



**PERFORMANCE AUDIT REPORT
ON
THE ACCOUNTS OF
RECONSTRUCTION OF MANGHO PIR
ROAD FROM JAM CHAKRO TO
BANARAS, KARACHI**

**SINDH INFRASTRUCTURE
DEVELOPMENT COMPANY LTD.
(MINISTRY OF PLANNING,
DEVELOPMENT AND SPECIAL
INITIATIVES)
GOVERNMENT OF PAKISTAN**

AUDIT YEAR 2021-22

AUDITOR-GENERAL OF PAKISTAN

PREFACE

The Auditor-General conducts audit subject to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The Performance Audit of project "Reconstruction of Mangho Pir Road from Jam Chakro to Banaras, Karachi" executed by the Sindh Infrastructure Development Company Ltd., Ministry of Planning, Development and Special Initiatives, Government of Pakistan, was carried out accordingly.

The Directorate General of Audit Works (Federal), Islamabad conducted Performance Audit of the project during September-October 2021 for the period from 2018 to 2021 with a view to reporting significant findings to the stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the project. In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules, and regulations in managing the Project. The Audit Report indicates specific actions that, if taken, will help the management to realize the objectives of the project. Audit observations included in the report have been finalized in the light of written responses of the management, however, these were not discussed in Departmental Accounts Committee meeting by Principal Accounting Officer despite repeated requests made by Audit.

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

Islamabad
Dated: 06.05.2024

Sd/-
(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

API	American Petroleum Institute
AWWA	American Water Works Association
BOQ	Bill of Quantities
CDWP	Central Development Working Party
CEO	Chief Executive Officer
CESA	Cumulative Equivalent Standard Axles
CFO	Chief Financial Officer
CoC	Conditions of Contract
ERW	Electric Resistance Welded
ESAL	Equivalent Standard Axles Load
GM	General Manager
INTOSAI	International Organization of Supreme Audit Institutions
IPC	Interim Payment Certificate
JV	Joint Venture
M/o PD&SI	Ministry of Planning, Development and Special Initiatives
MS	Mild Steel
NIT	Notice Inviting Tenders
NHA	National Highway Authority
NLC	National Logistics Cell
PC-I	Planning Commission (Proforma-I)
PRCC	Pre-stressed Reinforced Cement Concrete
PSDP	Public Sector Development Programme
SIDCL	Sindh Infrastructure Development Company Limited
SL	Seamless

EXECUTIVE SUMMARY

The Directorate General of Audit Works (Federal) conducted Performance Audit of the project “Reconstruction of Mangho Pir Road from Jam Chakro to Banaras Karachi” executed by Sindh Infrastructure Development Company Limited (SIDCL) during September-October 2021 for the period from 2018 to 2021 on the request of Ministry of Planning, Development and Special Initiatives (M/o PD&SI).

The objective of the audit was to assess whether the management complied with the applicable laws, rules, and regulations in planning, procurement/award and implementation of the project. The audit was conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards.

PC-I of the project was approved by Central Development Working Party (CDWP) on 19.12.2017 for Rs 2,440.50 million for roadwork, median, footpath, storm water drain, electrification and laying of water line with completion period of 12 months. Work “Providing & Laying 66" dia Mild Steel (MS) Pipeline” was commenced on 01.06.2018 and commissioned on 18.10.2020. The roadwork was awarded on 28.12.2020 at a contract cost of Rs 887.665 million. The roadwork was physically started in April 2021. Total expenditure up to June 2021, including consultancy cost, was Rs 1,884.921 million.

AUDIT FINDINGS

Major audit findings include:

- i. Irregular enhancement of quantities in the Bill of Quantities (BOQ)/Engineer Estimate beyond the provision of approved PC-I - Rs 437.076 million (Para 4.4.2)
- ii. Unauthentic payment due to non-availability of manufacturing details of MS Pipe - Rs 1,635.544 million (Para 4.4.1)

- iii. Non-imposition of liquidated damages due to delay in completion of work - Rs 167.047 million (Para 4.3.5)
- iv. Inequitable tender evaluation process imposing excessive financial burden on public exchequer - Rs 94.915 million (Para 4.3.1)
- v. Inclusion of Employer's/Engineer's facilities and vehicles in the agreement without provision in approved PC-I - Rs 17.778 million (Para 4.5.1)

RECOMMENDATIONS

- i. Proper planning in respect of design/drawing be ensured to avoid any subsequent material changes and deviations from approved PC-I. Estimation should be based on detailed workings.
- ii. Detailed specifications of the laid pipe alongwith manufacturing details, certification of manufacturer, testing of material be ensured.
- iii. Efforts be made for completing the projects within the stipulated time in order to avoid cost overrun due to fluctuations in market rates.
- iv. Evaluation criteria should be appropriately determined to ensure fair competition among private and public sector contractors with reference to the exemption of tax. Responsibility be fixed for violation of rules and action be taken against person(s) responsible.
- v. Inclusion of vehicles in tender document without provision in PC-I be investigated and responsibility be fixed for violation of rules.

1. INTRODUCTION

The Directorate General of Audit Works (Federal), Islamabad conducted Performance Audit of the project “Reconstruction of Mangho Pir Road from Jam Chakro to Banaras Karachi” in September-October 2021 on the request of M/o PD&SI. SIDCL is the executing agency of the project. SIDCL formerly Karachi Infrastructure Development Company Ltd (KIDCL) was established on 02.06.2015 with the approval of Prime Minister of Pakistan for Green Line Rapid Transit System, Karachi, as a Public Sector Company incorporated under Companies Ordinance, 1984. The Company obtained certificate for commencement of business under section 146(2) of Companies Ordinance, 1984 on 23.11.2015. It was later renamed as Sindh Infrastructure Development Company Limited on 23.07.2019 under section 32 of Companies Act 2017 by extending the jurisdiction of the Company up to entire province of Sindh. Revised Certificate of incorporation was issued by Securities and Exchange Commission of Pakistan on 23.07.2019. The principal objectives of the Company were to plan and execute infrastructure development projects in the province of Sindh.

SIDCL is currently under the administrative control of the M/o PD&SI.

The core organizational setup of the SIDCL comprises Chief Executive Officer (CEO) as overall incharge of the Company, Chief Financial Officer (CFO) responsible for the accounts/finance-related matters and General Manager (GM) Engineering for the works-related projects.

1.1 Rationale of the project

Mangho Pir Road is an important road of Karachi city, which passes through three districts and has a great importance due to establishment of site area and several important institutes including Madinatul Hikmat University, Leprosy hospital, and Mangho Pir Mazar etc. along the road. Additionally, this road connects Northern Bypass with

Liyari Expressway and M.A Jinnah Road. Due to the existing setup, there was a high traffic volume and the existing road was in dilapidated condition, which caused congestion, traffic jams, and prolonged delays. Attaching priority to the improvement of infrastructure of basic amenities in Karachi, the Prime Minister of Pakistan during visit on 12.08.2017 announced Karachi Package for Rs 25 billion. As a part of Karachi Package, the Federal Government planned the project “Reconstruction of Mangho Pir Road from Jam Chakro to Banaras Karachi” in 2017. Further, Federal Government made a block allocation of Rs 5 billion against estimated cost of Rs 8.6 billion for projects under Karachi Package in Public Sector Development Programme (PSDP) for the year 2018-19 as detailed below:

S. No.	Name of Project	Approving Forum and Date	PC-I Cost (Rs in million)
1	Construction of 03 Flyovers at Sakhi Hassan, Five Star and Karachi Development Authority Round About	CDWP 19.12.2017	2,386.000
2	Reconstruction of Mangho Pir Road from Jam Chakro to Banaras	CDWP 19.12.2017	2,440.500
3	Re-construction of Nishtar Road (from Teen Hatti to Napier Road, Karachi, 6.4 km) and Reconstruction of Mangho Pir Road (from Banaras Chowk to Nishtar Road, Karachi, 6.9 km)	CDWP 19.12.2017	1,900.000
4	Rehabilitation/upgradation of Existing Fire Fighting System of KMC	CDWP 29.03.2018	1,876.000
	Total		8,602.500

Traffic study was carried out in order to calculate the Cumulative Equivalent Standard Axles (CESA), which is used to design the pavement structure. Twenty-four hours traffic counts were carried out on selected traffic count locations to present most representative estimates of traffic. Following three locations were selected for traffic survey.

Station 1: Near Manghopir Mazar (Chainage 2+780)
 Station 2: Near Naya Nazimabad (Chainage 5+480)
 Station 3: Near Banaras Chowrangi (Chainage 8+965)

Counts of traffic at above locations for the type of traffic contribution in Equivalent Standard Axles Load (ESAL) are given in table as under:

A. Station 1: CH 2+780

Vehicle Classification	Jam Chakro to Banaras	Banaras to Jam Chakro
Large Buses	18	36
Light Trucks	372	678
Truck (2 Axles)	972	720
Trucks (3 Axles)	539	605
Articulated Trucks (4-5-6 Axles)	113	125

B. Station 2: CH 5+480

Vehicle Classification	Jam Chakro to Banaras	Banaras to Jam Chakro
Large Buses	31	117
Light Trucks	888	797
Truck (2 Axles)	330	319
Trucks (3 Axles)	197	230
Articulated Trucks (4-5-6 Axles)	52	61

C. Station 3: CH 5+480

Vehicle Classification	Jam Chakro to Banaras	Banaras to Jam Chakro
Large Buses	460	233
Light Trucks	1579	845
Truck (2 Axles)	1410	773
Trucks (3 Axles)	772	460
Articulated Trucks (4-5-6 Axles)	382	194

The existing dual carriageway, which is 8.10 kilometres long, was severely damaged by a flawed water supply and sewerage system, and its condition was in the worst possible shape. As a result, the road's rebuilding was planned. The existing 66" dia pre-stressed reinforced cement concrete (PRCC) pipe was laid about 40 years back and was badly damaged at different places. Project also included replacement of existing pipelines with a mild steel pipe. The road is important as it passes through several important institutions. Besides, Naya Nazimabad and Banaras Chowk were also located along the alignment of the road. The road was connected with the Northern Bypass, K-4 Chowrangi Surjani/ North Karachi, Sakhi Hassan and more importantly, the newly constructed Lyari Expressway.

1.2 Approval of the Scheme

The project is part of Karachi Package, which included six development projects (03 flyovers, 02 roads and 01 firefighting system). However, independent PC-I of the project "Reconstruction of Mangho Pir Road from Jam Chakro to Banaras Karachi" was approved by CDWP on 19.12.2017 for Rs 2,440.50 million.

1.3 Timeline/completion period of project

S No.	Description	Date	Cost (Rs in million)
1	Original PC-I	20.02.2028	2,440.500
2	Revised PC-I	06.02.2023	3,190.472

Components

1. Laying of 66" diameter MS Pipe Line from Jam Chakro to Banaras Chowk - M/s National Logistic Cell (NLC)

Commencement Date	07.06.2018
Completion Date as per Contract	07.06.2019
Actual Completion date	31.10.2020
Time overrun	Approx 1.4 months

Contract Cost	Rs 1,467.802 million
Revised Cost	Rs 1,585.051 million
Cost overrun	Rs 117.249 million
Variation	7.99%

2. Mangho Pir Road (North Bound Carriageway) from Jam Chakro to Banaras (M/s Jianguo Haitong JV M/s Kaim Khani)

Commencement Date	16.03.2021
Completion Date as per Contract	15.09.2022
Revised Completion date	01.12.2023
Contract Cost	Rs 887.665 million
Revised Cost(As per VOs)	Rs 1,153.397 million
Variation	29.83%
Physical Progress	77%

1.4 Description of project

The project is described as:

- i. Reconstruction of Mangho Pir Road (8.10-kilometer-long carriageway) awarded to the contractor M/s Jianguo Haitong-M/s Kaim Khani, Joint Venture (JV)
- ii. Replacement of 66" dia PRCC Waterline with MS Pipe along Mangho Pir Road awarded to the contractor M/s NCL.

1.5 Project objectives and outputs provided in PC-I and achievements

1.5.1 Objectives

The main objectives of the reconstruction of the road were to:

- Improve connectivity with Northern Bypass, K-4 Chowrangi Surjani/North Karachi, and Sakhi Hassan Roundabout via Nusrat Bhutto Colony.
- Improve the connectivity with Lyari Expressway

- Establish water supply system
- Establish better connection between cities and Pakistan's largest marble industries on Mangho Pir Road

Because of its vital location and importance, as there is a high traffic volume, the objective was not only to facilitate the Karachi population but also to reduce traffic congestion through the Interchange at Lyari Expressway.

1.5.2 Outcomes and Achievements

The project outcomes included the reconstruction of an 8.10 km long road and water pipelines along the road.

In the span of two years, the construction of pipelines was concluded resulting in improved provision of water supply system of the city.

As far as road reconstruction is concerned, the work is currently ongoing. The reconstructed road, will contribute significantly towards the reduction of the social costs with regard to the travel along the relevant stretch. As such, it is consistent with the sector development objectives, strategies and priorities, which aim at the sustainable delivery of a productive and efficient road network contributing to lower transportation costs. Furthermore, as the road is situated in an industrial area, the risk of spills of substances like fossil fuels, chemicals, etc. that could contaminate the area as well as the likelihood of traffic accidents will both be reduced with road development.

The road's previous state caused water supply problems, but following renovation, it will be able to meet the needs of both the industrial zone and the residents.

1.6 Cost and Financing

Year-wise cost estimation of physical activities is as follows:

Original PC-I

	FY 2017-18	FY 2018-19	Total Cost
Amount (Rs in million)	512.000	2,046.000	2,558.000
%age	20.02%	79.98%	100%

Revised PC-I

	FY 2020-21	FY 2021-22	FY 2022-23	Total Cost
Amount (Rs in million)	1,884.990	388.852	916.630	3,190.472
%age	59.08%	12.18%	28.73%	100%

Year-wise allocation and actual expenditure on civil work is as under:

(Rs in million)

Financial Year	Allocation	Release	Surrender	Final Grant	Expenditure
2017-18	-	331.653*	-	331.653	331.653
2018-19	1,578.00	827.900	-	827.900	822.173
2019-20	1,064.199	1,064.199	650.000	414.199	414.145
2020-21	650.000	495.000	178.050	316.950	316.950
Total	3,292.199	2,718.752	828.050	1,890.702	1,884.921

*Funds re-appropriated from Green Line Project funds

Work-wise detail is given below:

(Rs in million)

Sr. No.	Name of Work/Sub-head	Contractor Name	Date of Acceptance Letter/ Agreement	Contract Cost	Upto date payment
1.	Providing & Laying 66" dia MS Pipeline from km 0+00 to km 8+975 and 48" dia MS Pipeline from km 8+975 to km 11+325 along Mangho Pir Road.	M/s NLC	01.06.2018	1,670.478	1,773.737

Sr. No.	Name of Work/Sub-head	Contractor Name	Date of Acceptance Letter/ Agreement	Contract Cost	Upto date payment
2.	Re-construction of Mangho Pir Northbound Carriageway Road from Jam Chakro to Banaras Chowk	M/s Jiangsu Haitong JV M/s Kaim Khani	28.12.2020	887.665	46.795
	Sub-Total (works)				1,820.532
3.	Consultancy	M/s A.A Associates	2018	146.484	64.389
	Total				1,884.921

Note: This information is based on last Interim Payment Certificate (IPCs)/Invoices paid up to June 2021 to the contractors.

The project was financed by the Government of Pakistan through PSDP for the year 2017-18 to 2020-21. The PC-I cost of the project was Rs 2,440.50 million against which an expenditure of Rs 1,884.921 million was incurred on various components up to June 2021, as detailed below:

(Rs in million)

Description	Const. component Cost	Consultancy Cost	Electri-fication	Others (utility relocation, contingency, estab. Charges etc.)	Total Project Cost
PC-I Provision	2,121.000	64.389	25.300	229.812	2,440.501
Actual Expenditure	1,820.532	64.389	-	-	1,884.921

*Consultancy was for all projects under Karachi Package. Total consultancy expenditure on Karachi Package was Rs 178.999 million and an amount of Rs 64.389 million was for the component of reconstruction of Mangho Pir Road as per PC-I.

The original PC-I of the project was for an estimated amount of Rs 2,440.496 million, which was revised to Rs 3,190.472 million. Details of the revised PC-I are as follows:

S. No	Description	Original PC-I		Revised PC-I Amount (Rs)
		PC-I Amount (Rs)	Approved Amount (Rs)	
1	Earth Work	47,868,966	675,000,000	83,475,880
2	Sub-Base and base Course	433,094,257		259,987,901
3	Surface Course and Pavement	208,656,481		90,110,591
4C	Side Drains	306,655,964	301,250,000	365,206,335
6	Ancillary Works	17,991,381	15,250,000	50,081,053
7	General Items	---	---	19,844,444
8	Relocation of utilities (Provisional Sum)	50,000,000	43,083,000	283,900,000
3B	Median, Footpath, Island	59,272,259	50,000,000	Included in the items mentioned at S. No 6
9	Replacement of 66" Diameter M.S. Pipe line	1,079,746,534	1,079,500,000	1,585,051,054
10	Replacement of 48", 33" & 16" Diameter MS Pipe Lines	-	-	-
11	Electrification	26,607,500	25,300,000	-
A	Total Construction Cost	2,229,893,342	2,189,383,000	2,737,657,258
B	Physical contingencies	75,360,000	32,190,000	22,000,000
C	Consultancy services	64,600,000	64,389,000	97,889,000
D	Escalation	215,300,000	111,608,000	290,000,000

S. No	Description	Original PC-I		Revised PC-I Amount (Rs)
		PC-I Amount (Rs)	Approved Amount (Rs)	
F	Establishment charges of SIDCL	---	42,926,000	42,926,000
Total		2,585,153,342	2,440,496,000	3,190,472,258
Amount required to complete ongoing work of Mangho Pir Road (Northbound Carriageway) from Jam Chakro to Banaras Chowk				749,956,258

2. AUDIT OBJECTIVES

The main objectives of the audit of the project were to assess:

- Whether compliance with rules, regulations, procedures and government/management's instructions was made in true spirit
- Whether the project costs and timelines were observed
- Whether the required standards of financial propriety were observed in the execution of works and whether money was spent in accordance with the rules
- Whether appropriate measures were taken for achieving desired results
- Whether economy, efficiency and effectiveness were maintained throughout the project execution

3. AUDIT SCOPE AND METHODOLOGY

3.1 Scope

Two works i.e. "Re-construction of Mangho Pir Northbound Carriageway Road from Jam Chakro to Banaras Chowk" and "Providing & Laying 66" dia MS Pipeline for 8.795 km and 48" dia MS Pipeline for 2.350 km along Mangho Pir Road" located at Karachi were subject to

audit examination for the period since inception in 2018-19 to June 2021. There was no scope limitation with reference to availability of record and other resources for audit execution. However, since the project was in execution stage, various aspect of performance linked with operational phase could not be evaluated during audit.

3.2 Methodology

Audit methodology included data collection, determination of objectives and audit criteria, analysis/consultation of records, discussion with staff, site visits, etc.

During audit, organizational system, original PC-I, tendering and bidding documents, contract agreements, measurements and calculation of quantities/work done, contractor's bills, lab reports, and progress reports were examined.

The following steps were involved:

- i. Planning
- ii. Preliminary assessment
- iii. Data Collection and Analysis
- iv. Risk Assessment
- v. Development of Audit Programmes
- vi. Audit Execution
- vii. Evaluating results
- viii. Reporting

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

SIDCL is a public sector company under section 32 of Companies Act 2017. It has a Board of Directors, comprising 14 members including three Federal Secretaries (M/o PD&SI; Ministry of Finance; and Ministry of Communications), Chief Secretary Sindh, Chief Executive Officer (SIDCL), Chairman Planning & Development Board, Sindh and non-executive/ independent members. As per Article of Association, the business of the company shall be managed by the Directors, who may exercise all such powers of the company as are given by the Act or any statutory modification thereof for the time being in force, or by these regulations, required to be exercised by the company in general meeting, subject nevertheless to the provisions of the Act or to any of these regulations, and such regulations being not inconsistent with the aforesaid provisions, as may be prescribed by the company in general meeting but no regulation made by the company in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

Organizational set up of the SIDCL comprises Chief Executive Officer (CEO) SIDCL as overall incharge of the Company, Chief Financial Officer (CFO) for accounts/finance related matters and General Manager (GM) Engineering for the works related projects.

SIDCL posted a qualified engineer as Chief Engineer for execution of development projects on behalf of the Employer. The project reconstruction of Mangho Pir Road from Jam Chakro to Banaras was monitored by the GM Engineering/Chief Engineer.

Manager (Karachi Package) was responsible to assist the Chief Engineer. Project staff was engaged for overall projects of SIDCL without specifying a particular project and salaries thereof charged against 2% establishment charges, where actually deployed. The consultancy for the project was assigned to M/s A.A Associates at agreement cost of

Rs 146.480 million. The consultant M/s A.A Associates was engaged in drawing, design and construction supervision of the project. The consultant was responsible to inspect the site from time to time, properly test the material through laboratory tests and to ensure execution of work as per approved drawing and specifications.

Although the overall supervision of the project was the responsibility of the Chief Engineer, yet, as a matter of fact, he lacked technical support staff for the monitoring of the work. No independent Project Director was appointed by SIDCL and only one Manager for all projects under Karachi Package was working to assist the Chief Engineer. SIDCL, therefore, remained wholly dependent on the Consultant hired for supervision of the project.

SIDCL has an Internal Audit Wing. However, it was observed that the wing is only performing pre-audit of all Interim Payment Certificates relating to the project, whereas no independent internal audit reports were found generated.

4.2 Financial Management

Financial management is the process of managing the organization's financial resources to achieve its goals and objectives. It involves making decisions about how to allocate financial resources. Payments for work done were made through lapsable Assignment Account (bearing No. A-87 maintained with Main Branch National Bank, I.I. Chundrigar Road, Karachi) after endorsement from Accountant General of Pakistan Revenues (AGPR). Monthly reconciliation of Assignment Accounts is carried out with AGPR under Integrated Management Information System. As per procedure, claims vetted by consultants are examined by Chief Engineer, Manager Technical and Project Engineer. Before final approval of Chief Executive Officer, all claims pass through Internal Audit Wing and Chief Finance Officer.

SIDCL prepares Financial Statements comprising statement of financial position and statement of profit or loss, the statement of

comprehensive income, cash flows, change in equity, etc. in accordance with accounting and reporting standards as applicable in Pakistan and requirements of Companies Act, 2017, (comprising International Financial Reporting Standards) which are certified by Chartered Accountants.

Following case of financial mismanagement was observed during audit:

4.2.1 Overpayment due to non-deduction of rebate from the additional item - Rs 3.853 million

As per para 2 of Appendix-D to bid of work, "Providing & Laying 66" dia MS Pipeline from km 0+00 to km 8+975 and 48" dia MS Pipeline from km 8+975 to km 11+325 along Mangho Pir Road", awarded to M/s NLC, the basis of payment will be the actual quantities of work executed and measured by the Contractor and verified by the Engineer and valued at the rates and prices entered in the priced Bill of Quantities, where applicable, and otherwise at such rates and prices as the Engineer may fix as per the contract.

Audit noted that SIDCL, Karachi awarded the work "Reconstruction of Mangho Pir Road from Jam Chakro to Banaras Chowk 8.10 km" - Providing & Laying 66" dia MS Pipeline from km 0+00 to km 8+975 and 48" dia MS Pipeline from km 8+975 to km 11+325 along Mangho Pir Road" to M/s NLC at their bid cost of Rs 1,670.849 million. Audit further noted that originally the bid of the contractor was for Rs 1,758.398 million which was reduced to Rs 1,670.849 million after 5% rebate given by the contractor.

Audit observed that during execution of work, additional items involving Rs 77.066 million were executed and paid up to IPC-15, whereas, the factor of rebate @ 5% was not considered on the additional items. Audit is of the view that as the additional items were executed under the same contract for which the contractor had given the rebate, therefore, the factor of rebate was required to be applied to the additional

items as well. This resulted in overpayment of Rs 3.853 million due to the non-deduction of rebate for the additional items.

Audit holds that overpayment was due to weak internal/financial controls.

Audit pointed out the matter in October 2021. The management replied that the contractor was required to carry out all activities of work as per rates quoted and mentioned in BOQ and accordingly rebate was deducted on original BOQ items only. However, rebate was not applicable on additional items of work.

The reply was not accepted because rebate was quoted by the contractor on contract cost. Therefore, any subsequent change in contract cost through variation order either on BOQ or non-BOQ/additional items against which prices were determined by the Engineer as per clause 52.1 of the contract and accepted by the contractor, was also subject to deduction of rebate.

DAC meeting was not convened despite requests made by Audit on 09.01.2023, 23.01.2023 and 08.02.2023.

Audit recommends an early recovery of the overpaid amount.

(Para 02)

4.3 Procurement and contract management

Procurement is the process of acquiring goods, services, or works from external sources to meet the organization's needs. It involves activities such as identifying requirements, selecting suppliers, negotiating contracts, and managing the delivery and payment process.

Contract management is the process of administering and overseeing the contractual agreements between the organization and its suppliers or contractors. It includes activities such as monitoring contract

performance, ensuring compliance, managing changes, resolving disputes, and maintaining positive relationships.

Issues relating to non-observance of contractual obligations/rules and regulations are as under:

4.3.1 Inequitable tender evaluation process imposing an excessive financial burden on public exchequer - Rs 94.915 million

Rule 4 of Public Procurement Rules, 2004 provides that procuring agencies while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Furthermore, according to Section 153 of Income Tax Ordinance 2001, deduction of income tax at source is applicable on all payments made to the contractor on account of work done. Prevailing applicable rate of income tax deduction at source was 7.5%.

Audit noted that SIDCL Karachi opened financial bids for Prime Minister's Karachi Package – Providing and Laying 66” diameter & 48” diameter MS Pipelines conforming to American Petroleum Institute (API) 5L Grade X-42 (externally coated and internally lined) along Mangho Pir Road Karachi on 04.05.2018. Three (03) firms participated in the bidding process and M/s NLC was declared as 1st lowest and work was awarded to it with the bid cost of Rs 1,670.478 million. The comparative statement of the bidders is as under:

S No.	Name of Bidder	Bid Cost (Rs)	Remarks
1	M/s NCL	1,670,849,400	Lowest
2	M/s Noorullhaq & Brothers Const. Co – Umer Jan & Co. (JV)	1,700,849,400	2 nd
3	M/s Shahrukh Engineers	2,150,000,000	3 rd

As stated in the Instructions to Bidders and Supplementary Specifications, all bidders were required to quote their bids with an income tax cushion of 7.5%, but M/s NLC is exempt from income tax, so they did not include it in their bid, and their bid stood as lowest. Audit holds that the tender process was not conducted on an equal opportunity basis as M/s NLC did not include the Income tax amount of Rs 125.314 million (7.5% of NLC's bid) in their bid. If we include the aforementioned amount in NLC's bid, the bid rises to Rs 1,796.163 million, making NLC the second lowest instead of 1st lowest, and M/s Noorullhaq & Brothers Const. Co – Umer Jan & Co. (JV) the 1st lowest.

This resulted in an aggregate loss of Rs 94.915 million as calculated below:

Description	Bid of M/s NLC (Rs)	Bid of M/s Noor (Rs)	Difference (Rs)
	1,670,478,079	1,700,849,400	
Add Tax	125,285,855	Already included	
Total	1,795,763,934	1,700,849,400	94,914,534

Audit holds that evaluation criterion in the bidding documents was not prepared keeping in view the income tax exemption issue, which was due to weak internal/financial controls. Extra cost to the public exchequer and loss of income tax was due to incorrect evaluation criteria and unfair/uneconomical bid evaluation.

Audit pointed out the matter in October 2021. The management replied that M/s NLC was exempted from income tax and bids were evaluated as per Public Procurement Rules.

The reply was not accepted because Engineer's Estimates of the work were based on National Highway Authority (NHA) Schedule of Rates, 2014 and tax was provided in the scheduled rate as a part of 25% overheads. Rates quoted by contractor also include all taxes. Therefore, either income tax should have been adjusted in pre-bid meeting with

contractors exempted from income tax, or rate should have been paid after deduction of income tax component. Further, the Public Accounts Committee in its meeting held 19.01.2021, while discussing Para 2.5.10 of Audit Report on the accounts of NHA for the year 2019-20, regarding non-deduction of income tax observed that fair competition in awarding contracts to the Government contractor and private contractors, could not be held due to exemption in taxes given to the former.

DAC meeting was not convened despite requests made by Audit on 09.01.2023, 23.01.2023 and 08.02.2023.

Audit recommends recovery of losses and formulation of a policy about the bidders who are exempted from taxes that at the time of bidding the factor of income tax exemption would be considered to give an equal opportunity to the participating bidders and to save the government from future losses.

(Para 01)

4.3.2 Overpayment due to change of classification of excavation from common material to rock material - Rs 5.347 million

As per para 56, Chapter-2 of the NHA Code 2005 (Vol-I) (as applicable in SIDCL), Technical Sanction is a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data. Technical Sanction ensures that design and specifications are in accordance with sound engineering practices.

Audit noted that SIDCL awarded the work “Reconstruction of Mangho Pir Road from Jam Chakro to Banaras Chowk 8.10 km” - Providing & Laying 66" dia MS Pipeline from km 0+00 to km 8+975 and 48" dia MS Pipeline from km 8+975 to km 11+325 along Mangho Pir Road to M/s NLC at their bid cost of Rs 1,670.849 million.

Audit further noted that there was a provision in the original BOQ for an item of work “excavation in common material” for entire length of

the project against which the contractor quoted rate of Rs 257.40 per cubic meter (Cu.m).

Audit observed that during execution of work, class of excavation was changed from common material to rock material for a quantity of 12,912 Cu.m and paid @ Rs 658.66 per Cu.m through Variation Order No. 1. Audit is of the view that the original estimate was prepared after detailed survey and then the quantities were worked out, therefore change of class of excavation at a later stage was unjustified and resulted in an overpayment of Rs 5.347 million, as detailed below:

Rate of Hard Rock Excavation (Rs per cu.m)	Rate of Common Excavation (Rs per cu.m)	Difference (Rs per cu.m)	Quantity (cu.m)	Amount (Rs)
658.66	257.40 but paid after 5% rebate @ 244.53	414.13	12,912	5,347,247

Audit holds that overpayment was due to faulty initial survey by the consultant, and shows weak internal and financial controls.

Audit pointed out the matter in October 2021. The management replied that before execution of work, soil investigation was done at different intervals, however, during execution, the contractor pointed out that there were rocks. On the request of the contractor, the Engineer after soil investigation and lab testing, worked out the rates for excavation in rock and recommended the rate of Rs 658.66 per cu.m as extra item.

The reply was not accepted because original quantity of excavation was based on soil investigation/detailed survey whereby excavation in common material was provided in the entire length of the project i.e. 9 km. Audit holds that length of the project was short and testing which was supposed to be done through representative sampling, was carried out and it did not contain a single trace of rock, then how during physical execution and subsequent testing, rock was determined. Thus, undue financial benefit was extended to the contractor through change of

classification of excavation material from common to rock, involving higher rate.

DAC meeting was not convened despite requests made by Audit on 09.01.2023, 23.01.2023 and 08.02.2023.

Audit recommends an early recovery of the overpaid amount.

(Para 03)

4.3.3 Non-furnishing of Performance Security by the Contractor - Rs 167.084 million

Clause 10.1 of the Particular Conditions of Contract signed between SIDCL and M/s NLC for the work "Providing & Laying 66" dia MS Pipeline and 48" dia MS Pipeline along Mangho Pir Road, states that the contractor shall provide Performance Security to the Employer in the prescribed form. The said Security shall be furnished by the contractor within 28 days after the receipt of the Letter of Acceptance. The Performance Security shall be of an amount equal to 10% of the Contract Price stated in the Letter of Acceptance. The Performance Security shall be in the form of an irrevocable, unconditional bank guarantee acceptable to the Employer from any scheduled bank in Pakistan.

Audit noted that SIDCL awarded the work Providing & Laying 66" dia MS Pipeline from km 0+00 to km 8+975 and 48" dia MS Pipeline from km 8+975 to km 11+325 along Mangho Pir Road to M/s NLC at their bid cost of Rs 1,670.849 million.

Audit observed that performance security equal to 10% of the contract amount was not obtained from the contractor in violation of contract provisions. This resulted in the non-furnishing of performance security by the contractor for Rs 167.084 million (Rs 1,670.849 million x 10%).

Audit holds that inability to obtain performance security from the contractor highlights a failure in adequately managing and overseeing the contractual process.

Audit pointed out the non-furnishing of performance guarantee in October 2021. The management replied that NLC, being a Government entity, claimed the exemption for furnishing the Performance Security. Further, the project was successfully completed.

The reply was not tenable because as per contract agreement, Performance Security was to be provided by the contractor within 28 days of the acceptance letter. Further, basis of exemption and approval of the Government was not provided to Audit.

DAC meeting was not convened despite requests made by Audit on 09.01.2023, 23.01.2023 and 08.02.2023.

Audit recommends implementation of contract agreement regarding provision of the required guarantee besides action against the responsible person(s).

(Para 04)

4.3.4 Delayed acquisition of Work Insurance and lack of verification for Insurance and Premium - Rs 3.821 million

Clause 25.5 of Conditions of Contract (CoC) Part-II signed between SIDCL and M/s NLC for the work "Providing & Laying 66" dia MS Pipeline and 48" dia MS Pipeline along Mangho Pir Road, stipulates that the contractor shall be obliged to place all insurances relating to the Contract (including, but not limited to, the insurances referred to in Clauses 21, 23 and 24) with either National Insurance Company of Pakistan or any other insurance company operating in Pakistan and acceptable to the Employer. Costs of such insurance shall be borne by the Contractor.

The work amounting to Rs 1,921.049 million "Providing & Laying 66" dia MS Pipeline from km 0+00 to km 8+975 and 48" dia MS Pipeline from km 8+975 to km 11+325 along Mangho Pir Road" was awarded to M/s NLC Engineers on 01.06.2018.

Audit observed the following irregularities:

1. The insurance was required from August 2018, whereas the insurance premium of the policy was paid, amounting to Rs 3.821 million and policy was issued in November 2019. As a result, the work remained uninsured from August 2018 to November 2019. During uninsured period, the contractor was paid a sum of Rs 1,316.043 million for work done up to IPC-10 dated 09.10.2019.
2. Confirmation of insurance was not obtained from the concerned insurance company headquarters.
3. The insurance documents clearly specified that the effectiveness of insurance will be on receipt of insurance premium, whereas evidence of payment of premium/receipt was not available on record to confirm the validity of the insurance policies.

Audit maintains that non-compliance with contract provisions and lack of insurance verification led to delayed acquisition and non-verification of work insurance.

Audit pointed out the matter in October 2021. The management replied that insurance policy was obtained from reputable company and entire work was completed without any mishap or damage.

The reply was not accepted because non-observance of rules regarding insurance policy did not rectify merely on the ground that no damage was done to work, material, equipment or labour.

DAC meeting was not convened despite requests made by Audit on 09.01.2023, 23.01.2023 and 08.02.2023.

Audit recommends that the cost of the premium for uninsured period may be recovered and evidence of premium paid besides confirmation of policy be obtained.

(Para 05)

4.3.5 Non-imposition of liquidated damages due to delay in completion of work - Rs 167.047 million

Clause 8.7-Section 8 - Particular Conditions of Contract signed between SIDCL and M/s NLC for the work "Providing & Laying 66" dia MS Pipeline and 48" dia MS Pipeline along Mangho Pir Road, provides that if the contractor fails to comply with the Time for Completion, then the contractor shall pay to the Employer 0.05% of contract price per day of delay in completion of the works subject to a maximum of 10% of contract price.

Audit noted that SIDCL Karachi awarded the work "Reconstruction of Mangho Pir Road from Jam Chakro to Banaras Chowk 8.10 km" - Providing & Laying 66" dia MS Pipeline from km 0+00 to km 8+975 and 48" dia MS Pipeline from km 8+975 to km 11+325 along Mangho Pir Road to M/s NLC at their bid cost of Rs 1,670.849 million.

Audit observed that the contractor was required to complete the work up to 28.06.2019, whereas the work could not be completed in stipulated time. Audit further observed that SIDCL did not impose liquidated damages (LD) for delay in completion of work, as per provisions of the contract. This resulted in non-imposition of LD on delay involving Rs 167.047 million.

Audit holds that the non-imposition of LD was due to internal control weakness in contract monitoring and contract management.

Audit pointed out the matter in October 2021. The management replied that the contractors had completed the work within the extended time i.e. 31.10.2020, successfully and satisfactorily.

The reply was not tenable because there was an inordinate delay of sixteen (16) months. Audit maintains that the original stipulated time is determined keeping in view all limiting factors and conditions of the site. Any subsequent change in implementation period reflects either ill-planning or fault of the contract and involves financial implications in shape of price escalation. Further, contractor's work plans, consultant's inspection reports, detailed justification for each extension of time clearly indicating responsibility of employer and contractor for delay, approval of competent authority, substantial completion certificate and defect liability certificate, were not provided to Audit for evaluation.

DAC meeting was not convened despite requests made by Audit on 09.01.2023, 23.01.2023 and 08.02.2023.

Audit recommends imposition and recovery of LD for delay in completion of works. Audit further recommends that all the escalations paid during extended period of contract without freezing the current price at stipulated date of completion should also be examined after determination of responsibility of contractor for delay.

(Para 06)

4.3.6 Non-obtaining of insurance coverage and performance security for the work - Rs 887.665 million

Clause 21.1 of the Conditions of the Contract, Part-I, signed between SIDCL and M/s NLC for the work "Providing & Laying 66" dia MS Pipeline and 48" dia MS Pipeline along Mangho Pir Road, provides that the contractor shall provide insurance policies for (a) the works, together with materials and plant for incorporation therein, to the full replacement cost (b) an additional sum of 15 percent of such replacement cost, or as may be specified in Part-II of these Conditions, to cover any additional costs of and incidental to the rectification of loss or damage including professional fees and the cost of demolishing and removing any part of the works and of removing debris of whatsoever nature and (c) the Contractor's Equipment and other things brought onto the Site by the

Contractor, for a sum sufficient to provide for their replacement at the site.

Further, section 3c (4) of the Insurance Act 1938 states that no insurer shall assume any risk in respect of insurance business unless and until the premium payable has been received by him.

Audit noted that SIDCL Karachi awarded the work “Reconstruction of Mangho Pir Northbound Carriageway Road from Jam Chakro to Banaras Chowk” to M/s Jiangsu Haitong JV with M/s Kaim Khani at their bid cost of Rs 887.665 million on 28.12.2020. A sum of Rs 42.65 million was paid to the contractor up to June 2021.

Audit observed that the management did not obtain the insurance of the work contract cost plus 15% involving Rs 1,020.815 million (Rs 887.665 million plus 15% of contract cost) and no premium receipt was provided to the Employer under section 3c (4) of the Insurance Act 1938 and Insurance Rules 1958. Audit further observed that the contractor did also not provide performance security for the work. This resulted in the non-furnishing of insurance coverage and performance security for the work valuing Rs 887.665 million.

Audit holds that irregularity occurred due to weak contract management.

Audit pointed out the matter in October 2021. The management replied that insurance policy and bank guarantee had been submitted by the contractor.

The reply was not accepted because insurance policy, proof of payment of premium for effectivity of the insurance, confirmation of the genuineness of the document, performance security was not available on record during audit and the same were also not provided with reply.

DAC meeting was not convened despite requests made by Audit on 09.01.2023, 23.01.2023 and 08.02.2023.

Audit recommends obtaining the required insurance and performance guarantees besides action against the responsible persons.

(Para 11)

4.4 Construction and works

The consultant M/s A.A Associates was engaged in drawing, design and construction supervision of the project. The consultant was responsible to inspect the site from time to time, properly test the material through laboratory tests and to ensure execution of work as per approved drawing and specifications. Audit noticed the following irregularities relating to construction and works:

4.4.1 Unauthentic payment due to non-availability of manufacturing details of MS Pipe - Rs 1,635.544 million

As per contract agreement signed between SIDCL and M/s NLC for the work "Providing & Laying 66" dia MS Pipeline and 48" dia MS Pipeline along Mangho Pir Road, items No. 7 & 8 of BOQ require that MS pipe shall conform to specifications of API 5L Grade x 42 Electric Resistance Welded (ERW) pipes. The contractor is bound to ensure that materials to be used shall conform to specifications and testing procedures as indicated in contract agreement. Samples of materials for laboratory tests and their subsequent approval shall be utilized according to these references.

Nomenclature of the said BOQ items 7 & 8 read as follows: "Manufacturing, Supplying and Fixing Black Steel MS pipe made out of MS sheet conforming to API Seamless (SL) Grade x-42 ERW & externally asphalt coated with fiberglass 5mm thick & internally concrete canvas (c.c) lining 8mm thick (American Water Works Association (AWWA) Specification) i/c laying, jointing with helical welding in trenches including cost of band of any degree & testing water specified pressure for 66" & 48" dia of pipe (spirally welded) 66" & 48" dia, wall thickness 12mm."

Audit noted that SIDCL Karachi awarded the work “Reconstruction of Mangho Pir Road from Jam Chakro to Banaras Chowk 8.10 km” - Providing & Laying 66" dia MS Pipeline from km 0+00 to km 8+975 and 48" dia MS Pipeline from km 8+975 to km 11+325 along Mangho Pir Road to M/s NLC at their bid cost of Rs 1,670.849 million.

Audit observed that manufacturing certificate/detail of the specifications of pipe used by contractor in the work was not obtained from the contractor, while making payment for the said items of work. This resulted in unauthentic payment due to the non-availability of manufacturing details of pipe involving Rs 1,635.544 million.

Audit holds that unauthentic payment was made due to weak financial controls and non-compliance with the contract provisions.

Audit pointed out the matter in October 2021. The management replied that MS pipes were manufactured as per specifications by a reliable and renowned pipe factory, HiTech Pipe Industries, Kotri, Jamshoro and necessary certification had been obtained.

The reply is not accepted because Measurement Book showing execution of work/material as per required specifications, certification of manufacturer, testing certificate of pipes supplied and used in the work and testing of metal and welding were not provided to Audit for evaluation.

DAC meeting was not convened despite requests made by Audit on 09.01.2023, 23.01.2023 and 08.02.2023.

Audit recommends provision of detailed specifications of the laid pipe alongwith manufacturing details, certification of manufacturer, testing of material.

(Para 08)

4.4.2 Irregular/Unjustified enhancement of quantities in the BOQ/ Engineer Estimate beyond PC-I provision - Rs 437.076 million

As per para 2 & 2.1 of Guidelines for Project Management issued by Planning Commission (August 2008), the policy of the Government of Pakistan is to efficiently utilize natural and economic resources of the country for socio-economic welfare of the people. This objective may be achieved only when development projects are planned and executed with vigilant management. The objective of development planning is to have projects implemented for the benefit and social uplift of society. For achievement of stipulated targets and tangible returns, it is imperative to entrust management and supervision of the project during implementation stage to capable and competent persons of required qualifications, experience and calibre. Para 11 sub-para (II)(15) of the said guidelines provides that, at the time of award of contract if it is found that cost of the project would exceed the approval limits by 15%, the project be got revised and approved by the competent forum before implementation.

Further, Planning and Development Division letter No. 20(1)DA/PC/79-VolXIV dated 22.06.1980 provides that if any significant variation in the nature of scope of the project has been made, irrespective of whether or not it involves an increased outlay, the approval of the competent authority shall be obtained in the same manner as in the case of the original scheme without delay.

PC-Is of the following two works were approved by CDWP in its meeting held on 19.12.2017:

S. No.	Name of Project	Approved Amount (Rs in million)
1.	Reconstruction of Mangho Pir Road from Jam Chakro to Banaras Chowk 8.10 km	2,440.50
2.	Re-construction of Nishtar Road (from Teen Hatti to Napier Road, Karachi, 6.4 km) and Reconstruction of Mangho Pir Road (from	1,900.00

S. No.	Name of Project	Approved Amount (Rs in million)
	Banaras Chowk to Nishter Road, Karachi, 6.9 km)	

As per approved PC-Is, the length of 66" dia MS Pipe was given as 7,012.19 meters and for 48" dia MS Pipe as 2,000.61 meters.

A. Audit observed during scrutiny of the relevant accounting record that the Project Management made the provision of 66" dia MS Pipe and 48" dia MS Pipe in the Engineer's Estimate/BOQ as 8,975 meters and 2,305 meters respectively. Audit further observed that provision of pipe was made in the respective PC-Is on the basis of estimates given by the Water and Sewerage Board, Karachi. It meant that Water and Sewerage Board, Karachi determined the length of MS Pipe after a proper survey and just in accordance with the site requirement. Thus, an increase in the quantity/length of the pipe in the Engineer's Estimate/BOQ with a monetary effect of Rs 320.444 million, without obtaining comments from the Water and Sewerage Board, Karachi was made beyond the legitimate need of the site.

B. Audit noted that SIDCL Karachi awarded the work "Reconstruction of Mangho Pir Northbound Carriageway Road from Jam Chakro to Banaras Chowk" to M/s Jianguo Haitong JV M/s Kaim Khani at the bid cost of Rs 887.665 million on 28.12.2020.

Audit observed that while tendering, the provisions of PC-I were not adhered to as the quantities of various items were increased from the provisions of PC-I. Moreover, some additional items were also included in the Notice Inviting Tenders (NIT)/BOQ without availability in the PC-I. This resulted in an unjustified enhancement of quantities of items beyond PC-I provisions involving Rs 116.632 million. **(Annexure-A)**

Audit holds that irregularity was due to weak planning and estimation.

Audit pointed out the matter in October 2021. The management replied to that the PC-I was made with the collaboration of Karachi Water & Sewerage Board (KW&SB) and was based on the estimates provided by them. Usually PC-I is based on rough cost estimates without topography survey, etc. However, subsequently, detailed topographic survey was carried out by consultants and quantities were enhanced as per actual survey.

The reply was not accepted because substantial variation in scope/length of pipe was made after approval of PC-I, but while awarding contract prior approval of competent forum i.e. CDWP was not obtained as required under Planning Commission's Project Management Guidelines

DAC meeting was not convened despite requests made by Audit on 09.01.2023, 23.01.2023 and 08.02.2023.

Audit recommends that the enhanced quantity/length of MS Pipe without obtaining NOC from Water and Sewerage Board, Karachi and revised approval of CDWP needs justification besides regularization from the competent forum.

(Para 07 & 10)

4.5 Assessment Management

Asset management is the professional practice of overseeing and optimizing various assets, such as investments, properties, and tangible assets, to achieve specific goals such as maximizing returns and minimizing risks. Audit observed following irregularity:

4.5.1 Inclusion of Employer's/Engineer's facilities and vehicles in the agreement without provision in approved PC-I - Rs 17.778 million

As per para 2 & 2.1 of Project Management Guidelines issued by Planning Commission (August 2008), the policy of the Government of

Pakistan is to efficiently utilize natural and economic resources of the country for socio-economic welfare of the people. This objective may be achieved only when development projects are planned and executed with vigilant management. The objective of development planning is to have projects implemented for the benefit and social uplift of the society. For achievement of stipulated targets and tangible returns, it is imperative to entrust management and supervision of the project during the implementation stage to capable and competent persons of the required qualifications, experience and calibre. Further, para 88(vi), Chapter-3 of the NHA Code 2005 (Vol-I) (as applicable in SIDCL), provides that no project vehicle shall be purchased unless there is a provision thereof in the PC-I of that project.

As per Para (i)(a) of Finance Division O.M. No.7(1)Exp.IV/2016-430 dated 06.08.2020, regarding austerity measures, there shall be complete ban on purchase of all types of vehicles (excluding motorcycles) both for current as well as development expenditure. Para 2 of the said O.M states that to cater indispensable needs of the organizations, the austerity committee will review the significant proposal in respect of purchase of vehicle.

Audit noted that SIDCL, Karachi awarded the work “Re-construction of Mangho Pir Northbound Carriageway Road from Jam Chakro to Banaras Chowk” to M/s Jianguo Haitong JV M/s Kaim Khani at the bid cost of Rs 887.665 million on 28.12.2020.

Audit observed that the PC-I of the project did not contain Employer’s/Engineer’s facilities and vehicles, whereas, the management included various items such as survey equipment, residential accommodation, project laboratory and three vehicles, etc. under Bill No. 7-General Items with an estimated cost of Rs 20.433 million against which the contractor quoted an amount of Rs 17.778 million. This resulted in an irregular inclusion of Bill No. 7 without availability in PC-I.

Audit holds that irregularity was due to weak internal controls related to managing the project’s scope.

Audit pointed out the matter in October 2021. The management replied that since the site was far away from the main Karachi city and the existing Manghopir road was in very vulnerable condition, therefore, for an effective supervision of work, the provisions of only three (3) vehicles for consultant staff of eight (8) members was made in the contract documents. The expenditure for vehicles was incurred from the provision of 2% contingencies in approved PC-I.

The reply was not acceptable as there was no provision of vehicles in PC-I. Further, there was ban on purchase of all types of vehicles from both current, as well as development expenditure under austerity measures and prescribed procedure of austerity committee was also not followed. Contingencies of the project are meant for unforeseen items and not for purchase of vehicles. Therefore, charge of expenditure to contingencies of the project was irregular.

DAC meeting was not convened despite requests made by Audit on 09.01.2023, 23.01.2023 and 08.02.2023.

Audit recommends investigation and action against the persons responsible.

(Para 09)

4.6 Overall Assessment

- i. Relevance:** As per PC-I, the project was conceived under Prime Minister's Package for Karachi to be financed by Federal Government through PSDP. However, it was not a part of medium-term/five-year plan. The road is important and will facilitate the traffic flow connecting three districts and several important institutions falling around it.
- ii. Efficiency:** As per original PC-I of November 2017, the project was to be completed in 12 months. However, timelines could not be observed and project was delayed. One phase of the project i.e. 66 inch dia water supply line, has been laid and

commissioned on 18.10.2020. After completion of phase-I of water supply line, work of “Reconstruction of Mangho Pir Road (Northbound Carriageway only)” has been started in April 2021. Since replacement of Water Supply line under Southbound Carriageway was not done, reconstruction of Southbound carriageway could not be undertaken. The SIDCL processed revision of PC-I in November 2022 covering only Northbound carriageway which was approved by CDWP in February 2023 at a revised cost of Rs 3,190.472 million.

- iii. **Economy:** The PC-I of the project was approved for Rs 2,440.50 million against which an amount of Rs 1,884.921 million was paid up to June 2021. Major cost has been incurred on pipelines i.e. Rs 1,773.737 million, against the original PC-I provision of Rs 1,079.75 million. Contract for roadwork was awarded at a cost of Rs 887.665 million in December 2020. Cost of contract was revised to Rs 1,153.397 million through variation order.. Therefore, overall cost is likely to exceed even the revised PC-I on completion.
- iv. **Effectiveness:** The objective of the project was to improve the road for commuters as several important institutions located alongside the alignment of the road besides improving the water supply system. The work for laying of water supply pipeline is complete and road work was awarded in December 2020, physically started in April 2021 with a completion period of one year. Replacement of the pipeline which was laid 40 years back would save road infrastructure, as envisaged in PC-I. Execution of the carriageway and other allied works was at the initial stage at the time of audit in October 2021. The benefits of construction and improvement of the proposed road towards the reduction of the social costs with regard to the travel along the relevant stretch cannot be commented upon at this stage.

v. **Compliance with Rules:** Major instances of non-compliance of rules include:

- a. Inequitable tender evaluation process imposing an excessive financial burden on public exchequer - Rs 94.915 million (Para 4.3.1)
- b. Irregular/Unjustified enhancement of quantities in the BOQ/Engineer Estimate beyond the provision of approved PC-I - Rs 437.076 million (Para 4.4.2)
- c. Non-obtaining insurance coverage and performance security for the work valuing Rs 887.665 million (Para 4.3.3 & 4.3.6)
- d. Non-imposition of liquidated damages due to delay in completion of work - Rs 167.047 million (Para 4.3.3)
- e. Overpayment due to change of classification of excavation from common material to rock material - Rs 5.347 million (Para 4.3.2)

vi. **Performance Rating of Project**

- a. Moderately Satisfactory:

The management has been able to complete the first component of project i.e. replacement of 66 inch dia water supply line on northbound carriageway. However, roadwork is in progress, which is likely to be completed by June 2024.

vii. **Risk Rating of Project**

- a. Medium:

Risk involved in the project is coordination of the Provincial Government/District Government/KMC with SIDCL to avoid pitfalls that can hinder the completion of

project. Consequently, roadwork on southbound carriageway and replacement of pipelines is yet to be initiated and it has been deleted from PC-I.

5. Conclusion

5.1 Key issues

Physical progress of civil work remained far behind the planned schedule. The contractors could not complete the works in the stipulated time. There is lack of coordination between SIDCL and Sindh Government. Replacement of under-ground water supply pipelines was carried out on northbound carriageway whereas this activity on southbound carriageway is yet to be finalized. Coordination needs to be improved for southbound carriageway. Classification of excavation was also changed from common material to rock material, which indicated weak planning and estimation. Proper estimation and planning of work to be performed may be ensured.

5.2 Lessons identified

- i. Projects like reconstruction of existing roads need special attention to resolve issues of existing underground water and sewerage lines besides addressing causes of road deterioration.
- ii. Moreover, non-compliance of contractual obligations and codal provisions are the critical areas, which need to be improved. Engineering set-up within the organization needs to be strengthened for handling development projects efficiently and without much reliance on supervisory consultants.

Acknowledgement

We wish to express our appreciation to the management and staff of SIDCL, Karachi for the assistance and cooperation extended to the auditors during Audit of the Project.

Annexure-A
Ref Para 4.4.2 (B)

Irregular/Unjustified enhancement of quantities in the BOQ/Engineer Estimate beyond PC-I provision

S. No.	Item	PC-I Qty (cu.m)	NIT/ BOQ Qty (cu.m)	Difference (cu.m)	Rate (Rs/cu.m)	Amount (Rs in million)
1	Excavate unsuitable common material	56,313	100,238	43,925	222.22	9.761
2	Sub-grade preparation in earth cut	1,711	133,770	132,059	66.66	8.803
3	Improved sub-grade	-	36,118	36,118	888.88	32.105
4	Tuffing/Grassing	-	11,718	11,718	111.11	1.302
5	Asphaltic base course class-B	14,696	19,263	4,567	8888.88	40.596
6	Breaking of existing road pavement	56,133	73,574	17,441	555.55	9.689
7	Providing/fixing MS grating	-	19,110	19,110	222.22	4.247
8	Dismantling structure obstruction	-	5,880	5,880	999.99	5.879
9	PRCC pipe 610 mm	-	425 meter	425 meter	9,999.99	4.250
	Total					116.632