.Y 2013-14 (Rs)	F.Y 2012-13 (Rs)	Total (Rs)
OzPak	127,791,970	263,905,363	133,061,249	133,061,249	657,819,831
Albayrak	122,846,911	248,584,713	124,947,347	124,947,347	621,326,318
				Total	1,279,146,149

Audit holds that Contracts with Turkish Contractors were not concluded with vigilance and due care. Lacunae were not got removed to extend financial benefit to the contractors due to defective financial discipline and weak internal controls.

Management replied that the management cost was the part of the contract. Reply was not tenable as definition of Management Cost was not included in the agreement in terms of precise definition and additional burden could not be conceded allowing contractors to take benefit of this gap contrary to government instructions regarding contract finalization.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for insertion of precise definitions of all terms with financial repercussions left undefined in the service contract as well as regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.75]

1.2.3.2.7 Overpayments of door to door collection Rs. 612.132 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company," a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that Door to door collection is being paid @ US\$15.80 per ton to Albayrak and Ozpak whereas container based collection is being paid @US\$13.4 per ton. LWMC failed to provide

evidence in support of its function of door to door collection of domestic waste as per SOPs. Undue financial benefit was extended to the contractors by paying higher rate of door to door collection rather than container based rates as evident from foregoing facts. Weight measurement against door to door collection was not provided for as a condition preceding payment for this specific service. The detail of undue benefit extended to contractor has been detailed below:

Rs in million

Sr. No.	Name of contractor	Amount of door to door collection F.Y 2013-16	Rate of container based collection	Rate of door to door collection	Amount if container based rate applied	Over payment
	1	2	3	4	5=3/4*2	6=2-5
1	Albayrak	1,978.685	13.4	15.8	1,678.126	300.560
2	Ozpak	2,051.185	13.4	15.8	1,739.613	311.572
Total						612.132

Figure for financial year 2012-13 are not included due to non-availability separately

Audit holds that Contracts with Turkish Contractors were not concluded with vigilance and due care. Lacunae were intentionally kept to impart financial benefit to the contractors due to defective financial discipline and weak internal controls.

It resulted in excess expenditure of Rs 612.132 million from public exchequer.

Management replied that payments had been made according to the terms of contract. Reply was not tenable as door to door collection operation would have enabled LWMC to retrieve recyclable material for partial cost recovery from house hold consumers against which no evidence was available. The contractors' vehicle only indulge in transportation of waste sequel to container collection and door to door collection stood substituted by scavenger collection to render the payment unjustified in favor of contractors/ service providers.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends insertion of precise definitions of all terms with financial repercussions left undefined in the service contract as well as regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.86]

1.2.3.2.8 Unjustified payments of Mechanical Washing Rs362.239 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that mechanical washing was being paid US\$294.95 as per Team day. In mechanical washing, contractor provided machinery and fuel whereas Labour and its management cost was paid by Lahore waste Management Company. Units of payment should be as which reflects cost of machinery and fuel only to the exclusion of Labour. The Term “Team day” was also not defined in the contract. Further, rate for provision of machinery and fuel was too exorbitant.

Name of Contractor	2015-16 (Rs)	2014-15 (Rs)	2013-14 (Rs)	Total (Rs)
Albayrak	64,605,999	66,249,563	62,051,457	192,907,019
Ozpak	55,794,836	55,203,562	58333998	169,332,396
Total	120,400,835	121,453,125	120,385,455	362,239,415

Figure for financial year 2012-13 are not included due to non-availability separately

Audit holds that Contracts with Turkish Contractors were not concluded with requisite vigilance and due care.

Management replied that payments had been made according to the terms of contract. Reply was not tenable as management failed to prove that public interest was protected and money expended was in best interest of the public.

It resulted in irregular expenditure of Rs 1,663.949 million from public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends insertion of precise definitions of all terms with financial repercussions left undefined in the service contract as well as regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

1.2.3.2.9 Loss due to Unjustified Price Adjustment Factor \$15.817 million

As per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. As per Para 3.3 of procurement manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that company is paying price adjustment factor which includes 70% for fixed cost, 20% for fuel and 10% for labour whereas provision of labour for outsourced cleaning functions remained responsibility of Lahore Waste Management Company. Labour cost was being borne by the company and admissibility of element of labour in price adjustment factor was thus unjustified as per following details;

Name of Contract	Value of Invoice for before Adj Factor for 2015-16	Value of Invoice for After Adj Factor with fuel and Labour	Value of Invoice for After Adj Factor with fuel only	Loss for F.Y 2015-16	No of Years	Loss of F.Ys 2012-16 \$
1	2	3	4	5=3-4	6	7=5*4
OzPak (Annex-b)	25,655,715	27,042,690	24,844,234.33	2,198,456	4	8,793,824
Albayrak (Annex-b)	20,638,851	21,752,551	19,996,769	1,755,782	4	7,023,128
Total						15,816,952

Audit holds that Contracts with Turkish Contractors were not concluded with vigilance and due care. Lacunae were not got remedied to extend undue financial benefits to the contractors due to defective financial discipline and weak internal controls.

Management replied that price adjustment factor includes adjustment of change in fuel and as well as labor rates as per the terms of the contracts. Reply was not acceptable as ambiguous conditions in contract were devoid of legal sanctity at the outset.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends imposition of recovery as well as insertion of precise definitions of all terms with financial repercussions left undefined in the service contract as well as regularization of expenditure besides fixing responsibility against the at fault under intimation to Audit.

[PDP No.68]

1.2.3.2.10 Loss due to Non-deduction & payment of withholding tax Rs 971.821 million

As per General condition of contract governing national and international competitive bidding documents, from standard bidding documents notified by FIDIC have been adopted and it has been laid therein that taxes shall be paid as levied under applicable law. The direct taxes burden such as income tax cannot be transferred by the vendor/contractor to the employer / procurer. As per section 152 (1A) of Income tax ordinance 2001, "Every person making a payment in full or part (including a payment by way of advance) to a non-resident person on the execution of

- (a) a contract or sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project; or
- (b) any other contract for construction or services rendered relating thereto; or
- (c) a contract for advertisement services rendered by T.V. Satellite Channels,

shall deduct tax from the gross amount payable under the contract at the rate specified in Division II of Part III of the First Schedule."

According to Section 153 of Income Tax Ordinance, 2001 amended "Every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person shall, at the time of making the payment, deduct tax from the gross amount @ 6.5% and 10% respectively on account of supplies and services rendered for non-filer". As per Finance Department letter No RO (Tech) FD.18-20/2004 dated 30-03-2006 and No RO (Tech) FD-3/2006 dated 24-01-2007 the provision of income tax is not allowed in rate analysis for the standardized and non-standardized items.

Audit observed that Lahore Waste Management Company was paying income tax from its own sources on the behalf of contractors rather than deducting income tax from the gross amount of payments made to international contractors as required by section 152& 153 of income tax ordinance 2001 on the pretext that rates quoted by contractor were exclusive of withholding income tax. Withholding income tax was to be mandatorily deducted from the gross payments of contractor / suppliers that will be adjusted in final income tax liability of a contractor or treated as full and final discharge of income tax liability. Withholding income tax was not a part of the price of goods or services unlike sales tax. Prices wereto be quoted inclusive or exclusive of sales tax. “Price of a service” or “price of a service without withholding income tax” also constitutes a breach of the bidding conditions where tax burden had not been transferred on the Employer/ Procuring agency. It is implied that withholding income tax would be mandatorily deducted from the payments of contractor / suppliers as detailed below:

Name of contractor	Amount of withholding tax not deducted by LWMC					Withholding Tax paid by Company	Total
	2015-16	2014-15	2013-14	2012-13	Total		
1	2	3	4	5	6=2+3+4+5	7	8=7+6
Al bayrak	187.199	120.949	23.279	72.092	403.519	403.519	807.039
Ozpak	298.711	174.064	126.348	76.043	675.167	675.167	1,350.335
Total	485.910	295.013	149.627	148.136	1,078.687	1,078.687	2,157.374

Audit holds that Contracts with Turkish Contractors were concluded without subscribing to the standard bidding documents provisions originally applicable due to defective financial discipline and weak internal controls.

Management replied that payments of taxes are being made as per the terms of the contract. Reply was not tenable as management failed to abide by legal provisions of the Income Tax Ordinance as well as standardized Bidding documents vetted by PPRA and PEC as the same were interfered with in spite of ousted jurisdiction. General Conditions of Contract were allowed to be overridden by recourse to manipulated Special Conditions of transferring Income Tax liability to the Employer whereas same had not been originally the part of advertised conditions.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends recovery from contractors and holding of a detailed Enquiry at appropriate level to take cognizance of administrative lapses besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.66]

1.2.3.2.11 Loss due to Non-deduction of Punjab Sales Tax on Services (withholding) Rs 1,283.795 million

As per Section 4(1) of Punjab Sales Tax on Services Act 2012, “Where a person is providing taxable services in a Province other than the Punjab but the recipient of such services is resident of the Punjab or is otherwise availing such services in the Punjab and has charged tax accordingly, the person providing such services shall pay the amount of tax so charged to the Government”

As per Section 4(2) of Punjab Sales Tax on Services Act 2012, “Where the recipient of a taxable service is a person registered under the Act, he shall deduct the whole amount of tax in respect of the service received and pay the same with the Government.”As per Article 6.2 of Agreement executed with Albayrak and Ozpak “Pursuant to the laws of Pakistan, all payable taxes required to be paid by the contractor are included in the bid price except withholding income tax. Amount of taxes will be adjustable subject to the provisions of payments.

Audit observed that Lahore Waste Management Company hired the services of M/sAlbayrak and OzPak for Solid Waste collection and Transportation, Mechanical Sweeping and Manual Sweeping, Mechanical Washing and paid for the services. Punjab Sales Tax on Services worth Rs 1,283.795 million was not deducted from payments of contractors as required by Punjab Sales Tax on Services Act 2012. The deduction at source against payment of contractor / service provider commenced at a very belated stage which itself was a case of approbation and dis-approbation blowing hot and cold in the same breath.

Audit holds that deduction of Punjab sales tax on services was not given effect from payments of contractors as per contract agreement due to defective financial discipline and weak internal controls.

Management replied that LWMC believes that cleaning services are not subject to Punjab Sales Tax on Services and matter was under judicial scrutiny in the court of law. Reply was not tenable as deduction could only be waived upon post facto amendment in enactment; otherwise provisions of law and contract have to be enforced.

It resulted in loss of Rs1,283.795 million to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends imposition of recovery from contractors and holding of a detailed Enquiry at appropriate level to take cognizance of administrative lapses besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.67]

1.2.3.2.12 Unjustified payment of Cost of Extra Labor Rs 498.422 million

As per clause 34.1.5 of contract, "If the Contractor engages other employees other than those affiliated to the Client for the work subject to the tender, the remuneration and personal rights of those employees shall be paid to the Contractor separately by the Client over the coefficient stipulated in the relevant article of the technical specification. No of those employees shall not be higher than 5% of number of all employees.

During the Audit of Lahore Waste Management Company for the financial year 2012-16, it was observed that Rs498.422million were paid to Albayrak and Ozpak on account of hiring extra labor. LWMC did not bother to obtain justification along with evidences for hiring of 5% extra labor to be deployed for work of tender. Further, Record of Extra labor Appointment, Attendance, place of duty, payment of EOBI and Insurance contributions etc were also not sought from contractors in support of payment made in the said behalf as detailed below:

Name of Contractor	2015-16 (Rs)	2014-15 (Rs)	2013-14 (Rs)	Total (Rs)
Albayrak	103,303,067	104,073,572	114,726,275	218,799,847
Ozpak	90,125,935	91,230,251	98,265,907	279,622,093
Total	90125935	195,303,823	212,992,182	498,421,940

Figures of 2012-13 are not included due to non-availability

Audit holds that Contracts with Turkish Contractors were not concluded in line with canons of financial propriety due to defective financial discipline and weak internal controls.

Management replied that payments had been made according to the terms of contract. Reply was not tenable as management could not

produce record of Extra labor Appointment, Attendance, place of duty, payment of EOBI and Insurance contributions etc were also not sought from contractors in support of payment made.

It resulted in irregular expenditure of Rs 498.422 million

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.79]

1.2.3.2.13 Unjustified payment against absentee workers Rs 469.431 million

As per clause 34.1.5 of contract, “If the Contractor engages other employees other than those affiliated to the Client for the work subject to the tender, the remuneration and personal rights of those employees shall be paid to the Contractor separately by the Client over the coefficient stipulated in the relevant article of the technical specification. No of those employees shall not be higher than 5% of number of all employees.

Audit observed that amount worth Rs 469.431 million was paid to Albayrak and Ozpak for reimbursement of cost of labour hired against absentee workers. Justification of hiring labour and record of Appointment, Attendance, palace of duty, payment of EOBI and Insurance contributions etc were not on record. Further, contractor could not legally hire labor in excess of 5% of the strength

Name of Contractor	2015-16 (Rs)	2014-15 (Rs)	Total (Rs)
Albayrak	99,927,868	303,101,911	403,029,779
Ozpak	54,000,792	12,400,376	66,401,168
Total	153,928,660	315,502,287	469,430,947

Audit holds that Contracts with Turkish Contractors were not concluded with vigilance and due care. Lacunae were intentionally kept undressed to extend financial benefit to the contractors due to defective financial discipline and weak internal controls.

Management replied that payments have been made according to the terms of contract. Reply was not tenable as management failed to protect public interest.

It resulted in overpayment of Rs 469.431 million.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for seeking regularization faulty contract finalization besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.80]

1.2.3.2.14 Unlawful re-imburement of Cost of Labor Rs 1,663.949 million

The bidding conditions to which contractors had to subscribe when contracts were awarded for Solid Waste Collection and Transportation, Mechanical Sweeping and Manual Sweeping and Mechanical Washing specifically set forth completion of documentation binding on both parties to the contract which were inclusive of;

Enlisted catalogue of reports to be generated under Article 49.9 of the Bidding Document
Evidence of determination for transportation and food expenses meant for workers under Article 50.1.2 of the bidding conditions.
The list of employees engaged and salaries paid for by the contractor under Article 50.1.10.
Record showing penalties imposed on the staff at the behest of the contractor under Article 50.1.11
Proceedings of disciplinary procedures by a disciplinary committee under Article 50.1.12

As per clause 34.1.5 of contract, “If the Contractor engages other employees other than those affiliated to the Client for the work subject to the tender, the remuneration and personal rights of those employees shall be paid to the Contractor separately by the Client over the coefficient stipulated in the relevant article of the technical specification. Number of those employees shall not be higher than 5% of number of all employees.

Audit observed that Rs 1,663.949 million had been paid to Albayrak and Ozpak for reimbursement of cost of labour and this payment

was rendered doubtful as subsidiary accounting record had not been linked with payment claims as detailed below:

Name of Contractor	2015-16 (Rs)	2014-15 (Rs)	2013-14 (Rs)	Total (Rs)
Albayrak	314,667,932	409,912,979	106,811,086	831,391,997
Ozpak	323,648,278	390,350,746	118,558,413	832,557,437
Total	638,316,210	800,263,725	225,369,499	1,663,949,434

Figure for financial year 2012-13 are not included due to non-availability separately

Audit holds that Contracts with Turkish Contractors were not enforced with vigilance and due care.

Management replied that payments had been made according to the terms of contract. Reply was not tenable in the absence of subsidiary accounting record.

It resulted in overpayment of Rs 1,663.949 million.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for remedial actions besides seeking regularization of the matter as well as fixing responsibility against person(s) at fault under intimation to Audit.

[PDP No.81]

1.2.3.3 Defects in Construction of Landfill Site Lakhodair

1.2.3.3.1 Irregular Construction of Landfill site Lakhodair Rs 1,298.711million

As per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. The prequalification conditions governing the evaluation criteria prescribed a checklist requiring the applicant to furnish joint venture declaration as set forth in Annex XI of advertisements published and uploaded. According to provision of Construction and Operation of Engineering Work Bye-laws, 1987, Constructor means any person, partnership, corporate body or other legal entity incorporated under the laws of Pakistan and registered or licensed as such by the Council. “Foreign constructor or foreign operator” means an enterprise incorporated or registered as a constructor or operator outside Pakistan; irrespective of its membership by Pakistani nationals. Under rule 3 of rules *ibid*, no engineering work shall be constructed except by a constructor or an operator licensed as such by the Council. Under rule 4 of the rules *ibid* (1) all constructor’s and operator’s licenses shall be issued by the Council on the form prescribed in Appendix C of aforesaid Rules. Further, as per para 7.3.2 of Procurement Manual of Lahore Waste Management Company, “LWMC shall ensure that in International Competitive Bidding (ICB), all eligible international prospective bidders are provided with timely and adequate notification of a LWMC’s requirements and an equal opportunity to bid for the required services, goods and works.

Audit observed that contract for construction of Landfill Site Lakhodair was awarded to CEVKA CEA JV. The prequalification notice was advertised in National and International News Papers on 12-11-2012 with closing date for submission of prequalification documents shown as 06-12-2012. The firm namely CEVKA CEA JV submitted its prequalification documents and prequalification was accepted vide letter No. LWMC/GMP/1085 dated 21-05-2013. It is worth mentioning here that joint venture between CEVKA and CEA was however formed on 26-08-2013 which was after their prequalification that is not cogent and credible. At the time of prequalification approval by LWMC, CEVKA CEA JV did not exist that reflected defective prequalification process. Further following discrepancies were also found impairing eligibility of bidder illegally declared successful:

- i. Principal JV partner i.e. M/S CEVKA was not registered with PEC. Management imposed this condition for minor joint venture partner and disowned enforcement of the same eligibility condition for the principal partner. The JV as an entity had to obtain registration with PEC without which the legal authorization to operate as constructor in this case for the joint venture was not valid.
- ii. Engineering estimates were not compatible with already engaged Turkish Consultant's design. Duplication of consultancy advice from Turkish consultant and M/S ISTAC and M/S NESPAK adverted to scope of work at variance with each other leaving no room to commission the site. Minutes of 27th BoD meeting revealed cost of engineering estimates was to the tune of Rs. 1,450 million and the scope of work stood altered substantially at the time of execution.
- iii. EIA related to this project adverted to installation of a compost plant and material recovery facility at site whereas BoQ under the contract did not cover these components. Moreover, the land to be utilized under EIA was to the extent of 120 acres and land actually acquired was in excess of said requirement. Under the terms of EIA 2km buffer with population settlement and the site in question was mandatory and on the contrary the nearby village of Lakhodir was situated at the distance of 1.2 km from the site and Lahore Ring Road distance was even in closer proximity.
- iv. Prospective bidders of International repute were scared away by inserting discriminatory condition to form a joint venture with national firms. This discriminatory condition was also in contravention with the para 7.3.2 of procurement manual of LWMC. Entities such as consortium were completely ousted from participation in bids and the same was the case with independent international construction firms.

Audit holds that CEVKA and CEA formed joint venture after prequalification process had been completed and the said ineligible bidder was unduly qualified by ignoring the essential requirements in relation to prequalification as well as contract execution due to defective financial discipline and weak internal controls.

Management replied that the request for issuance of pre-qualification documents was received from M/S CEVKA CEA JV on 1st December 2012, which clearly depicts that JV was formulated before submission of documents which was 6th December 2012. Reply was not

tenable as joint venture agreement between CEVKA and CEA JV was executed on 16-08-2013 and still the confirmation is missing as to the precise date of registration of this JV with the competent forum.

It resulted in mis-procurement against award of contract worth Rs 1,298.711 million.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for strict legal action against joint venture partners for a willful misrepresentation of facts besides fixing responsibility against the person(s) at fault under intimation to Audit.

(PDP No. 33,62,95,140)

1.2.3.3.2 Irregular consultancy against Construction of Landfill site Lakhodair Rs 23.554 million

As per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. As per Clause 1.1 (P) of, Definition of project has been set forth to connote that the work specified in SC (Special Condition) to which engineering consultancy services are required. Further as per item 1.1 of Special Conditions governing Contract agreement between LWMC and M/S ISTAC, Project was inclusive of

- I. Preparation and implementation of strategic solid waste management plan compliant with national and international standards for municipal solid waste, hospital waste, construction and demolition waste and non-hazardous industrial waste at Lahore.
- II. Preparation of projects of transfer station, rehabilitation of old dumping areas of Mehmood Booti and new Landfill site design and control/ supervision during construction.

The deliverables for Preparation and submission of landfill site projects. Preparation and submission of RFQs (Request for Quotations), RFPs (Request for Proposals), contract agreements etc was an integral part of above consultancy.

During the audit of Lahore Waste Management Company for the financial year 2012-16, it was observed that ISTAC’s role for vetting of

technically sanctioned DNIT (Draft Notice Inviting Tender) was ousted regarding execution of civil work for designated landfill site at Lakhodair. On the contrary, a new project “Engineering design Review, Design vetting and construction supervision for the project construction of Landfill site at lakhodair, Lahore” was commissioned at the additional expense of Rs 23.554 million. In this case bid was awarded to M/S NESPAK in breach of PPRA Rules governing award of consultancy contract. The BOQ and technical specifications prepared by M/S ISTAC were set aside although for these services payment had been disbursed. This turned out to be an instance of double payment for the same services. M/S ISTAC had been disbursed Rs 43 million whereas M/S NESPAK had received Rs 23.554 million in lieu of consultancy service for performing the identical responsibilities including following:

- i. Preparation of detail cost estimates based on market rates.
- ii. Preparation of tender documents including:
 - a) General conditions of contract and conditions of particular application:
 - b) Special provisions and the bidding data
 - c) Tender drawings
 - d) BOQ & technical specifications for materials & works and
 - e) Work out list of machinery & equipment required for execution of civil works under each package on the basis of a reasonable construction methodology in an acceptable sequence for implementation of various packages.
 - f) Assist client in pre-qualification of suitable contracting firms including preparation of pre-qualification documents
 - g) Prepare bid evaluation report and recommendations for award of contract to the bidder most advantageous to the client.

Overlapping of consultancy services with discrepancies in scope of work raised serious questions on sustainability viability and environmental friendly nature of commissioned project.

PPRA pre-requisite for engaging both the consultants through competitive bidding so as to bring value for money also remained unfulfilled at the outset.

Management replied that the observation of the auditors was not correct as M/s. ISTAC was paid Rs. 43 million as per the deliverables of the contract. Reply was not satisfactory and wasteful payment could not be ruled out.

Audit recommends for recovery of overpayment against redundant award of consultancy to more than one firm for same deliverables besides

fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No. 95]

1.2.3.3.3 Irrational Sanction of TS without adverting to applicable rate analysis for Landfill site at Lakhodair Rs 1019.65 million

SOPs under PPRA provide that B&R Code: pertains to the matters of procurement procedures for civil works of Public Works Departments in Punjab like Irrigation, Energy, Communication & Works and Public Health Engineering Departments. The Code defines the scope of the administrative and executive functions of the officers of the Buildings and Roads Department and embodies such rulings as are necessary in the interest of Provincial finance and control. These departments follow their own procurement procedures, such as solicitation documents and contract forms/terms, to the extent it is consistent with Punjab Procurement Rules, 2014. Moreover, As per Notification issued by Finance Department vide No. RO (TECH) F.D 2-3/2004, dated 02-08-2004, all the rate analysis of non-standardized items should be prepared by applying input rates notified by the Finance Department for the relevant quarter. According to the instructions issued by the Finance Department vide No. RO (Tech) F. D-18-23/2004 dated 21-09-2004, rate analysis for the non-standardized items shall be prepared by the Executive Engineer clearly giving the specification of the material used and as approved by the competent authority not below the rank of Superintending Engineer on the basis of input rates of relevant quarter placed at website of Finance Department.

Audit observed that input item rate analysis for finalization of TS estimates was not made integral part of the cost estimation in relation to approved engineering estimates against civil work component such as pre-casted wall, concrete with requisite PSI strength and other related civil works and HDPE pipes. It could not be ruled out that excess material, labor and incidental charges were included and unduly added items were also accounted for in the analysis.

Audit holds that payments were without approval of rates analysis in the manner prescribed due to defective financial discipline and weak internal controls.

Management replied that rate analysis was prepared by NESPAK according to the item rates provided by finance department. Reply was not tenable as rate analysis were not got approved by competent authority and item rate approved by Finance Department were not relied upon to finalize BOQs and application of B&R code provisions also stood disregarded. The input cost for framing rate analysis invariably included incidental

expenses. No reference was made to any source documents for devising input cost of material consumed. The relevant record was yet to be produced in support of contention of the management.

Audit recommends for prompt remedial action as well as regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No. 139]

1.2.3.3.4 Unauthorized Change in scope of Landfill Site Project with reduction worth Rs 224 million

According to Finance Department's notification No.RO(TECH) FD-18-29/2004 dated 30th June, 2006, 15% cushion over and above the administrative approval was allowed under delegation of Financial power Rules 1990 on work outlay of civil works component by excluding the cost of these items i.e. 10% cushion at the time of technical sanction for change in scope and specification and 4.5% at the time of acceptance of tender above the technical sanctioned amount.

SOPs under PPRA provide that B&R Code: pertains to the matters of procurement procedures for civil works of Public Works Departments in Punjab like Irrigation, Energy, Communication & Works and Public Health Engineering Departments. The Code defines the scope of the administrative and executive functions of the officers of the Buildings and Roads Department and embodies such rulings as are necessary in the interest of Provincial finance and control. These departments follow their own procurement procedures, such as solicitation documents and contract forms/terms, to the extent it is consistent with Punjab Procurement Rules, 2014. Further, Delegation of Financial Powers Rules include references to procurement related functions e.g. procuring powers of government officials of various categories, envisaging the local/insignificant purchase process. Like all the government departments and public sector corporate entities that are using public funds, the City Districts Governments/District Governments/ WASAs/Development Authorities have to follow Punjab Procurement Rules 2014 for procurement of goods, works, services and consultancy services.

Audit observed that the contractor started civil works at Landfill site project at Lakhodiar with initial cost of Rs 1298.71 million. Later on, the design of the project was changed resultantly cost was reduced to Rs 1074.65 million and as such adherence to prescribed condition was evaded.

Reduction in cost was amounting to Rs 224 million carrying 17.25 percentage which was more than limits notified by the Finance Department. This resulted in unauthorized change of the scope of project in violation of the above mentioned instructions.

Management replied that design of landfill site was prepared by ISTAC and reviewed and vetted by NESPAK. The reply was not tenable as change in scope of Landfill lakhodair was not got approved in the manner prescribed and the mandate of the competent authority stood illegally superseded.

This resulted in irregular reduction in project outlay worth Rs 224 million.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.34]

1.2.3.3.5 Non-Imposition of Liquidated Damages Rs129.87 million

According to Clause 43.1 of contract agreement between LWMC and CEVKA CEA JV, contractor is bound to complete the project within 240 days from the date of receipt of Engineer's Notice to commence. &

Further, According to Clause 47.1, LWMC can levy Liquidated Damages 0.04% for each day of the works which are completed after the specified completion date of the works subject to a maximum of 10% of contract price stated in the letter of acceptance.

Audit observed that the contractor started Landfill site project at Lakhodair with initial cost of Rs 1,298.71 million. Later on, the design of the project was changed resultantly cost was reduced to Rs 1074.65 million. Further, the contractor was allowed 240 days to complete the project to be commenced from 12-10-2013 but project was actually completed on 15-05-2015. Time lag of 340 (580-240) days was a lapse on the part of contractor i.eJV CEVKA CEA. LWMC did not levy any penalty on the contractor in violation of above quoted clauses. The company should have recovered liquidated damages @ 10% of contractprice i.e Rs 1,298.71 million which amounted to Rs 129.87

million. This resulted in non-imposition of penalty amounting to Rs 129.87 million.

Audit holds that liquidated damages were not imposed / collected from contractor due to defective financial discipline and weak internal controls.

Management replied that delays were got approved from competent authority. Reply was not tenable as extension was not approved by Board of Directors and detailed justifications on day to day basis were needed to accord such extensions with cognizance of strict action against those at fault in LWMC as management had conceded that the delay was occasioned for no objectionable reason attributable to the contractor rather the same was evidently attributed to the employer which was reprehensible.

It caused a loss of Rs 129.87 million from public exchequer and environmental degradation further aggravated due to torturous time and cost over-runs perpetuating illegal dumping at insecure sites despite incurring expenses on entire operations without bringing value for money.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.41]

1.2.3.3.6 Unauthorized Payment of Secured Advances Rs 124.71 million

As per para 3.1 of procurement manual of Lahore Waste Management Company, the Board of Directors had the ultimate authority for the utilization of LWMC's funds. The Board may delegate some of its powers to Managing Director to facilitate the procurement of goods, works and services as a routine matter. For larger contracts, the powers of the Board were exercised by the Procurement Committee. Approval limits for procurement of works, good and services is detailed below:

	Capital Expenditures (Non – Recurring)	Revenue Expenditures (Recurring)
General Manager /CFO	Upto Rs. 1 million	Upto Rs. 0.5 million
Managing Director Above	Above Rs. 1 million to Rs. 20 million	Above Rs. 0.5 million to Rs. 5 million

Procurement Committee	Above Rs. 20 million to Rs. 50 million	Above Rs. 5 million to Rs.20 million
Board of Directors	Above Rs. 50 million	Above Rs. 20 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if hemisrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him. As per Contract agreement between LWMC and CEVKA CEA JV, advances are not allowed to contractors except mobilization advance.

Audit observed that LWMC sanctioned following secured advances in favor of CEVKA CEA JV without permissibility contrary to restrictions laid down under contract agreement and these advances were granted to impart undue financial benefit to the contractor. Further, secured advances were not approved by BODs. This resulted in unauthorized payment of secured advances as detailed below:-

IPC No.	Amount of Secured Advance Granted
3	8,899,800
4	7,180,206
5	14,327,640
6	54,660,415
7	39,643,786
Total	124,711,847

Audit holds that secured advance was granted to the contractor due to defective financial discipline and weak internal controls.

Management replied that secured advances were granted against pea gravel, Geo membrane, Geo textile and it was as per norms of construction work. Further, these advances were certified by consultant. Reply was not tenable as contract agreement between LWMC and CEVKA CEA JV did not permit these advances after favor of mobilization advance had already been extended in respect of contractor that too in the wake of undue waivers in its repayments.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit

[PDP No.42]

1.2.3.3.7 Irregular release of Mobilization Advance Rs 64.94 million

According to Para of 3.1 of Procurement and Contract Manual, Board of Directors can sanction capital expenditure above Rs 50 million (Non-Recurring) for procurement of works, goods and Services.

Audit observed that the company released an amount of Rs 64.94 million as mobilization advance to M/S CEV JV CEVKA for construction of landfill site without approval of the Board of Directors in violation of the above instructions. This resulted in irregular release of mobilization advance amounting to Rs 64.94 million. Moreover, approval forum for technical validation co-opting expertise from Engineering Department and Project Appraisal experts had not been allowed to see the light of the day, causing the capacity issues to crop up which remained un-arrested. The bank / insurance firm guarantee was not got verified either.

Audit holds that mobilization advance was granted without approval of BODs due to defective financial discipline and weak internal controls.

Management replied that contract was approved by BODs and bank guarantee was obtained in support of advance. Reply was not tenable as payment was made without approval of BODs as required by para 3.1 of procurement manual. Minutes of BoD's meeting in support of the contention of management were not produced.

It resulted in irregular expenditure of Rs 64.94 million.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for regularization besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.36]

1.2.3.3.8 Fictitious Adjustment of Mobilization Advance Rs 64.93 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, a person involved in the procurement process

shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that the company adjusted mobilization advance of Rs 64.93 million against the work done valuing Rs 15.74 million duly certified by NESPAK for Interim Payment Certificate (IPC) 06. Further an amount of Rs 54.66 million was sanctioned in favour of CEVKA CEA JV as secured advance to offset the remaining amount of mobilization advance amounting to Rs 49.19 million. Fresh advance with the denomination of secured advance, was issued to offset another advance i.e mobilization advance. This connotes that undue financial benefit was granted to the contractor.

Audit holds that fictitious adjustment of mobilization advance was made due to defective financial discipline and weak internal controls.

Management replied that payments were made. Reply is not tenable as no justification could be afforded for grant of secured advance to offset last installment of mobilization advance.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.43]

1.2.3.3.9 Unauthorized payment of Price Escalation - Rs 10.234 million

According to Finance Department's U.O.No.OSD(Tech)8-1/78 dated 01.03.1980 appearing in the General Rules and directions of Contract Agreement form for execution of works in vogue in the Engineering Departments by adding the following sub-clause-9 "if, under the existing codal rules, secured advance is paid on all or any of the imperishable items mentioned at (ii) to (v) in sub-clause(2) above, no price variation shall be admissible on such items in respect of the quantity or quantities for which secured advance had been paid to the contractor."

Audit observed that price escalation was paid to CEVKA CEA JV amounting Rs 10.234 million from IPC 01 To IPC 13 due to delay of 340 days in the execution of landfill site Lakhodair project. The contractor completed the project in 580 rather than in 240 days i.e the permissible limit as per agreement. Instead of imposing liquidated damages on contractor for delay in completion of the project, price escalation amounting Rs 10.234 million was allowed and paid to the contractor. Price escalation was still granted despite the fact that secured advances of Rs 124.71 million was also paid to the contractor. Whole price escalation was allowed in violation of above rule. This resulted in unauthorized payment of price escalation amounting Rs 10.234 million.

Audit holds that un-authorized price escalation was paid to impart financial benefit to the contractors due to defective financial discipline and weak internal controls.

Management replied that amount of Rs 10.234 million was paid against escalation/de-escalation paid as per clause 53 (b) of the contract. Reply was not tenable as contractor failed to complete the project within stipulated time period. Hence, the fault was on the part of contractor and payment of price escalation was not permissible.

It resulted in loss of Rs 10.234 million to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for recovery of the amount besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No. 49]

1.2.3.3.10 Unauthorized Purchase of Vehicles Rs 7.43 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, "A person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Annex H to bid enumerated that construction camp and housing facilities devolved upon the contractor

Audit observed that the company purchased two Vigo Toyota Corolla amounting to Rs 7.43 million (Rs 3.716 Each) from the development fund reserved purely for construction of Landfill Site Lakhodair. The landfill site lakhodair was adjacent to the Ring Road Lahore which required only two minutes' drive to approach the location. Area of construction covered 4 to 5 acres distance which did not require travelling on vehicles. The inclusion of vehicles in BOQ and vetting by the ISTAC and NESPAK was not comprehensible.

Audit holds that inclusion of two Vigo Toyota Corolla in BOQ by ISTAC and vetted by NESPAK, was not in accordance with norms of economy and effectiveness. Further, it also implied that construction project was not carried out with vigilance and due care. Lacunae had been intentionally kept unattended to procure two Vigo Toyota Corolla for management of LWMC behind the veil of construction contract due to defective financial discipline and weak internal controls.

Management replied that vehicles were purchased for monitoring of construction work and same were included in BOQ. Reply was not tenable as Advertised bidding documents excluded these items.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for regularization besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.35]

1.2.3.3.11 Unauthorized purchase of diversion contingencies Rs 5.16 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that non development items e.g computer, printer, scanner, copiers, entertainment, POL & maintenance of vehicles, Salaries of Naib Qasid and watchman etc. were included in BOQ without any

justification. These items were merely included in BOQ to extend undue benefit to contractor engaged in the project as detailed below:

IPC No.	Description	Amount (Rs)
13	Provision of computer, printer, scanner, copier and Telephone for consultant office	150,000
	Provision of computer, printer, scanner, copier and Telephone for client office	150,000
	Payment of Utility Bills, stationery and Entertainment Charges	2,400,000
	POL	1,500,000
	Salaries of NaibQasid& Watchman	960,000
	Total	5,160,000

Audit holds that inclusion of expenses like purchase of computer, printer, entertainment, POL & salary of NaibQasidsetcand utilitiesin BOQ by ISTAC and vetted by NESPAK, was not in accordance with norms of economy and effectiveness. Further, it was evident that construction project was not carried out with vigilance and due care.

Management replied that above mentioned costs are part of the contract duly approved by the consultant and are mandatory for the execution of the project. Reply was not tenable as management failed to prove that public interest had been duly protected. The expenses made on salaries of watch man and Payment of utility bills for civil works at site handed over to contractor are not justified as watch and ward and operation of machinery at site was responsibility of the contractor. Moreover appointments against work charge contingencies could not be allowed without approval of sanctioned posts by F.D. Logistic support extended to contractor was not to be burdened on LWMC as it was a contract inclusive of all incidental costs.

It resulted in irregular and wasteful expenditure of Rs 5.16 million from public exchequer.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends affecting of recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.40]

1.2.3.3.12 Overpayment Due to Non Deduction on Account of Price Variation on Diesel Rs 4.467 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

As per agreement between LWMC and CEVKA CEA JV, increase or decrease in cost will be adjusted with contractor as per prevailing circumstance. Further, where any price variation (increase or decrease) to the extent of 5% or more in the price of any of the item takes place after the acceptance of tender and before the completion of contract the amount payable/recoverable shall be adjusted to the actual variation in the cost of item concerned.

Audit observed that the rates of Diesel had decreased more than 5% but deduction of price of variation was not made from the contractor, which resulted into non recovery of overpaid amount to the tune of Rs 4.467 million. The detail is as under:

(Rs in million)

IPC No.	Amount of Work Done	Date of Tender	Date of Payment	Rate of diesel at the time of Tendering	Rate of diesel at the time of payment	Amount of de-escalation
14	66.133	23-08-013	25-06-015	109.76	87.12	2.046
13	67.74	23-08-013	May-015	109.76	83.61	2.421
Total						4.467

Audit holds that prices for fuel were decreased but de-escalation was not deducted due to defective financial discipline and weak internal controls.

Management replied that price of fuel was calculated as per formula provided in the agreement. Reply was not tenable as company did not deduct price variation applicable for the BOQ without adhering to any de-escalation formula.

This resulted in loss of Rs 4.467 million to public exchequer

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.144]

1.2.3.4 Instances of Mis-procurement

1.2.3.4.1 Wasteful payment and mis-procurement for hiring of Chain Bulldozers Rs 18.56 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him. Further as per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical

Audit observed that the Company made payment of Rs 18.56 million for hiring of Chain Bulldozers for Land fill site at Lakhodair. The same were hired for specific hours to be utilized at dumping sites. Later on these bulldozers were utilized in disregard to the above condition. Hence, such heavy payment for hiring of chain bulldozers was not justified. Detail is as under:

Sr. No	Contractor	Purpose	No of Bulldozers	Period	Total Working Hours	Amount (Rs)
1	Bashir & Co	Monsoon Arrangement 2015	03 Nos 15 to 20 Tons	12 July 15 to 12 Nov 2015	2880	9,187,200
2	Webog Global	Landfil site Lakhodair	01 No 35 tons	19 January 2015 to 18 July 15	1440	8,064,000
3	Webog	Land fil site Lakhodair and MehmoodBoote	2 Nos 20 to 25 Tons	12 August 2016 to 11 Dec 16	360	1,314,000
Total					18,565,200	

Audit holds that payments were made without evidence of using chain bulldozers due to absence of deployment details, work plan, log books and end users’ completion verification.

Management replied that complete record is being maintained. Reply was not acceptable as tracking record did not show chain bulldozer referred above. Further record was provided for the month of June and July 2016 which did not relate to the period under objection by Audit.

It resulted in loss worth f Rs18.56 million to the public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.76]

1.2.3.4.2 Loss due to unjustified purchase of Android Phone sets Rs 13.978 million

As per para 3.1 of Procurement Manual of Lahore Waste Management Company, the Board of Directors had the ultimate authority for the utilization of LWMC's funds. The Board may delegate some of its powers to Managing Director to facilitate the procurement of goods, works and services as a routine matter. For larger contracts the powers of the Board are exercised by the Procurement Committee. Approval limits for procurement of works, goods and services is detailed below:

	Capital expenditures (Non – Recurring)	Revenue expenditures (Recurring)
General Manager /CFO	Upto Rs. 1 million	Upto Rs. 0.5 million
Managing Director Above	Above Rs. 1 million to Rs. 20 million	Above Rs. 0.5 million to Rs. 5 million
Procurement Committee	Above Rs. 20 million to Rs. 50 million	Above Rs. 5 million to Rs.20 million
Board of Directors	Above Rs. 50 million	Above Rs. 20 million

As per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Audit observed that 1000 Android Phone sets were procured for Rs13.978 million from Urban Traders vide letter no.LWMC/GMP/2579 dated 24-07-2013. Android sets were procured for Android Monitoring System for regular activities, attendance of workers. As per contractual framework, it was the bounden obligation on the part of contractor to monitor activities of workers and get the work done from workers. Further, procurement of android sets was not approved by Board of Directors and its procurement committee as the same expense was chargeable to revenue expenditure component.

Audit holds that android sets cost was unduly charged to LWMC and procurement was not approved by BODs and the designated procurement committee due to defective financial discipline and weak internal controls.

Management replied that monitoring of contractors' activity and work is the core responsibility of the LWMC. Contractors' are receiving work force management cost on the basis of workers attendance. Further, use of android sets reduced absenteeism and prevented fake attendance of workers etc. Reply was not tenable as management of workforce was the contractual obligation of the contractor not that of the employer and managerial cost was inclusive of the payment claim for services rendered by the contractor.

This resulted in loss of Rs 13.978 million to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends affecting of recovery besides fixing responsibility against the person(s) at fault under intimation to Audit

[PDP No.18]

1.2.3.4.3 Unjustified Purchase of Android Mobile Phones Rs 7.20 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, "a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that the company made payment of Rs 7.20 million to Telenor Pakistan Pvt. Ltd on account of purchase of 460 Lenovo A5000 3G enabled cell phone sets for use of Zonal Officers, Operation Managers and operational staff. The company had already purchased 400 android mobile phones in the financial year 2012 and 2013. The plea taken for new purchase was that old mobiles had issues like malfunctioning of mobile LCD, touch mechanism, board and battery which was not got duly vetted by authorized mobile repair workshop. Mobile wise status of repair to be carried as corroborated from defect intimation of the custodian, linked

with chronological office diary was not found on record. Further, management failed to provide / ensure physical existence of old mobile phones. This resulted in unjustified purchase of mobile phones amounting to Rs7.20 million.

Audit holds that Android mobile sets were procured instead of utilization of old sets due to defective financial discipline and weak internal controls.

Management replied that obsolescence in mobile technology was quite fast which urges to procure new handsets. Reply was not tenable as public money could be saved by using already procured mobile sets.

It resulted in loss of Rs 7.20 million to the public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for regularization of expenditure incurred besides fixing responsibility on person(s) at fault under intimation to Audit.

[PDP No.56]

1.2.3.4.4 Irregular Procurement of Front End Loader Rs 4.608 million

As per rule 4 of PPRA rules 2014 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Lahore Waste Management Company hired front end loader for landfill site Lakhodairat the cost of Rs4.608 million from M/S Webog Global. However as per SAAMA agreement two bulldozers, 59 dumpers and 15 front end loaders were transferred from CDGL. These equipments could have been deployed for the purpose at Lakhodair site. Surprisingly, award letter was issued on 7-02-16 whereas Financial Evaluation was made on 16-02-2016 after issuance of Award letter. It was evident that bidding process was not genuine. The contract was awarded to contractor and record was manipulated accordingly.

Audit holds that award letter was issued before financial evaluation due to defective financial discipline and collusive practices.

Management replied that verbal approval of M.D was taken before issuance of award letter. Managing Director approved the purchase process on 16.02.2016. Departmental reply was without evidence as verbal approval was not valid. Approval will be considered on the date of signing of the documents. Moreover, proceedings to present conformity with evaluation criteria werestill withheld and did not corroborate adherence to due process. GM P&C arrogated to himself financial powers of MD LWMC without advertng to any verbal approval at the time, he signed the instrument for approving issuance of job order and uploading the evaluation on PPRA website.

This resulted in irregular expenditure of Rs 4.608 million from public exchequer

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.146]

1.2.3.4.5 Irregular Hiring of Pad Foot Roller Rs 4.592 million

As per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Audit observed that company awarded the contract for provision of Pad Foot Roller of Rs 4.592 million to M/S A&M Associates JV.SA Enterprises. M/S Imtiaz Ahmed, SS Trader & Sh. Saadat Ali & Co. (JV) & M/S A&M Associates JV SA Enterprises participated in the bidding process. M/S Imtiaz Ahmed, SS Trader & Sh. Saadat Ali & Co. (JV) were not called for opening of Technical bids. SS Trader & Sh. Saadat Ali & Co. (JV) were rejected merely on the plea that experience of the firm in relevant field was not got verified. Queries were not intimated to the said firms to clarify credentials or to produce experience certificate of the works executed with the erstwhile employers. The condition of supplying

equipment three times on hiring basis was artificially super imposed. The attendance sheet of bid opening process was not signed by any of the member of procurement committee e.g CFO, Internal Auditors & General Manager (Procurement & Contracts). Only financial Bid of M/S A&M Associates JV SA Enterprises was opened and contract was awarded to it. The case being a single bid tender warranted comparative analysis on market survey based information and the same proceedings were circumvented.

Audit holds that procurement process was manipulated to award contract to the favorite contractor due to defective financial discipline and weak internal controls.

Management replied that the experience verification letters were sent to the respective issuing authorities on February 02nd 2016. They were given more than one and a half month time for the experience verification before technical evaluation was finalized on March 17th 2016. Reply was not tenable as condition for already supplying equipment for three times from the prospective bidders was not a valid condition for hiring of machinery. The efficacious bidding condition would be as to whether supplying firm owned equipment or not.

It resulted in irregular expenditure of Rs 4.592 million from public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for recovery of expenditure incurred besides fixing responsibility against person(s) at fault under intimation to Audit.

[PDP No.52]

1.2.3.4.6 Uneconomical purchase of Janitorial items Rs 3.51 million

As per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Audit observed that company made payment of Rs 3.51 million to M/s A&M Associate for purchase of janitorial items to be used for Metro

Bus Service. The company invited sealed bids from firms / suppliers registered with Income Tax and Sales Tax Department. Three firms / supplier participated in the bidding process. One bidder namely M/SWinpro Enterprises although, fulfilling the foregoing requirements was rejected by management. The reasons assigned for rejection were that the firms were not registered and did not possess audited financial statements for the last two year. Both of the reasons mentioned above were not the knock out conditions. Further M/SWinpro Enterprises also submitted the lowest bid of Rs 3.25 million for provision of above janitorial items which was lowest amongst all the bids but still contract was awarded to M/SA&M Enterprises for Rs 3.51 million. This resulted in uneconomical purchase of janitorial items for Metro Bus Service related job order amounting to Rs 3.51 million.

Audit holds that unreasonable criteria were set to reduce competition due to defective financial discipline and weak internal controls.

Management replied that as per mandatory qualification requirement / criteria approved by the Board, only compliant firms / companies could participate in bidding valuing more than Rs 2 million. Reply was not acceptable as no documentary evidence of Board of Directors' approval mentioned in the management response was provided. Moreover 2nd lowest bid was preferred to the first lowest one.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for regularization of expenditure incurred besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.54]

1.2.3.4.7 Irregular payment of IT Operator to Skill Hub Rs3.173 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion

in the exercise of authority given to him. Further, as per rule 49 (C) (iv) of Punjab procurement regulatory authority's (PPRA) rules, 2014 "repeat orders should not be executed more than fifteen percent of the original procurement"

During the Audit of LWMC for the financial year 2012-16, it was observed that 61 IT Supervisors were paid instead of 50 as detail below:

Sr. No.	Name of Contractor	Type of Labour Provided	No of Workers hired	No of Workers Paid	Cost per worker	Months	Over payment
	1	2	3	4	5	6	7 = (4-3)*5
1	Skill Hub Pvt Ltd	IT Assistants	50	61	24,035	12	3,172,620

Audit holds that excess IT operators were paid due to defective financial discipline and weak internal controls.

Management replied that hiring of extra IT assistants is within the extended contract price and has been monitored to remain within the limit. Reply was not tenable as there was no extended contract nor repeat order of this financial implication could be deemed legally admissible under PPRA.

This resulted in loss of Rs 1.845 million to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.29]

1.2.3.4.8 Irregular Purchase of Suzuki Vehicles Rs 3.162 million

According to Govt. of Punjab, Finance Department letter No.FD.SO(Goods)44-4/2010 dated 9th August 2010, there shall be a complete ban on purchase of motor vehicles from current or development budgets. Any departure, if warranted under unavoidable circumstances such as purchase of a utility vehicle like Tow Truck, Bus, etc., shall only be considered and recommended by the Austerity Committee to the Chief Minister for his approval. The cases of replacement of vehicles shall only be placed before the Austerity Committee if the vehicles are declared unserviceable as per rules first".

During scrutiny of record of LWMC for the financial years 2012-16, it was observed that the company made payment of Rs 3.162 million for purchase of three Suzuki Cultus VXR Euro-II Petrol. The vehicles were purchased without getting approval from the austerity committee as required by the Finance Department, Government of the Punjab. This resulted in irregular purchase of vehicles amounting Rs 3.162 million.

Audit holds that vehicles were purchased in violation of Punjab finance department orders due to defective financial discipline and weak internal controls.

Management replied that the said vehicles are for operational use (for monitoring). Reply was not tenable as vehicles were purchased without approval of austerity committee. Moreover, Government of Punjab had issued clarification in categorical terms that all austerity measures were binding on the companies owned by the provincial.

It resulted in to irregular expenditure of Rs 3.162 million from public exchequer.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.39]

1.2.3.4.9 Irregular Expenditure on Up-gradation of LWMC Office Rs 2.11 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, “A person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that the company awarded contract to M/s Sh. Saadat Ali & Co. for civil, electrical, networking and plumbing works at 7th Floor office, Shaheen Complex Lahore valuing Rs 5.914 million. The firm was awarded contract despite following deficiencies:

- a) M/S Rajput Builders & Developers offered lowest bid i.e Rs 3.804 million for above mentioned work, which was rejected on the plea “bidder tampered the specifications / brands” given by New Vision Engineering Consultant. This rejection was without any documentary evidence showing tampering submitted by the bidder. Further, the LWMC demanded additional performance guarantee for quoting rate below market rates and the bidder refused to do so. The document containing the above refusal of the bidder from providing additional performance guarantee did not bear signature of authorized representative of M/s Rajput Builders & Developers.
- b) M/SSaadat Ali & Co. did not obtain bidding documents from LWMC and hence did not attend pre bid meeting for up gradation of 7th Floor office.
- c) The project was enhanced more than 15% and executed by the same contractor in violation of PPRA rules.
- d) The bid of M/s Saadat Ali & Co worth Rs 2.11 million was higher than the lowest bidder i.e M/s Rajput Builders & Developers as mentioned in (a) above

Audit holds that contract was not awarded to the lowest bidder due to defective financial discipline and weak internal controls.

Management replied that lowest bidder was declared as non-responsive due to offering rates below the market and tampering of BOQs whereas M/s ShSaadat was 2nd lowest bidder having prequalification of PEC. Reply was not tenable as no documentary evidence regarding tampering of BOQ by M/s Rajput builders was presented or retained in the record. Further documentary evidence of obtaining bidding documents from LWMC on the part of bidders had not been shown as participants of tenders as well as attendance of pre bid meeting was also not provided.

It resulted in irregular expenditure of Rs 2.11 million from public exchequer.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends ensuring recovery of the overpaid amount besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.60]

1.2.3.4.10 Irregular hiring of services of ISTAC US\$492,500

According to Rule 12(1) and 9 of Punjab Procurement Rules 2009, a procuring agency shall advertise procurement of more than one hundred thousand rupees and up to the limit of two million rupees on the website of the Authority in the manner and format specified by regulations but if deemed in public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper.

According to Rule 14 of Punjab Procurement Rules 2009, "It shall be mandatory for all procuring agencies to advertise all procurement requirements exceeding prescribed financial limit which is applicable under sub-clause (i) of clause (b) of rule 42. However under following circumstances deviation from the requirement is permissible with the prior approval of the PPRA,-

- (a) The proposed procurement is related to national security and its publication could jeopardize national security objectives; and
- (b) The proposed procurement advertisement or notice or publication of it, in any manner, relates to disclosure of information, which is proprietary in nature or falls within the definition of intellectual property.

During the Audit of Solid Waste Management Company Lahore for the financial year 2012-16, it was observed that consultancy services were acquired from the M/S ISTAC in violation of PPRA rules as detailed below:

Sr. No.	Name of Contract/Project	Name of Contractor	Date	Amount US\$
1	Contract for consultancy of Solid Waste Management Services	ISTAC Turkey	01-12-2010	492,500

Audit holds that ISTAC consultancy was hired in violation of PPRA rules due to defective financial discipline and weak internal controls.

Management replied that approval for said agreement was granted by the Competent Authority. Reply was not tenable as no authority can exempt application of PPRA rules except circumstance mentioned in rule 14 of PPRA Rules 2009. Moreover, waiver of tender on the ground of operational urgency / emergency was unfounded in view of the delay conceded as also candidly pointed out by the Chairman P&D on the summary to the CM. No approval against any specific EOI was obtained.

The BoQ, work plan, activity schedule and deliverables incorporated in the contract was also entailing international bilateral obligation which LWMC as a company could not solemnize on its own. Moreover time extension to validate delayed contract completion contrary to the time frame approved earlier inextricably linked to emergency reasons originally adduced.

This resulted in irregular contractual obligation of US\$492,500.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.30]

1.2.3.4.11 Loss due to unjustified purchase of Polythene bags Rs 1.870 million

As per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. As per Para 3.3 of procurement manual of Lahore Waste Management Company, “A person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that the company paid Rs 1.870 million to M/s Pacific Ways Pvt. Ltd for procurement of bio degradable polythene garbage bags to use in de-silting activities. The event was advertised on PPRA web site on 25-06-14 before taking approval of Managing Director. He accorded permission for incurrence of this expenditure on 04-07-2014. Further, it is pointed out that waste extracted from monsoon de-silting activities was to be immediately shifted in hand cart / trolleys. Mud could not be packed / carried through bags.

Audit holds that doubtful payment was made to M/s Pacific ways for affording the beneficiary contractor undue financial benefit because of defective financial discipline and weak internal controls.

Management replied that a combined requisition was generated for monsoon and de-silting activities. Bags were part of monsoon activities. The advertisement was floated after allocation of budget from C.F.O and verbal approval of M.D LWMC. As per SOPs, de-silting material will be directly loaded /stored in garbage bags / Special designed handcrafts. Reply was not tenable as verbal approval cannot be adverted to unless followed by written confirmation accorded with reasoning adduced for such a dispensation. Further, carrying of mud of monsoon in polythene bags is irrational and illogical.

It resulted in loss of Rs 1.870 million to public exchequer.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends affecting of recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.58]

1.2.3.4.12 Loss due to doubtful purchase of Garbage Bags Rs. 1.799 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him. As per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Audit observed that 90,000 Garbage bags for EidulAzha 2015 were purchased for Rs 1,798,770 from M/S Jilani Poly Industries Ltd. As per specification of Bags, 50% bags contained OzPak and LWMC logo and on 50% Albayrak and LWMC logo were to be printed. Distribution to households/consumption was not on record.

Audit holds that doubtful expenditure was booked and paid due to defective financial discipline and weak internal controls.

Management replied that bags were purchased for rural areas which were being managed by LWMC itself. Reply was not tenable as rural areas did not need bags in view of the fact that monograms of contractors were printed on the bags whose purview did not extend to rural area UCs. Further, in the absence of distribution record to households, procurement of bags could not be treated legitimate.

This resulted in loss of Rs 1.799 million to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends affecting of recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.7]

1.2.3.4.13 Irregular award of contract for hiring of excavators Rs 1.076 million

As per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. As per Para 3.3 of procurement manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that the company made payment of Rs 1.076 million for hiring of excavators for two months for dumpsites. The contract was awarded to M/S Bashir & Co on 12-06-2015 vide letter No. 1471. Two firms namely M/S Khokhar Engineering & Co and Bashir & Sons participated in the bidding process. M/s Khokhar Engineering was willfully disqualified in technical evaluation only on the ground that experience of firm for similar machinery operations was two times instead of three. In such cases weight-age with minimum threshold suffices to reckon the technical bid qualified and compliant. It is worth mentioning here that against the identical case of bid evaluation earlier finalized the knocked out firm M/S Khokhar Engineering & Co had earlier provided excavator for dumpsites to LWMC in the month of March & April, 2015

as was evident from payment journal voucher 205/23-03-2015, journal voucher 212/23-03-2015, journal voucher 149/26-03-2015, journal voucher 05/27-04-2015.

Audit holds that contract for hiring of excavators was awarded in non-transparent manner due to defective financial discipline and weak internal controls.

Management replied that M/s Khokhar Engineering & Co submitted only two experience certificates instead of three experiences and hence was disqualified. Reply was not tenable as LWMC itself had earlier awarded the contract to M/S Khokhar Engineering & Co two times before this.

This resulted in irregular expenditure of Rs 1.076 million from public exchequer

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for regularization of expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.141]

1.2.3.4.14 Irregular procurement of Computers & roller Blinds Rs 0.975 million

According to Rule 9 of PPRA Rules 2009, Limitation on splitting or regrouping of proposed procurement.– Save as otherwise provided and subject to the regulation made by the PPRA, with the prior approval of the Government of the Punjab, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the PPRA's website as well as on the website of the procuring agency in case the procuring agency has its own website.

Audit observed that company purchased computers and blind rollers and paid Rs 0.975 million. Company procured computers and rollers blinds on quotations instead of advertising on PPRA website as expenditure was split into parts to avoid open competition in violation of the above quoted rules. The details of splitting are shown at **Annex C**.

Audit holds that computers and roller blinds were purchased by splitting job orders to avoid open competition due to defective financial discipline and weak internal controls.

Management replied that LWMC had uploaded its annual procurement plan on PPRA website and the same was being followed. Reply was not tenable as splitting was self-evident from job orders in proximity with each other avoiding advertised bidding as well as open competition.

It resulted in irregular expenditure of Rs 0.975 million from public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking regularization of the matter besides fixing responsibility against person(s) at fault under intimation to Audit.

[PDP No.37 & 38]

1.2.3.4.15 Doubtful payment on account of Janitorial items Rs 0.797 million

As per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. As per Para 3.3 of procurement manual of Lahore Waste Management Company, “A person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that the company made payment of Rs 797,370 to M/S Al Manzir Brother for provision of janitorial items for de-silting activity. Company purchased long protective Gloves, Long shoes, rainy coats, torch, Steiner Rocket type, Nets, Rope etc. which did not fall under the ambit of janitorial services. Further, the advertisement of PPRA provided by the company was of janitorial items purchased for office premises. Some items like long shoes, rainy coats were also purchased in addition to office items from M/S Sky Trader vide LWMC/GMP/1554

dated Nil and LWMC/GMP/410 dated Nil. Hence, purchase of these items which had nothing to do with de-silting activities, were frivolous. All these facts connote wasteful payment was made to the contractor.

Audit holds that doubtful payment was made to M/s Al Manzir brothers for affording financial benefit to the contractor due to defective financial discipline and weak internal controls.

Management replied that cleaning activities during monsoon fell under the ambit of LWMC and all these items/tools are required by LWMC workers. Quantities procured from M/s Al Manzir Borthar were for different areas of Lahore for monsoon and desilting activities in July 2014. Further, quantity procured from M/s Sky traders was procured at different intervals and for specific areas. The reply of the entity was devoid of cogency in view of the fact that the advertisement of PPRA provided by the company was of janitorial items purchased for office premises only and prospective bidders stood misled by these implied restrictions set forth in defective advertisements.

It resulted in loss of Rs 797,370 to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends affecting of recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.59]

1.2.3.4.16 Unjustified hiring of Pickups Rs.0. 586 million

As per rule 4 of PPRA rules 2009 “ Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Audit observed that pickup vehicles were hired for EidulAzha 2015 from M/S Malik Trading Company @ Rs68,11 per day. Hiring of pickup vehicle to a partial extent was not justifiable as detailed below:

Sr. No.	Name of Contractor	Purpose	No of vehicle hired	Amount (Rs)	Remarks
1	M/S Malik Trading Company	Pickup for one day before Eid	41	279,251	Slaughter of no animal was possible one day before Eid
2	M/S Malik Trading Company	Ferozpur Road (10+10+6)	26	177,086	No slaughter of animal was possible on Ferozpur Road
3	M/S Malik Trading Company	Ring Road (7+6+6)	19	129,409	No slaughter of animal was possible on Ring Road
Total				585,746	

Audit holds that pickup vehicles were hired in haste without proper planning due to defective financial discipline and weak internal controls.

Management replied that Vehicle before one day Eid was hired to ensure Zero Waste policy. Further, people slaughter their animal on service lanes of Ferozpur Road and LRR. Reply was not tenable as normal cleaning operations are already in progress to deal with waste one day before Eid. Manual sweeping and operations extend sufficient cleanliness coverage. As far as slaughtering on Ferozpur and ring roads is concerned no animal had to be slaughtered on road. Second, if someone slaughtered his animal on road, the deployed pickup of adjacent UC could collect offals. Work plans, itinerary, route deployment, fuel consumption, quantum of disposal of offal on day to day basis was also not shared with the audit.

It resulted in loss of Rs 585,746 to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends affecting of recovery of wasteful expenditure besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.70]

1.2.3.4.17 Irregular approval and award of contract US\$ 318,000

As per rule 49 (C) (iv) of Punjab procurement regulatory authority's (PPRA) rules, 2014 "repeat orders should not be executed more than fifteen percent of the original procurement".

Audit observed that company extended agreement for consultancy service of six more landfill sites with ISTAC for US\$318,000. Original consultancy agreement with ISTAC was worth US\$492,500. Extended contract was 64.57% of the original contract amount. Extended contract stood awarded in violation of PPRA rules.

Audit holds that consultancy services were hired without advertisement on PPRA website due to defective financial discipline and weak internal controls.

Management replied that neither the contract was executed nor the payments were made to ISTAC. Reply was not tenable as audit had copy of executed contract with ISTAC. Further, payment were booked vide journal voucher No 379 dated 04-01-2016 of Rs 30,088,080.

It resulted in irregular expenditure and non-competitive contract award to the tune of Rs 30.088 million.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.127]

1.2.3.4.18 Loss due to un-economical -procurement of stationary items Rs0.432 million

As per rule 4 of PPRA rules 2009 " Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.As per Para 3.3 of procurement manual of Lahore Waste Management Company, "A person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if hemisrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that Stationary items were procured in the financial year 2013-14 from M/S Smith & Co vide letter No.LWMC/GMP/2736 dated 5-10-2013 worth Rs3,827,406. Four suppliers participated in bidding process, M/S Smith & Co, M/S Shalimar Stationers, M/S Noble Traders and M/S Fast Traders. Total required items were 107. M/S Noble Trader, M/S Smith & Co, Noble Trader and Fast Trader were lowest for items at Sr. no. 43, 35, 28 and 01 respectively. Contract was awarded to M/S Smith & CO on the pretext that firm was providing all items by ignoring the lowest bidders. Company had to pay extra cost of Rs 432,280 for procurement of stationary items.

Audit holds that uneconomical purchase of stationery items were made due to defective financial discipline and weak internal controls.

Management replied that on the basis of Instructions to bidder (ITB) clauses, the evaluation committee declared M/s Shalimar Stationers, M/s Nobel Traders and M/s Fast Technology as Non-responsive as they did not provide complete items. Reply was not tenable as at the outset of evolving bid evaluation criteria, management did not take into consideration the nature and variety of items, etc.

This resulted in loss of Rs 432,280 to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends affecting of recovery besides fixing responsibility against person(s) at fault under intimation to Audit

[PDP No.19]

1.2.3.5

Absence of Environment Friendly Operations

1.2.3.5.1 Illegal open dumping with cost charged for scientific dumping Rs. 1,298.711 million

The major objectives of the SAAMA and Integrated solid waste management initiative are:

1. To make city of Lahore clean and livable.
2. To develop and implement an Integrated Solid Waste Management System for Lahore.

The objectives given within the ambit of above agreement are inclusive of task and deliverables.

Audit observed that commissioning scientific Landfill site did not materialize up to 01-04-2016. The daily disposal of municipal waste charged up to 01-04-2016 indicated transportation from container to open dumpsites. On the other hand substantive functions and responsibilities as laid down under SAAMA agreement included catering for effective management of solid waste in order to safeguard public health, and to ensure that waste is reduced, collected, stored, transported, recycled, reused or disposed off, in an environmentally sound manner and promoting safety standards in relation to such waste and issuing specific directions to person(s) and entities to arrange solid waste management in the manner determined by the LWMC.

Instead of seeking rehabilitation of illegal dumping sites to prevent environmental degradation, open dumping was intensified and civil work was got executed in illegal dump sites to pile up heaps of hazardous waste followed by seepage of contaminated leachate to render undrinkable the underground water. No attention was paid to arrest delay in execution of properly developed scientific landfill sites. The composting capacity of bio degradable waste was also kept underutilized. So much so the RDF contracts were given effect at open dumping site with M/S DG Khan Cement and M/S PNO at Saggian and Bagrian illegal dump sites.

Management replied that Construction of Lakhoder Landfill Site had been completed in June 2015 but it was not operated due to lack of operational expertise and unavailability of trash compactors. Tender to procure trash compactors was floated but it failed at the last stage due to which operations of Landfill Site delayed. As it was first project of this nature in Pakistan so it would be risky if it was started without resources and technical expertise. On April 2016, Landfill Operations was started with available local rental machinery and in the presence of ISTAC consultants and Landfill Experts. Reply was not tenable as un-scientific

dumping was being done before operation of landfill sites. Further, major portion of waste was still illegally dumped at sites other than scientifically developed landfill site.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends affecting of recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.94]

1.2.3.5.2 Unjustified Selection of Dumping / Landfill Site at Lakhodair

LWMC was required to obtain environmental clearness from Ministry of Environment for project of Landfill/dumping site being category “A” project characterized under item 7 (i) as per MoEF notification dated 14-09-2006 after conducting Environmental Impact Assessment. Further LWMC was required to follow guidelines regarding environmental sensitivities delineated by the MoEF and the EPA for projects inclusive of commissioning of landfill site.

Audit observed that project description for environmental approval requisitioned by LWMC was “Establishment of integrated waste management facility over an area of 120 acres. The key components of project were: installation of waste segregation and sorting plant; proper operation of the solid waste recycling plant; buffer zone; restoration of the site in compliance with all engineering, geotechnical and environmental standard etc.” Moreover, the company selected land for dumping municipal waste at Lakhodair. The company was required to comply with the guidelines issued by MoEF and EPA for protection of environment but the same was not done in violation of rules *ibid*. Moreover, it was observed that the company was required to obtain Environmental clearance from Ministry of Environment before starting the project for dumping /landfill site at Lakhodair. The company was also required to conduct environmental impact analysis in this regard. Record of public hearing and response of forest department was not on record. On the contrary, as per record of the acquisition of land proceedings, the site had earlier been earmarked for sports promotion for another project called sports meadows for which an LAC award was already in field as was

revealed from minutes of BOD meeting in relation to deliberations on land acquisition.

Management replied that Environment impact analysis report had been prepared and NOC had been taken from EPA before starting the operation of Lakhodair at landfill site. Reply was not acceptable as the management relied up on an expired NOC for the reason that provincial EPA categorically clarified that their environmental approval shall be valid for commencement of construction for a period of three years from the date of issue under section 16 of IEE/EIA regulations, 2000. The conditions of approval made LWMC liable for compliance of Sections 13, 14, 17 and 18 of IEE/EIA Regulations, 2000, regarding approval, confirmation of compliance, entry, and inspection and monitoring. The other conditions which remained unfulfilled also cast aspersions on selection of site i.e

- a) The proposed site shall not be part of river bed zone and shall not fall in the sensitive area of proposed National Ravi Park.
- b) The waste shall be daily compacted and then covered with clay.
- c) There will be buffer zone of about 2km between the project area and the nearby human settlement or other activity.
- d) The proponent shall plant at least 20,000 trees of minimum height 6-7 feet especially of indigenous species in and around the project area in consultation with DO(E), Lahore within one year.
- e) The proponent shall obtain approval / NOC of the all the concerned departments before commencement of work.

No documentary evidence of Social and environmental screening, Social Assessment Report, Resettlement and Resettlement plan in addition to ESMP was shared with audit.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for prompt remedial action besides fixing responsibility against the person(s) at fault under intimation to Audit.

1.2.3.5.3 Poor Air Quality of Waste Disposal sites

Air Prevention Pollution Acts 1981,1982,1983 provides that,” No person shall establish or operate any activity which can cause Air Pollution without obtaining consent to establish (CTE/NOC).

During the Audit of Lahore Waste Management Company for the financial year 2012-16, it was observed that the company did not conform to above prerequisite. Ambient air quality sample test were required to be regularly ensured besides installation of pollution abatement devices

Management replied that management of landfill is equally conscious of the fact and will conform to the test shortly. Management admitted the lapse.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.110]

1.2.3.5.4 Non-Obtaining of NOC for Noise Quality

The Noise level in the environment has to be maintained as notified in Noise pollution (regulation and control) rules dated 14-02-2014 of EPA.

During the Audit of Lahore Waste Management Company for the financial year 2012-16, it was observed that the company did not subscribe to Noise Quality control standard set forth under the rules.

Management replied that management of landfill is equally conscious of the fact and will conform to the test shortly. Management admitted the lapse.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends prompt remedial action besides fixing responsibility against the person(s) at fault under intimation to Audit.

1.2.3.5.5 Unjustified dumping of waste below declared capacity of Landfill site

Sanitary landfill site is an essential component / ingredient of Integrated Solid Waste Management commissioning of which is a bounden obligation on LWMC under SAMA agreement.

Audit observed that the company had been collecting more than 5,000 tons of waste every day from jurisdictional area of Lahore. Two cell of landfill site were constructed. The company had been dumping only 2,000 tons of wastes on cell one and nothing is on cell two. Instead of laying waste on landfill site, 3,000 tons of waste had been thrown on illegal dump site which is creating nuisance for general public in the shape of polluted environment and contamination of soil as well as underground water.

Audit holds that illegal dumping of waste was done despite claiming scientific disposal of waste by the Company.

Management replied that company is planning to construct more scientific landfill sites for disposal of waste. Reply was not tenable as company failed to dispose of waste in scientific manner contrary to provisions of SAMA. Management admitted dumping in un-scientific manner continued up to April 2016. The adverse implication of environment degradation and health hazards besides pollution of underground water had not been ruled out. The proposed measures do not made good the loss on account of conceding of huge opportunity cost.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends prompt remedial action besides fixing responsibility against the person(s) at fault under intimation to Audit.

1.2.4.

Performance

1.2.4.1 Loss due to Non-approval of Revenue Generation Plan Rs44,014.427 million

As provided under Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013 captioned as Formation of Board committees, the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations. Further, according to article 2.3.4 of contract for outsourcing of solid waste transportation services, door-to-door collection will be carried out in specific days which must be at least 3 days per week. Contractor prepares a collecting plan related with door-to-door and submit it to the client for approval. In the future, a revision may be effected in the collection frequency and plan based on the experience to be gained upon the joint consensus. In 17th meeting of Board of Directors held on 22nd October, 2011, BOD directed the MD and Senior Manager Finance to prepare a comprehensive revenue generation plan of LWMC for its implementation on the citizens of Lahore.

Audit scrutiny revealed that The BOD directive was issued in unambiguous terms to put in place revenue generation plan which had not been steered to completion as yet. The delay incurred was at the expense of realizable revenue potential to the tune of Rs 44.014 billion. The option to ensure that resources are safeguarded was not exercised by the management as door to door collection from household consumer of services from contractors was kept dormant. No collecting plan was enforced contrary to contractual obligation. Hence no door to door collection could materialize ousting even a remote chance to collect user charges from household consumers.

Audit observed that Company was established in March 2010. A revenue generation plan was chalked out to ensure that Company retained the status of going concern. The company had been generating a meager income from consultancy and sale of recyclable waste that was very insufficient to meet expenditure. The company had been meeting its liabilities / deficits with Loans from Government of the Punjab. The Amount of Loans had been increasing day by day. Further, the company did not have any resources to repay its loans. The company should have

got approved revenue generation plan from the concerned authority and implemented the same in true letter & spirit. This plan could have fetched considerable amount of revenue to revive the chances of its sustainability. The detail of assessed revenue is given here under:

Category	Marls	Proposed Rate	Months	Amount (Rs)
Residential	6,197,741	53	60	19,708,816,380
Commercial	794,558	400	60	19,069,392,000
Industrial	1090879	80	60	5,236,219,200
Total				44,014,427,580

Audit holds that no serious effort was made to get approval of revenue generation plan despite the fact that LWMC is facing acute shortage of funds due to lukewarm attitude of Management. Moreover user trust had not been cultivated to win over consumer confidence regarding door-to-door collection which had to subscribe to an approved plan neither available with LWMC nor shown to Audit.

Management replied that revenue generation plan is yet to be approved by competent authority. Reply was not tenable as efforts had not still materialized in derogation to the mandate conferred under the law also indicating that door to door collection had been only cosmetic in nature, as a result whereof the company was without moral ground to impose user charges.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for prompt remedial action besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.73]

1.2.4.2 Loss due to less realization of Sanitation Fee Rs 182.007 million

As per clause 10 (v) of SAAMA, the CDGL and LWMC shall carry out reconciliation of figures of receipts realized during a quarter and the budgeted amounts to be transferred during the ensuing months shall be readjusted on the basis of actual collection as ascertained through such reconciliation.

Audit observed that under the existing framework sanitation fee from commercial and Industrial units was to be collected at the rate of Rs 50 and Rs 100 per month respectively. No of Commercial and Industrial units were 132,926 and 5,851 as per GIS based Survey. Only Rs 165.1 million was collected against total assessed / realizablerecovery of sanitation fee amounting to Rs347.107 and Rs182.007 were yet to be recovered. Neither any serious efforts were made to make full recovery of sanitation fee nor were any action taken against the negligent officers and staff. This resulted in less realization of sanitation fee amounting Rs 182.007. The detail of revenue shortfall is as under:

Financial Year	Commercial Units			Industrial Units			Sanitation fee to be collected	Sanitation fee Collected	Sanitation fee less realized
	No of Units	Rate	Amount	No of Units	Rate	Amount			
1	2	3	4	5	6	7	8=(4+7)	9	10=8-9
2012-13	132926	600	79.756	5851	1200	7.021	86.777	30.700	56.077
2013-14	132926	600	79.756	5851	1200	7.021	86.777	37.600	49.177
2014-15	132926	600	79.756	5851	1200	7.021	86.777	39.200	47.577
2015-16	132926	600	79.756	5851	1200	7.021	86.777	48.600	38.177
Total							347.107	165.100	182.007

Audit holds that sanitation fee is not collected due to defective financial discipline and weak internal controls.

Management replied that WASA was also collecting and depositing sanitation fee directly to CDGL. Ever since the incorporation of LWMC, the collection had almost doubled i.e from Rs 23 million to Rs 45 million. Reply was devoid of relevance and cogency as WASA was collecting sanitation fee from domestic users whereas LWMC was mandated for collecting sanitation fee from commercial and industrial units. Deficit shown in audit objection was exclusively relatable to commercial and Industrial units.

It resulted in loss of Rs182.007 million to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends affecting of recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.102]

1.2.4.3 Loss due to contract of cleanliness of Lahore Ring Road Rs.121.714 million

As per clause 10 (ii) of SAAMA, the LWMC shall, from time to time, propose cost recovery measures in respect of Solid Waste Management Services. Further as per Para 3.3 of procurement manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that Contract of Cleanliness of Lahore Ring Road was executed with Lahore Ring Road Authority incurring operational cost to the tune of Rs206.208 million whereas the payment received as service provider to Lahore Ring Road Authority was booked worth Rs84.494 million resulting in loss of Rs121.714 million. Full cost recovery did not materialize and efforts to ensure upward revision in the relevant price schedule of agreement earlier solemnized between LWMC and LRR authority did not succeed. Similarly in the case of contract with Metro Bus Service, penalty for deficient services were conceded.

Audit holds that contract with LRR was signed due to defective financial discipline and weak internal controls. Further, management was not watching interest of Lahore Waste Management Company.

Management replied that contract was executed in past. Reply was not tenable as contract had continuously been revalidating on its expiry.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends affecting of recovery of excess expenditure and upward revision of schedule of prices besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.32]

1.2.4.4 Loss due to expenditure incurred on orange line route project. Rs 92.518 million

As per Para 3.1 of procurement manual of Lahore Waste Management Company, the Board of Directors has the ultimate authority for the utilization of LWMC’s funds. The Board may delegate some of its

powers to Managing Director to facilitate the procurement of goods, works and services as a routine matter. For larger contracts, the powers of the Board are exercised by the Procurement Committee. Approval limits for procurement of works, good and services is detailed below:

	Capital expenditures (Non – Recurring)	Revenue expenditures (Recurring)
General Manager /CFO	Up to Rs. 1 million	Up to Rs. 0.5 million
Managing Director Above	Above Rs. 1 million to Rs. 20 million	Above Rs. 0.5 million to Rs. 5 million
Procurement Committee	Above Rs. 20 million to Rs. 50 million	Above Rs. 5 million to Rs.20 million
Board of Directors	Above Rs. 50 million	Above Rs. 20 million

As per Letter no. LWMC/MD/4049 dated 23-11-16 of Managing Director of Lahore Waste Management Company, Special Operation at orange line project to clear all debris/ C&D waste from main route was carried out and the cost of these operations worth Rs 92.518 million was outstanding against Lahore Development Authority.

Audit observed that C&D removal operation for orange line project was carried without any authority. Expenditure of Rs 92.518 million was incurred for removal of debris of Orange line Project which was outside the scope of Lahore Waste Management Company and without approval of competent authority. Company was yet to recover the expended amount to the tune of Rs 92.518 million from the concerned authority as per following details:

Sr. No.	Description	Amount (Rs)
1	Package -1 (Quaid –e- Azam inter change to Chuburgi)	60,747,603
2	Package-II (Chuburgi to Ali Town Raiwind Road)	31,770,549
	Total	92,518,152

Audit holds that expenditure was incurred without approval of Board of Directors due to defective financial discipline and weak internal controls.

Management replied that removal of debris had been done by LWMC as per instructions of the competent authority and extra cost incurred by LWMC was being charged to LDA. Reply was not acceptable as expenditure had been incurred without approval of BODs which is competent authority for according sanction and approving these projects. Further, expenditure was also still outstanding. Contractual arrangements had not been formalized between the LWMC as service provided and the LDA as employer. SAAMA and agreed KPI had not

been got revised. Scope of work with BOQ, lead and lift, assessment of quantification compensation for land reclamation involved remained unclaimed/ unverified.

This resulted into loss of Rs 92.518152 million to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for remedial measures to take stock of situation as well as recovery of the cost of C&D waste removal payable to LWMC besides fixing responsibility against person(s) at fault under intimation to Audit.

[PDP No.13]

1.2.4.5 Fictitious Receivables in books of Accounts Rs74.000 million

As per clause 10 (iii) of Services and Asset Management Agreement for Solid Waste Management Services in Lahore, Monies collected from taxes, fees, user charges, surcharges, cesses, rents, rates, fines, and forfeitures leviable in connection with solid waste management shall be credited to the District Fund of the CDGL in the prescribed manner.

During Audit of Lahore Waste Management Company for the financial year 2012-16, it was observed that LWMC was booking receivables against sanitation fee in spite of the fact the same had already been transferred to CDGL.

Audit holds that fictitious receivables were booked due to defective financial discipline and weak internal controls.

Management replied that as per clause 10(V) of the SAMA, the amount transferred to CDGL should be transferred back to LWMC. Management reply turned out to be untenable as clause 10 (V) was of the agreement relating to minimum threshold of budgeted grants transferred to LWMC.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016

followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.28]

1.2.4.6 Loss due to Non-completion of Projects Rs 53.31 million

According to object clause 5 sub clause 54 of the company's Memorandum of Association, LWMC was to carry on the business which may seem to the company capable of being carried on in connection with any of the company's object of calculated; directly or indirectly to enhance the value of or render profitable any of the company's properties, assets or rights, but the company shall not do any unlawful act or business. As per Para 3.3 of procurement manual of Lahore Waste Management Company, "a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that the company expended Rs 53.31 million on waste to energy project and installation of bio gas plants. Production of gas & energy project with their feasibility could not remain isolated from core objective of revenue generation. Hence the entire investments so far was equal to sunk investment as no effort for public private partnership mode had borne fruit and both the projects were abandoned on de facto basis as detailed below:

Sr. No.	Description of the Project	Expenditure (Rs in million)
1.	ECOAIR	38.47
2.	Icho Gill Project	14.84
	Total	53.31

Audit holds that Icho Gill Gas and Waste to Energy projects commenced and still not completed due to defective financial discipline and weak internal controls.

Management replied that Waste to Energy project will be executed by Energy Department and Icho Gill Gas project was formulated and outsourced on Design, Build, Operate and Transfer basis to M/s Max-Rite SSAC JV and an agreement was accordingly signed on 7th July 2014. Further, project was executed as pilot project under Research &

Development. Reply was not tenable as a huge cost was incurred by LWMC on waste to energy and icho gill projects and nothing had materialized. Further, Machinery & equipments from icho gill project were stolen owing to careless attitude of management towards public money. Moreover, EOCAIR feasibility report was paid for by the LWMC without adhering to prerequisites of value for money whereas the consumer of this study was admittedly the Energy Department and Panel of Expert did not ratify the contents of feasibility as completed.

It resulted in loss of Rs 53.31 million from public exchequer.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.77]

1.2.4.7 Loss due to Non-collection of fee Rs 40.598 million

As per clause 10 (ii) of SAAMA, the LWMC shall, from time to time, propose cost recovery measures in respect of Solid Waste Management Services.

Audit observed that Cantonment Board Lahore had been using Lakhodair Land fill/ dumping site for disposal of cantonment area waste. The company was yet to realize an amount out of demand and collection assessment in this regard worth Rs 40.598 million on account of disposal of waste dumped by the entities who charge distinct fees, taxes and user charge without arranging for dumping of waste in scientific and environment friendly manner. Neither any serious efforts were made to recover arrears from concerned authority nor action had been taken against the officer/staff responsible there for. Similarly dumping of waste by other Housing societies, colonies and Residential areas, LDA, Railways, Bahria Town had not been regulated and land reclamations by the entities after illegal dumping had to be arrested.

Audit holds that waste disposal fee was not collected from Cantonment Board Lahore and other entities with unregulated dumping who had evaded charges as well as environmental compliance due to defective financial discipline and weak internal controls.

Management replied that LWMC is pursuing the matter with Lahore Cantonment Board. Reply was not tenable as no concrete results could be achieved by the LWMC.

It resulted in loss of Rs 40.598 million to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for recovery as well as remedial action besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.74]

1.2.4.8 Loss due to non-auction of unserviceable vehicles Rs 25.980 million

As per clause 6 (ii) of SAAMA agreement, for the purpose of disposal of unserviceable or condemned machinery, equipments, tools, plants, vehicles and other movable assets, the LWMC shall act as agent of the CDGL and the proceeds of disposal of such movable assets shall be adjusted by the CDGL in the moneys required to be transferred to the LWMC in terms of this agreement.

Audit observed that un-serviceable vehicles were parked under open sky at Lakhodair site. These vehicles had already been transferred to Lahore Waste Management Company through SAAMA agreement. Transfer of vehicles connoted that these were in running condition. LWMC did not pay any attention to utilize these vehicles for public interest. At present, these vehicles were parked under open sky that resulted into their malfunction and drastically depleted their salvage value as detailed below:

Sr. No	Description	No of vehicles	*Estimated Value	Amount Rs
1	Nissan Arm Roll Large Size	30	600,000	18,000,000
2	Compactors	2	400,000	800,000
3	Tractor + Tractor Loader	35	200,000	7,000,000
4	CNG Ricksha	18	10,000	180,000
				25,980,000

* In absence of actual values estimated values are given

Audit holds that un-serviceable vehicles were parked in open air and abandoned for deterioration of their salvage value due to careless attitude of management towards company's assets.

Management replied that this machinery was in the name of CDGL and very recently CDGL had floated auction notice of this machinery. Reply was not tenable as Assets were to be got properly managed unless

disposed off to realize the best possible returns as and when auction was steered to completion.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for auction / repair of vehicle to save public resources besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.72]

1.2.4.9 Unlawful retention of Sanitation fee Rs 22.784 million

As per clause 10 (iii) of Services and Asset Management Agreement for Solid Waste Management Services in Lahore, Monies collected from taxes, fees, user charges, surcharges, cesses, rents, rates, fines, and forfeitures leviable in connection with solid waste management shall be credited to the District Fund of the CDGL in the prescribed manner.

During Audit of Lahore Waste Management Company for the financial year 2012-16, it was observed that sanitation fee Rs22.784 million was not transferred by the LWMC to CDGL Receipt Accounts in violation of SAAMA agreement.

Audit holds that sanitation fee was retained unlawfully due to defective financial discipline and weak internal controls.

Management replied that as per clause 10(V) of the SAMA, the amount transferred to CDGL should be transferred back to LWMC. Management reply was not tenable as clause 10 (V) of the aforesaid agreement was relatable to minimum threshold of budgeted grants transferred to LWMC. Moreover, WASA default to fully account for all realized receivables was not subjected to formal settlement abandoning dues or arrears worth Rs22.784million.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for affecting recovery besides fixing responsibility against the person(s) at fault under intimation to Audit

[PDP No.27]

1.2.4.10 Irregular Payment of Pay & Allowances Rs18.96 million

As per Para 1 (III) of offer of appointment letter of Lahore Waste Management Company issued in favor of the corporate staff and employees specific conditions were prescribed as detailed below:

- I. The terms and conditions of this contract are conditional upon signing and returning the acceptance attached to this letter to HR Department by the appointee within 10 days of the receipt of this letter of appointment.
- II. The effective date of this contract shall be the date of joining.
- III. Employee being found medically fit to the satisfaction of LWMC, his antecedents being verified and acceptable to the satisfaction of LWMC.

Audit observed that as many as ten (10) officers had been disbursed their pay & allowances without fulfilling the basic requirements of recruitment process. The officers holding degrees from overseas degree awarding universities did not have equivalency issued by Higher Education Commission. Further, the degrees of incumbents were not got verified from the concerned Institution / University. The company did not bother to get medical fitness certificate of officers on their entry into LWMC service. Experience certificates were also not got verified from the concerned employers. All these deficiencies inherent in the recruitment process resulted in irregular drawl of pay & allowances amounting to Rs 18.96 million as detailed at **Annex-D**

Audit holds that employees were appointed despite the shortcomings as pointed out due to defective financial discipline and weak internal controls.

Management replied that there was no such practice / policy which existed in current HR manual. Reply was not tenable as validity of documents on which appointments were made is essence of appointment criteria.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends prompt remedial action as well as seeking regularization of the matter besides fixing responsibility against person(s) at fault under intimation to Audit.

[PDP No.50]

1.2.4.11 Mis-procurement Regarding Ichogill Gas Project Causing Loss to LWMC Rs 14.84 million

According to Rule 4 of Procurement Rules 2014 “Procuring Agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Further as per Para 3.3 of procurement manual of Lahore Waste Management Company, “A person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him

Audit observed that the company started Icho gill biogas plant valuing Rs 14.84 million. The contract was awarded to MAX-RITE SSAC JV who claimed and received payments for ghost project to the tune of Rs 12.40 million and abandoned the work. The contractor was paid Rs 12.40 million and he was yet to commission the plant. The plant motors were stolen by someone, which were reportedly installed at site. The company neither got the project completed from another contractor on risk and cost basis nor initiated any legal proceeding against him. The project was lying incomplete till the date of audit. This resulted in sunk investment with respect to Icho gill biogas project causing loss to LWMC in shape of theft, deterioration and malfunction of the plant defeating the efficacy of the cardinal principle for value for money.

Audit holds that Ichogill Gas Project was supervised recklessly due to defective financial discipline and weak internal controls.

Management replied that project was formulated and outsourced on Design, Build, Operate and Transfer basis to M/S Max-Rite SSAC JV and an agreement was accordingly signed on 7th July 2014. Further, project was executed as pilot project under Research & Development. Reply was not tenable as Project was abandoned and its equipments were stolen owing to careless attitude of management towards public money. The modalities of schedule of payment against IPC favored the contractor who could evade the onus of operating and transferring of the plant at his whims and caprice.

It resulted in loss of Rs14.84 million to public exchequer.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed

by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends affecting of recovery of expenditure incurred besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.51]

1.2.4.12 Unlawful Reimbursement of Expenditure to ECOAIR Rs 1.44 million

As per Para 3.3 of procurement manual of Lahore Waste Management Company, “a person involved in the procurement process shall be personally liable, to make good the loss / damage incurred by LWMC, if he misrepresents, misconstrues and / or misunderstands his authority, and / or does not exercise sufficient and due care and discretion in the exercise of authority given to him.

Audit observed that company incurred expenditure of Rs 1.44 million for attending ISWA study tour Waste to Energy of Mr. Wasif Azhar Manager WtE and Mr. Rana Faisal Asst manager. As per itinerary, the study tour was to commence from 22-06-2014 to 27-06-2014 leading to 5 days on plant training with total touring days approximately up to 14 days in total. Arrangement of study tour was neither covered under the scope of contract with ECO AIR and nor required for preparation of feasibility study. It was astonishing that feasibility study was yet not finalized at that time and company to determine the plant specification with T&P inventory to be installed, still the LWMC staff moved for plant training without determination of the type of plant feasible to be commissioned as per peculiar waste characterization contours of collection and disposal in Lahore. Further, Study tour was not recommended by Consultant ECO AIR rather it was demanded / requisitioned by the company management or staff as evident from letter of ECO AIR.

Audit holds that expenditure was incurred contrary to the norms of probity and gross negligence was made due to defective financial discipline and weak internal control.

Management replied that the payment was made for study tour of employees of LWMC. Reply was not tenable as study tour of employees of LWMC was out of scope of contract with M/S ECO AIR. Further, it was also not required preparation of feasibility study.

It resulted in loss of Rs 1.44 million to public exchequer.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends affecting of recovery besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.69]

1.2.4.13 Non-establishment of Dedicated Full Cost Recovery Based Service for collection of C&D Waste

As per CD-1 of Strategic Solid Waste Management Plan,” a dedicated service for the collection of C&D waste will be introduced. Specially built containers of appropriate capacity will be developed and the services will be provided on full cost recovery basis to make the initiative sustainable. Time frame for this activity was schedule for 12-36 months.

During the Audit of Lahore Waste Management Company for the financial year 2012-16, it was observed that company was required to formulate a plan for collection of C&D Waste as required vide its strategic Plan quoted above but concerted efforts were not made in this regard. Moreover, the resources employed to undertake removal of waste from open plots and removal of debris of demolished sites for constructions, infrastructure development sites totally set at naught the revenue generation potential of this initiative.

Management replied that efforts are being made to establish a dedicated service for collection of C&D waste. Reply was not tenable as nothing had materialized in this context.

Audit recommends seeking regularization of expenses incurred on C&D removal, transportation and disposal operations besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.97]

1.2.4.14 Non-Establishment of Dedicated Service for Industrial Waste

As per IW-1 of Strategic Solid Waste Management Plan,” A dedicated service for the collection of industrial waste will be introduced in close liaison with the industries to bring the hazardous waste out of the city limits. Specially built containers of appropriate capacity will be provided to each industry depending upon the quantity of waste generation. Time frame for this activity was schedule for 12-36 months.

During the Audit of Lahore Waste Management Company for the financial year 2012-16, it was observed that company was required to formulate a plan for collection of Industrial Waste as required vide its strategic Plan quoted above but nothing was done. Time and cost overrun in this regard evidently increased opportunity cost due to inaction to the detriment of interest of LWMC. Management admitted the lapse.

The matter was again reported to the management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of report.

Audit recommends for prompt remedial action besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.98]

1.2.4.15 Non-Establishment of Dedicated Service for Infectious Hospital Waste.

As per HW-1 of Strategic Solid Waste Management Plan, a dedicated system will be launched most probably through private sector, to transport infectious hospital waste to the designated waste disposal site. Time frame for completion of task was 12-36 months.

Audit observed that company was required to formulate a plan for collection of Infectious Hospital Waste as required vide its strategic Plan quoted above. Time and cost overrun stood disproportionately conceded which evidently increased opportunity cost of inaction to the detriment of objectives of LWMC's integrated solid waste management.

Management replied that efforts were being made to cater to infectious hospital waste. Reply was not tenable as LWMC failed to establish a dedicated system for infectious hospital waste for hospitals both in private as well as public sector.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends seeking regularization of the matter besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.99]

1.2.4.16 Failure to introduce dual Bin System

As per PW-1 of Strategic Solid Waste Management Plan, “Introduction of dual bin system . A separate waste collection system will be introduced by providing waste bins in the households. The time frame for dual bin system was 24-48 months.

During the Audit of Lahore Waste Management Company for the financial year 2012-16, it was observed that company was required to formulate a plan for dual bin system for segregation of waste as required vide its strategic Plan quoted above but nothing was done. Time and cost overrun in this regard evidently increased opportunity cost of inaction to the detriment of integrated waste management predicated on cardinal principles of 3Rs.

Management replied that LWMC had introduced system for separate collection of C&D and green waste and containers had been placed in different parts of the city. Further, experiments in different areas were being conducted. Reply was not cogent as company failed to introduce dual bin system conceding time and cost over runs.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for remedial action in this regard besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.103]

1.2.4.17 Failure to obtain ISO Certification

As per IS-1 of Strategic Solid Waste Management Plan, “company will acquire ISO Certification. Moreover ISO 14001:2004 Environment Management System Quality Certificate, ISO 9001:2000 (including solid waste collection services) Quality Management System Certificate, OHSAS 18001 certification for occupational health and safety management also evidently vital for enforcement of requisite benchmark in relation to environmental sensitivities were also to be achieved in line with the norms of the international best practices.

During the Audit of Lahore Waste Management Company for the financial year 2012-16, it was observed that LWMC was required to obtain ISO Certification vide its strategic Plan quoted above but no substantial accreditation was secured in this regard.

Management replied that company initially contemplated to obtain ISO certification; however; deferred it till the improvements of internal processes and systems. Furthermore, ISO certification will be obtained

after implementation of ERP system. Reply was not tenable as Company failed to obtain ISO Certification conceding want of improvement of internal processes. Standards meant for subscription to environmental preservation have also been ignored and adherence to the environmental standards also stood disregarded.

The matter was again reported to management of LWMC with the request to arrange convening of DAC meeting in December 2016 followed by two reminders but no DAC meeting could be convened till finalization of this report.

Audit recommends for remedial action besides fixing responsibility against the person(s) at fault under intimation to Audit.

[PDP No.104]

ANNEXES

Annex-A

Details of MFDAC

(Rs in million)

Sr. No.	PDP No	Subject of Para	Amount
1	83	Irregular payments of Labour to Skill Hub	-
2	124	Website not utilized for mandatory requirement.	-
3	11	Loss due to non-reimbursement of expenditure	0.839
4	12	Loss due to Non-reimbursement Cost	2.410
5	16	Loss due to Non-Recovery of Cost of Vehicle	7.981
6	17	Loss due to unjustified hiring of Pickups for EidulAzha 2013	2.167
7	47	Loss due to non-reuse of excavated earth	-
8	48	Payment due to Non deduction of shrinkage	-
9	113	unlawful appointment of Managing Director / CEOs	-
10	114	Undue extension for engagement of same external auditors	-
11	125	Anti-corruption policy umbrella in need of implementation.	-
12	128	Delayed Finalization of Waste Disposal arrangements losing potential revenue generation	-
13	129	Un-discharged Rent and maintenance Liability	-
14	130	Undue expansion of Funding of staff salaries despite incidence of Absenteeism	-
15	132	Absence of Checks and balance during construction supervision	-
16	45	Use of Sub-standard Steel amounting	25.30
17	46	Use of Sub-standard Pipes amounting	10.72
18	55	Unauthorized Variation in Scope of Project	-
19	138	Absence of prescribed specimen selection at the expense of quality of construction	-
20	136	Disregarded schedule of sampling & Testing	-
21	135	Delinking of required results of compressive strength in laboratory	-
22	134	Quality Control framework in need of substantiation	-
23	87	Breach of binding Terms laid down in contract agreement	-
24	88	Deliverable contained in the contract agreement disregarded	-
25	89	Management decisions to launch C&D waste removal initiatives without full cost Recovery.	-
26	90	Duplication of functions with possibility of mis-representation.	-
27	91	Non-adoption of loophole free best possible solutions for vehicle tracking	-
28	92	Lopsided execution of awareness strategy contrary to desired benchmarks.	-
29	93	Loss occasioned by non-segregation of waste in MRF	-
30	116	Marginalized role of external auditor for misleading of Accounts	-
31	117	Pick and choose preferences in internal audit.	-
32	118	Neglect of core functions of designated audit committee	-
33	119	Hampering of audit committees functions.	-
34	82	Doubtful/Non-transparent system of Labour Cost	-
35	126	Setting aside the urgency to subscribe to KPIs	-

36	123	Instances of exercise of self-assumed jurisdiction and ignored priorities	-
37	121	Dormant implementation of operative provisions of rules.	-
38	120	Want of compliance of mandatory condition of detailed disclosure.	-
40	112	Unjustified payment of Salaries and Running Expenses of Lahore Compost	-
41	105	Loss due to insertion of self-contradictory clause/Condition in the Contract.	-
42	96	Operation of Landfill site evading role of mandated agency	-
43	57	Irregular award of Contract amounting	0.583
44	63	Performance Security of International Contractor	-
45	15	Irregular procurement of Material for Tests	0.095
46	142	Unjustified expenditure on Murree cleanliness Operation	-
47	21	Un-authorized use of fiscal year of LWMC	-
48	133	Lab Test Reports conspicuous by absence	-
49	137	Specifications prescribing table of allowable tolerances not strictly adhered during execution of civil work	-
50	145	Inferior construction of Administrative Block at Lakhodair site	-

Annex-B**Para no. 1.2.3.2.7****Calculation of loss for Ozpak**

Sr. No	Name of Month	value of Invoice	Adj factor with with fuel and labour element	Invoice After adjustment	Adj factor with with fuel element	Invoice After adjustment	Difference
1	Jul-15	2,147,281	1.0708	2,299,308	0.985045141	2,115,168.71	184,140
2	Aug-15	2,227,214	1.0665	2,375,324	0.975804567	2,173,325.59	201,998
3	Sep-15	2,467,486	1.06	2,615,535	0.974275093	2,404,010.15	211,525
4	Oct-15	2,379,320	1.060087368	2,522,287	0.97503983	2,319,931.77	202,355
5	Nov-15	2,048,173	1.063791	2,178,827	0.978757302	2,004,664.28	174,163
6	Dec-15	2,045,044	1.063790068	2,175,497	0.978757302	2,001,601.75	173,896
7	Jan-16	1,946,917	1.057442145	2,058,752	0.972384493	1,893,151.90	165,600
8	Feb-16	2,059,007	1.046861254	2,155,495	0.961763144	1,980,277.05	175,218
9	Mar-16	2,204,259	1.036978702	2,285,770	0.951842804	2,098,108.07	187,662
10	Apr-16	2,030,828	1.039941352	2,111,942	0.954816782	1,939,068.66	172,873
11	May-16	2,067,283	1.039941352	2,149,853	0.954816782	1,973,876.50	175,977
12	Jun-16	2,032,903	1.039941352	2,114,100	0.954816782	1,941,049.90	173,050
		25,655,715		27,042,690		24,844,234.33	2,198,456

Annex-02**Calculation of Loss for Albayrak**

Sr. No	Name of Month	value of Invoice	Factor	Invoice After adjustment	Factor only with Fuel	Invoice After adjustment	Difference
1	Jul-15	1,642,187	1.07082	1,758,487	0.985809878	1,618,884.17	139,603
2	Aug-15	1,658,529	1.06646	1,768,755	0.981433882	1,627,736.56	141,018
3	Sep-15	2,034,711	1.06009	2,156,977	0.97503983	1,983,924.27	173,053
4	Oct-15	1,968,551	1.0600874	2,086,836	0.97503983	1,919,415.63	167,420
5	Nov-15	1,708,389	1.063791	1,817,368	0.978757302	1,672,098.21	145,270
6	Dec-15	1,571,627	1.0637901	1,671,881	0.978757302	1,538,241.40	133,640
7	Jan-16	1,662,208	1.0574421	1,757,689	0.972384493	1,616,305.28	141,384
8	Feb-16	1,705,553	1.0468613	1,785,477	0.961763144	1,640,338.02	145,139
9	Mar-16	1,723,513	1.0369787	1,787,246	0.951842804	1,640,513.45	146,733
10	Apr-16	1,801,437	1.0399414	1,873,389	0.954816782	1,720,042.28	153,347
11	May-16	1,560,546	1.0399414	1,622,876	0.954816782	1,490,035.51	132,841
12	Jun-16	1,601,600	1.0399414	1,665,570	0.954816782	1,529,234.56	136,336
		20,638,851		21,752,551		19,996,769	1,755,782

Annex-C**Para No.1.2.3.4.14****Detail of purchase of Computers**

Vr. No. & Date	Date of Procurement	Name of Supplier	Description	Requisitioned by	Amount
21/06-05-2016	07-05-16	AH Technologies	HP Elite Book	Manager Operation	98,500
55/16-01-2016	,16-01-2016	AH Technologies	Dell Optiplex	Computer Operator	85,000
82/16-01-2016	16-01-2016	AH Technologies	HP Probook	GM P&C	98,000
134/16-01-2016	16-01-2016	AH Technologies	HP Elite Book	GM P&C	98,000
225/11-01-2016	11-12-2015	AH Technologies	HP Ci5	Assistant Manager MIS	99,500
94/21-04-16	27-04-16	AH Technologies	HP Pavillion 15 Core	Sr. Manager Landfill	98,000
92/01-04-2016	24-03-16	Explore IT	HP Probook	Executive Procurement	85,000
Total					662,000

Details of purchase of roller blinds

Vr. No. & Date	Date of Procurement	Name of Supplier	Description	Requisitioned by	Amount (Rs)
152/24-06-2016	27-06-16	JWK Innovative Solution	Roller Blinds	AM Procurement	48,250
111/18-06-16	22-06-16	-do-	-do-	Executive Finance	92,900
209/25-06-16	27-06-16	-do-	-do-	Assistant Manager Finance	99,600
31/14-05-16	17-05-16	-do-	-do-	Deputy Manager Planning	72,500
Total					313,250

Annex-D

Para No. 1.2.4.10

Sr. No.	Name & Designation	Salary Per Month	Amount Paid	Deficiency
1	Mr. Ali Bajwa, Manager Planning	69,600	835,200	Equivalency of International Master in Industrial Management done from Italy, Degree Verification, Medical fitness certificate, Experience certificates were not got verified.
2	Mr. Abid Butt, Sr. Manager Procurement	179,600	2,155,200	Degrees verification, Medical fitness certificate, Experience certificates were not got verified.
3	Miss AminaAsif Khan, Manager Planning	60,000	720,000	Degrees verification, Medical fitness certificate, Experience certificates were not got verified.
4	Mr. Hassan Ali Gillani, Manager Procurement	146,380	1,756,560	Degrees verification, Medical fitness certificate, Experience certificates were not got verified.
5	Mr. AiyazMazhar, Manager Operations	91,880	1,102,560	Equivalency of Master of Science, Brunel University, Degree Verification, Medical fitness certificate, Experience certificates were not got verified.
6	Mr. JamilKhawar, Manager Communication	128,640	1,543,680	Degrees verification, Medical fitness certificate, Experience certificates were not got verified.
7	Mr. UsmanNisar, Assistant Manager HR	45,830	549,960	Degrees verification, Medical fitness certificate, Experience certificates were not got verified.
8	Mr. Bilal Mustafa Syed, MD	600,250	7,203,000	Equivalency of Master of Science, University of London, Bachelor of Science-Illinois Institute of Technology Chicago Degree Verification, Medical fitness certificate, Experience certificates were not got verified. Last pay drawn was not taken into consideration while fixing the salary of MD as no evidence was last pay drawn was available
9	Mr. WasifAzhar, Sr. Manager Operations	166,300	1,995,600	Degrees verification, Medical fitness certificate, Experience certificates were not got verified.
10	Mr. Muhammad Asif, Manager Operations	91,880	1,102,560	Degrees verification, Medical fitness certificate, Experience certificates were not got verified.
Total			18,964,320	