

**PERFORMANCE AUDIT REPORT  
OF COMPLETED PACKAGES OF KACHI PLAIN  
WATER SUPPLY PROJECT, PHASE-II,  
NASEERABAD  
FINANCIAL YEARS 2014-23**

**AUDIT YEAR 2023-24**



**AUDITOR-GENERAL OF PAKISTAN**

SERVING THE NATION BY PROMOTING ACCOUNTABILITY, TRANSPARENCY AND GOOD GOVERNANCE IN  
THE MANAGEMENT AND USE OF PUBLIC RESOURCES

FOR THE CITIZENS OF PAKISTAN

## **PREFACE**

The Auditor-General of Pakistan conducts audits in accordance with Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8, 12 and 14 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The Performance Audit of the "Completed Packages of Kachi Plain Water Supply Project, Phase-II, Naseerabad" was carried out accordingly.

The Directorate General of Audit, Balochistan conducted Performance Audit of "Completed Packages of Kachi Plain Water Supply Project, Phase-II, Naseerabad" during the Audit Year 2023-24 for the period 2014-23, 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 a test check basis, whether the management complied with applicable laws, rules and regulations while incurring expenditure. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the Project.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities. The Audit Report has been finalized in the light of discussions in the DAC meeting.

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

**Islamabad**

**Dated: April 25, 2025**

**(MUHAMMAD AJMAL GONDAL)**

**Auditor-General of Pakistan**

## **Table of Contents**

ABBREVIATIONS AND ACRONYMS .....	i
EXECUTIVE SUMMARY .....	ii
1. INTRODUCTION .....	1
2. AUDIT OBJECTIVES.....	6
3. AUDIT SCOPE AND METHODOLOGY .....	7
4. AUDIT FINDINGS AND RECOMMENDATIONS .....	8
4.1 Organization and Management .....	8
4.2 Financial Management.....	14
4.3 Construction and Works .....	21
4.4. Assets Management.....	26
4.5. Monitoring and Evaluation.....	27
4.6 Environment.....	31
4.7 Overall Assessment.....	32
5. CONCLUSION.....	35
ACKNOWLEDGEMENT .....	38
ANNEXURES .....	39

## **ABBREVIATIONS AND ACRONYMS**

BPFM	Balochistan Public Finance Management
BRA	Balochistan Revenue Authority
BSTS	Balochistan Sales Tax on Services
CFT	Cubic Feet
CuM	Cubic Meter
Cusec	Cubic Feet per Second
CCTV	Closed Circuit Television
DAC	Departmental Accounts Committee
DSC	Departmental Sub-Committee
ECNEC	Executive Committee of National Economic Council
GFR	General Financial Rules
GoB	Government of Balochistan
HDPE	High Density Polyethylene
KM	Kilometers
MGD	Million Gallons per Day
M&E	Monitoring and Evaluation
O&M	Operation and Maintenance
OHSR	Overhead Service Reservoirs
PDWP	Provincial Working Development Party
PBS	Pakistan Bureau of Statistics
P&D	Planning and Development Department
PC-I	Planning Commission Proforma 1
PCRWR	Pakistan Council of Research on Water Resources
PHE	Public Health Engineering
PIU	Project Implementing Unit
PMU	Project Management Unit
PSC	Project Steering Committee
RO	Reverse Osmosis
SFT	Square Feet
SNE	Schedule of New Expenditure
UC	Union Council
XEN	Executive Engineer

## **EXECUTIVE SUMMARY**

The Directorate General of Audit, Balochistan conducted the Performance Audit of “Completed Packages of Kachi Plain Water Supply Project, Phase-II, Naseerabad” during 2022-23 for the period 2014-23. The main objectives of the audit were to assess whether the project was managed with due regard to economy, efficiency and effectiveness, to review project performance against the intended objectives and to review compliance with applicable rules, regulations, and procedures. The audit was conducted in accordance with the International Standards of Supreme Audit institutions (ISSAI).

The project “Kachi Plain Water Supply Project, Phase-II, Naseerabad” was aimed at providing 2 MGD safe drinking water to the population of Kachi Plain areas and bridge the gap between supply and demand to a considerable extent. Before the completion of the project, the source of drinking water was flood water, which was not only unsafe but also uncertain. Besides, due to poor water quality, the health and hygiene conditions of the people were very deplorable with considerable infant mortality rate compared to other areas of the province.

Significant time and resources have been utilized for understanding the accounting and management structure, internal controls environment and applicable laws and regulations to identify high-risk areas.

This report highlights significant issues and internal control weaknesses relating to financial management, accounting, reporting and rules and regulations applicable to the Project.

## **KEY AUDIT FINDINGS:**

- Organization and Management issues were noticed in 03 cases, which included delay in completion of the project and time-overrun, non-construction and installation of filtration plants, ineffectiveness of the project regarding impact on incurrence of Water-Borne Diseases (WBDs) and lack of proper record and documentation.
- Financial Management issues were observed in 05 cases, which included overstatement in the project accounts, irregular payment of inadmissible escalation, cost-overrun of the project, excess deduction of security deposit to avoid lapse of budget, and non-realization of government taxes.
- Construction and Works issues were noticed in 04 cases, which included non-provision of alternate power supply for the project, non-deployment of security system, non-preparation and approval of work plan and Work Breakdown Structure (WBS) of the project and irregular procurement of HDPE pipe due to non-conducting of laboratory tests.
- Asset Management issue was noticed in a single case which included non-conducting of physical verification of assets.
- Monitoring and Evaluation issues were noticed in 03 cases which included lack of monitoring and evaluation of the project, non-existent Complaint Management and Redressal System, and non-conducting of internal audit/checks.
- Environment related issue was noticed in a single case which included non-preparation of Environmental Examination and Environmental Impact Assessment of the project.

## **RECOMMENDATIONS:**

Audit recommends implementation of DAC directives and:

- To ensure the well-being of the local population in the area, serious efforts may be made to expedite the completion of the delayed components of the project. The significant delay in project completion and cost-overrun of over 57% may be justified. Timely construction and installation of filtration plants may be prioritized to ensure provision of safe and sufficient drinking water supplies, thereby reducing waterborne diseases and improving the overall health of the community.

- To ensure the financial integrity of the project, all essential records may be maintained, and regular reconciliations be conducted to address any discrepancies in the accounts. The irregularities should be thoroughly investigated, responsibility fixed, and necessary recoveries be made from the contractors. Besides, the excess deductions of security deposits be justified, and responsibility be fixed.
- To ensure the project's financial stability and operational efficiency, recoveries should be made from the concerned contractors. Additionally, alternative power supply sources may be arranged and installed for the project's pumping stations to mitigate the risk of disruptions. The existing infrastructure should be protected from damage, theft, misuse, and destruction through the installation and deployment of robust security system.
- In order to obtain quality assurance regarding the material used in the project, laboratory tests, and third-party validations may be conducted. Physical verification reports of assets and inventory record may be maintained. The project may be continuously monitored and evaluated according to the guidelines of the Planning Commission of Pakistan to assess progress, align activities with project goals, and ensure timely completion. An effective complaint management and redressal mechanism may be established and internal audits conducted in strict accordance with established rules and regulations.

## 1. INTRODUCTION

The project “Kachi Plain Water Supply Project, Phase-II, Naseerabad” was initiated on November 25, 2014. The initial completion date of the project was June 30, 2017, which was extended upto June 30, 2023 through revised PC-I. The project aimed to provide 3.70-cusec (2 MGD) safe drinking water to the population of Kachi Plain areas and to bridge the gap between supply and demand to a considerable extent.<sup>1</sup>

After Bolan Dam was washed away in 1976, there was no source of water supply for drinking to the population of the Kachi Plain area (starting from Dhadar down to the end of Naseerabad). The area had a population of 977,530 in 2017 (start of the Phase-II of the project), which has increased to 1,230,137 in 2023<sup>2</sup>. Before the completion of the project, the source of drinking water was flood water, which was not only unsafe but also uncertain. Besides, due to poor water quality, the health and hygiene conditions of the people were very deplorable. As per PBS, the annual population growth of the Kachi plain area is around 3 percent.<sup>3</sup> Kachi Plain Water Supply Project, Phase-II, Naseerabad was conceived to provide a permanent and reliable source of drinking water to the area.

The project was planned in two phases. Phase-I of the project, which included construction of treatment works at Nautal area of Patfeeder Canal, was to serve as the primary source of water to Bakhtiarabad, Landi Sharif and the adjoining areas. Phase-II of the project was envisaged to extend the system to other conceived project areas viz. Bhag Town, Tangoti, Chalgari, Sultanpur, Lindsay, Haji Sharif and other en-route villages in the north west and Lehri Town, Mall Gishkori, parts of Sibbi and en-route villages in the North East. The Project had been designed to meet the total demand of drinking water till the year 2042.<sup>4</sup> A detailed map of all the areas covered by the project is given in Figure-1.

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<sup>1</sup> PC-I of the Project

<sup>2</sup> <https://www.pbs.gov.pk/sites/default/files/population/2023/Balochistan.pdf>

<sup>3</sup> <https://www.pbs.gov.pk/census-2017-district-wise/results/116>

<sup>4</sup> PC-I of the Project



## **1.1 Project Objectives**

The project was planned in consonance with the objectives of the sector which were to provide safe and sufficient drinking water supply to the urban and rural population and improve health and hygiene conditions of the residents of the area. The project, after implementation, would supply about 3.70 cusec (2 MGD) to the population of Kachi Plain and would bridge the gap between supply and demand to a considerable extent.<sup>5</sup>

## **1.2 Components of the project**

As per PC-I, the main components of the Phase-II of the project included:

- Procurement of HDPE pipe 50 mm dia to 450 mm dia for 360 km area
- Construction of two OHSR of 40,000 Gallons capacity
- Construction of six water storage reservoirs
- Construction of forty community tanks of 5,000 Gallons capacity
- Improvement of existing raw water tanks of main source and placings new filter medial
- Construction and Installation of fourteen filtration plants

Project Implementation Unit (PIU), headed by Project Director was established at Quetta.

## **1.3 Responsible Authorities**

- i. Sponsoring authority**  
Planning and Development Department, GoB.
- ii. Executing authority**  
Public Health Engineering Department, GoB.
- iii. Operational and maintenance authority**  
Public Health Engineering Department, GoB.

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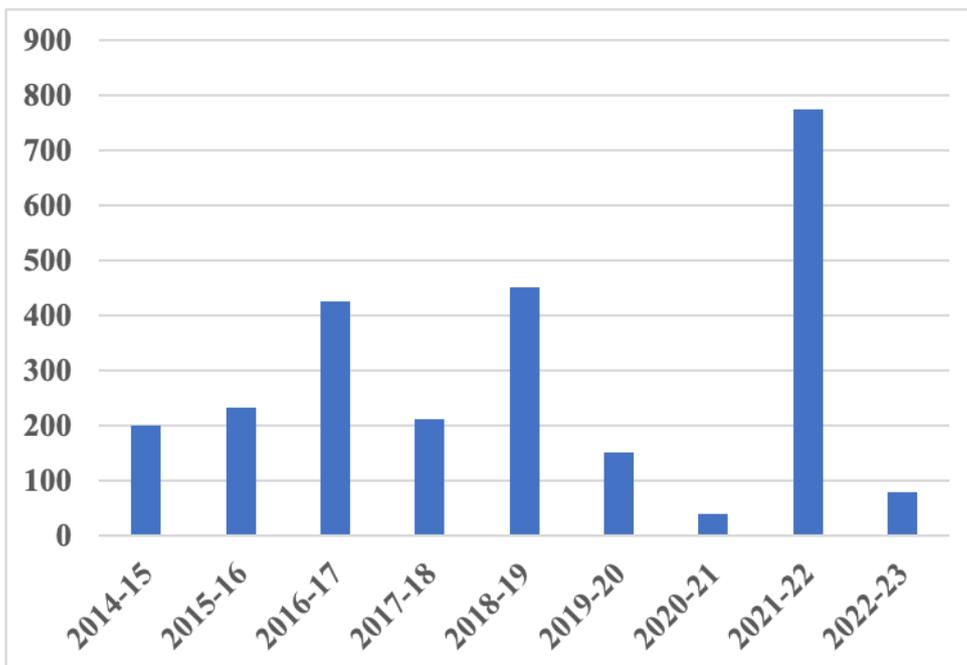
<sup>5</sup> PC-I of the Project “Kachi Plain Water Supply Scheme (Phase-II)”.

#### 1.4. Capital cost of the project

The project was approved in PDWP meeting on November 25, 2014 at a cost of Rs. 1,773.757 million. As per PC I, completion time of the project was June 30, 2017. The PC I was revised at a cost of Rs. 2,799.960 million and completion time was extended up to June 30, 2023. Detail of expenditures from the financial years 2014-15 to 2022-23 is mentioned below, and illustrated in Figure-2:

**(Rs. in million)**

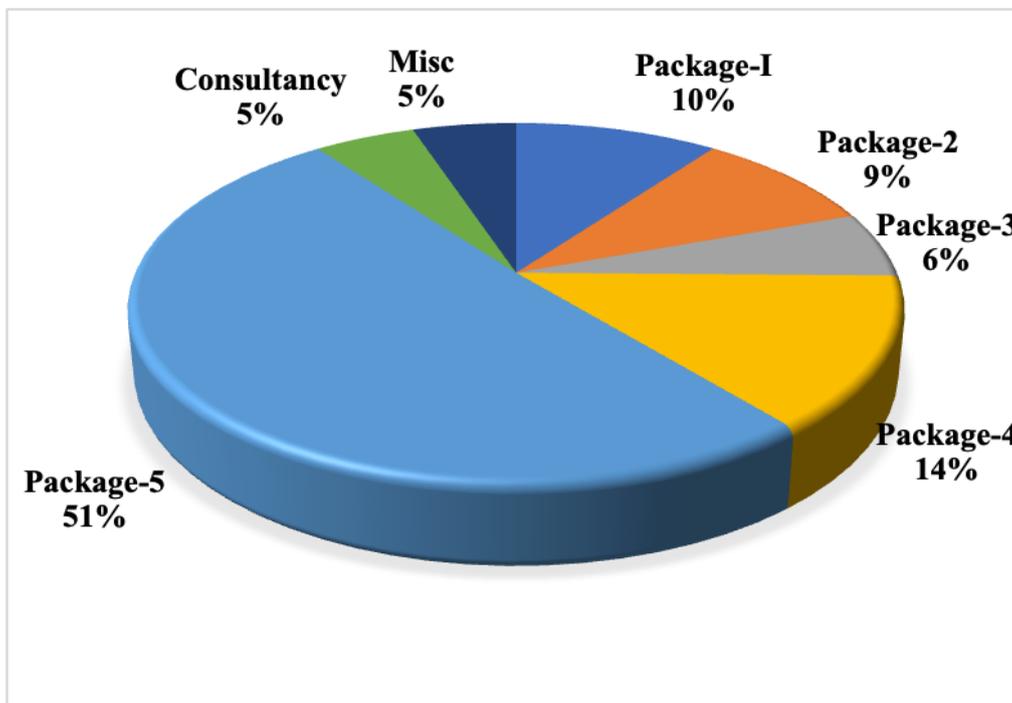
<b>Financial years</b>	<b>Expenditures</b>
2014-15	200
2015-16	232.72
2016-17	425
2017-18	210.20
2018-19	450
2019-20	150
2020-21	39.982
2021-22	774.664
2022-23	79.247
<b>Total</b>	<b>2,561.813</b>



**Figure-2: Financial Phasing of Kachi Plain WSS**

The Package-wise budget of the project is as follows, and illustrated in Figure-3:

<b>Package wise Budget of the Project (Rs. in million)</b>		
<b>S. No.</b>	<b>Package</b>	<b>Budget</b>
1.	Package-I	281
2.	Package-2	262
3.	Package-3	164
4.	Package-4	387
5.	Package-5	1,423
6.	Consultancy	140
7.	Misc	143
	<b>Total</b>	<b>2,800</b>



*Figure-3: Package-wise PROJECT Budget*

## **2. AUDIT OBJECTIVES**

The main objectives of the performance audit were:

- To assess the progress of the project with respect to Economy, Efficiency and Effectiveness as a whole with special focus on ultimate benefits of the project for general public.
- To see whether final site selection was done after consideration of required factors such as detailed feasibility study, technical survey and environmental impact on the area.
- To analyze the impact of the project regarding improvement in health and hygiene conditions in terms of reduction/ prevention of incurrence of Water-Borne Diseases (WBDs).

- To examine whether procurement, hiring of consultant and award of civil works contracts were executed in line with the approved standards.
- To check whether procedures, internal controls, and SOPs were developed and observed during execution process.
- To assess whether an effective monitoring, evaluation and supervisory mechanism existed to streamline the project activities and resolve issues during the execution of the project.

### **3. AUDIT SCOPE AND METHODOLOGY**

#### **3.1. AUDIT SCOPE**

The scope of the audit was limited to assessing the performance of the completed packages of the project (Package I to IV) vis-à-vis the intended objectives for the financial years 2014-2023 in terms of 3 Es: Economy, Efficiency and Effectiveness.

#### **3.2. AUDIT METHODOLOGY**

The data was collected by the following methods:

##### **3.2.1** A review of following documents:

- a) PC I of the project
- b) Minutes of meetings
- c) Procurement and Contract documents
- d) Financial Statements/Bank Statements
- e) Progress Reports/ Completion Certificates
- f) Bidding documents, IPCs, and other procurement documents.

##### **3.2.2** Discussions with the management and staff of the project.

##### **3.2.3** Correspondence with PHE and Health Authorities for obtaining data on incurrence of WBDs in the area.

## 4. AUDIT FINDINGS AND RECOMMENDATIONS

### 4.1 Organization and Management

#### 4.1.1. Ineffectiveness of the project regarding impact on incurrence of Water-Borne Diseases

According to PC-I of the Project, one of the prime objectives of the project was to provide safe and sufficient drinking water supplies to the Kachi Plain areas.

Performance Audit of the project “Kachi Plain Water Supply Scheme (Phase-II), Naseerabad” revealed that the project management failed to prioritize reduction, elimination and prevention of WBDs, as intimated by DG Health Services, include Diarrhoea/ Cholera/ Dysentery, Enteric/ Typhoid fever, Worm infestation, Scabies, Malaria, and Hepatitis. These diseases are linked to lack of safe drinking water. Analysis revealed that WBDs as percentage of population increased from 14% in 2015 to 21% in 2023 instead of decreasing after implementation of the project, as detailed below:

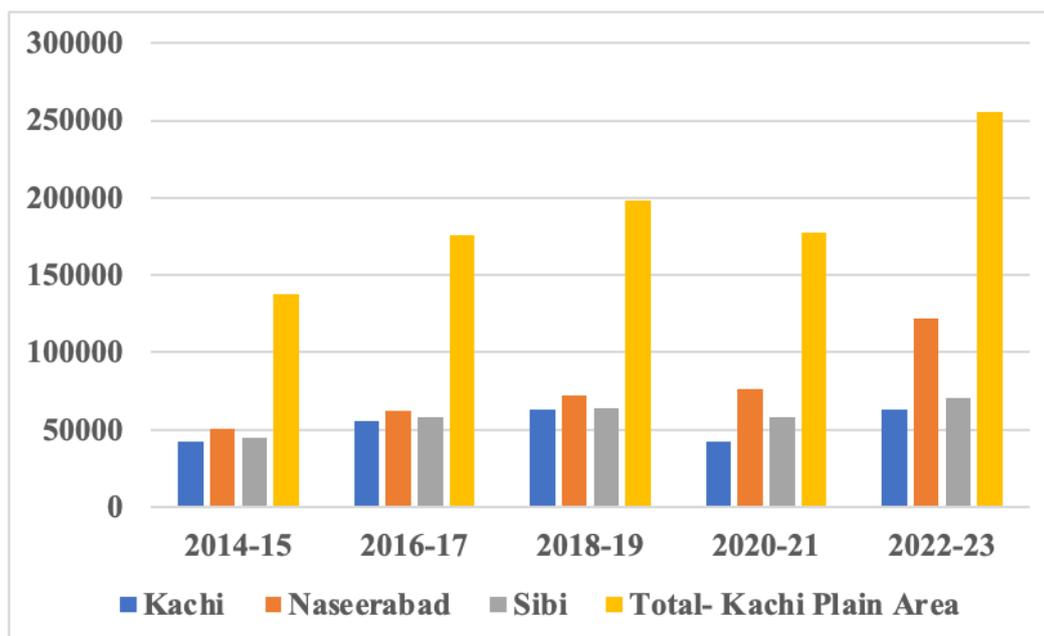
<i>Water-Borne Diseases (WBDs) incurrence as percentage of population in Kachi plain area - a comparison</i>						
District	2014-15			2022-23		
	Population <sup>6</sup>	WBDs <sup>7</sup>	%	Population <sup>8</sup>	WBDs	%
<b>Kachi</b>	309932	42274	14%	442674	62673	14%
<b>Naseer-Abad</b>	487847	50544	10%	563315	121566	22%
<b>Sibi</b>	179751	44969	25%	224148	70795	32%
<b>Kachi Plain Area</b>	<b>977530</b>	<b>137787</b>	<b>14%</b>	<b>1230137</b>	<b>255034</b>	<b>21%</b>

<sup>6</sup>[https://www.pbs.gov.pk/sites/default/files/population/census\\_reports/pcr\\_balochistan.pdf](https://www.pbs.gov.pk/sites/default/files/population/census_reports/pcr_balochistan.pdf)

<sup>7</sup> Data provided by DG Health Services Balochistan vide letter No. DHIS-2/29635/36 dated September 19, 2024.

<sup>8</sup> <https://www.pbs.gov.pk/sites/default/files/population/2023/Balochistan.pdf>

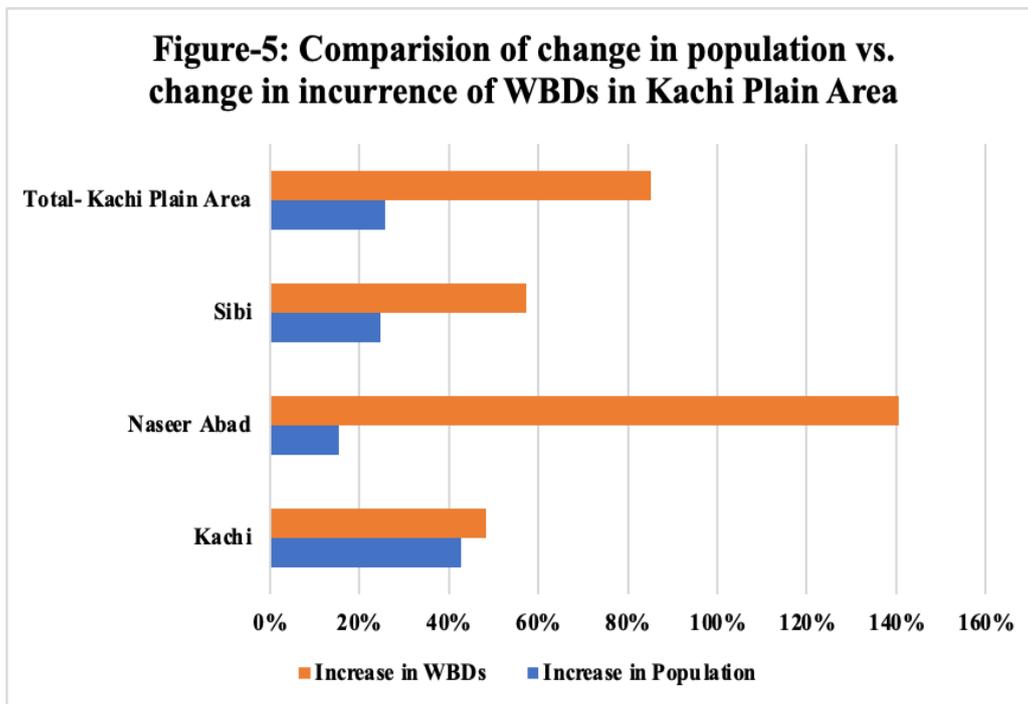
The Project Authorities did not have any data regarding incurrence of WBDs in the Kachi Plain area (District Kachi, Naseerabad and Sibi), therefore, DG health Services, GoB was approached and the information was obtained<sup>9</sup>. The results of incurrence of WBDs are illustrated in Figure-4:



**Figure-4: Trend of WBDs in Kachi Plain Area (2014-2023)**

A comparison of change in population vis-à-vis WBDs in the area is illustrated in figure-5.

<sup>9</sup> Letter No Audit/2023-24/Performance/PD,KPWSS(Phase-II)/1074 dated March 16, 2024 to DG Health Services, GoB.



Non-achievement of main objective of the project was caused due to weak monitoring and control mechanism of the project.

Non-provision of safe drinking water to the intended population rendered the project ineffective in terms of prevention and elimination of WBDs.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but no reply was received.

In the DAC meeting held on August 20, 2024, the management replied that water samples were tested from Pakistan Council of Research Center Quetta which was satisfactory. Audit submitted that water test reports produced before the forum were not clear whether the sample taken was from the water being supplied by the project, besides, test report was not the ultimate criteria to assess the positive/negative effects of the project in terms of controlling WBDs. Audit argued that as per data provided by Health Authorities, incurrence of WBDs had

increased in the Kachi Plain Area instead of being proportionately decreased as compared to increase in population between 2015 and 2023. Audit suggested that terminal/ ex-post evaluation, as provided in Para 11.3 of the Manual of Development Projects, was required. The DAC, after detailed discussion, directed the project authorities to conduct surveys and get an assessment regarding WBDs both before and after the implementation of the project, instructing the audit to verify the compliance during next audit.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives besides provision of proper justification regarding ineffectiveness of the project on prevention/decrease of incurrence of WBDs and conducting ex-post evaluation to find reasons of failure.

#### **4.1.2 Delay in completion of the project.**

According to PC-I of the project “Kachi Plain Water Supply Project, Phase-II, Naseerabad” the Project completion time was June, 2017.” Further as per Para 6.17 of Manual of Development Projects, “two extensions in the execution period of development projects may be granted by the Principal Accounting Officer, that is, competent authority of the federal ministries, divisions, provincial governments and Special Areas concerned and, thereafter, the case should be referred to the CDWP for approval of further extension in the execution period of the project.”

Performance Audit of the project “Kachi Plain Water Supply Project, Phase-II, Naseerabad” revealed that the project was approved from PDWP in 2014-2015 with completion period of June, 2017. However, the project could not be completed up to June, 2023 despite five-time revision/ extension, due to which it faced time-overrun of 07 years, as detailed below:

<b>Completion date as per PC I</b>	<b>Expected completion date</b>	<b>Time-overrun</b>
June, 2017	June, 2024	07 years

Inefficiency of the project management caused the time-overrun of seven years.

Audit maintains that strategic points were not sorted out well in advance by the project management in coordination with the concerned quarters to avoid time-overrun of the project. Besides, the delay had a detrimental impact on the lives of people of the area.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that Kachhi Plain Water Supply Scheme Phase-II was delayed and time-overrun was incurred due to local and political problems and five-time revision of PC-I. The project authorities had to stop the water of Khairwah, Lindsay and enroute villages of Lehri and ensured successful supply of water after testing of all the pipelines and boosting stations. Audit was of the view that five-revisions clearly depicted inefficiencies both at the project management and departmental level, which was not justifiable. Further Audit referred to Para 6.3 of the Manual of Development Projects, which states, “The sponsoring agency should be given or give itself adequate time to prepare it (PC-I). A hurriedly prepared project, on the contrary, will run a difficult course throughout the project period and be afflicted with time and cost-overrun and may ultimately prove to be counter-productive.” Audit emphasized that due to faulty and ineffective planning at the PC-I preparation stage, the project in five-time revision, due to which it incurred huge time-overrun, which needed to be justified. The DAC showed concern on the delay and directed the management to produce physical and financial progress along with PC-IV to audit for verification.

No further progress was intimated till the finalization of the Audit Report.

Audit recommends investigation in the matter besides implementation of DAC directives.

#### **4.1.3 Non-construction and installation of filtration plants - Rs. 45.370 million**

According to revised PC I of the project “Kachi Plain Water Supply Project Phase-II, Naseerabad” construction and installation of 14 filtration plants is the major and necessary component of the Project.

Performance Audit of the project “Kachi Plain Water Supply Project Phase-II, Naseerabad” revealed that no work was executed on construction and installation of filtration plants. Due to non-initiation of construction and installation of filtration plants, the project’s objective regarding ‘provision of safe and sufficient drinking water to the people of the area’ could not be achieved, which adversely affected the effectiveness of the project.

Non-initiation of construction and installation of filtration plants depicted the prevalence of weak internal controls and inefficient management of the project.

Non-implementation of essential components of the project adversely affected the effectiveness of the project.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that 14 filtration plants in different areas had been approved in revised PC-I and the assignment had been completed. However, no record was produced to the forum. The DAC directed the management to provide completion reports and water test reports of all the filtration plants from PCRWR to audit for verification.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives along with provision of MBs, work orders, detailed estimates, completion certificates and authentic test reports of water from those plants.

## **4.2 Financial Management**

### **4.2.1 Overstatement in the project accounts - Rs. 9.493 million**

According to Para 6.3.5.1 of APPM, “Every DAO shall prepare a monthly reconciliation statement for expenditures and receipts. The respective Accountant General shall prepare a consolidated monthly reconciliation statement for each government bank account, as set out in direction 6.3.5.2.” Further according to Para 6.5.3.7 *ibid*, “the Accountant General shall consolidate the information received from the DAOs and prepares an ‘AG Consolidated Monthly Report’ (Form 6E) of total balances of expenditures and receipts. Moreover, according to Para 6.5.3.8 *ibid*, “the delegated officer shall prepare an AG Monthly Reconciliation Statement on the basis of the AG Consolidated Monthly Report.

Examination of the accounts of project for the financial year 2018-19 during performance audit of the project “Kachi Plain Water Supply Project, Phase-II, Naseerabad” revealed that two cheques amounting to Rs. 9.493 million were issued to QESCO on 24<sup>th</sup> June, 2019 on account of energization of pumping stations of the project. These cheques were not cleared up to the closing of financial year and amount was lying in bank account which was subsequently lapsed. The management of the project failed to reconcile the project accounts with concerned accounts office and accounted uncashed cheque as expenditure incurred and reported the same. Thus, due to non-reconciliation and accounting of unclaimed cheques as expenditure, the project accounts for the financial year 2018-19 were overstated by Rs. 9.493 million, as detailed below:

(Rs. in Million)

S. No.	Cheque No./date	Amount	In favour of
1.	099760/24.06.2019	8.629	Executive Engineer, QESCO, Sibi
2.	0099761/24.06.2019	0.864	R.O, QESCO, Sibi
<b>Total</b>		<b>9.493</b>	

Overstatement in the accounts was caused due to weak financial management.

Non-reconciliation resulted in variation in the financial statements of the project.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that both cheques were issued to QESCO authorities for energization of pumping stations of the project but they failed to clear the cheques. Further, management attached reconciliation statement in support of their reply, which was not in order. Audit stated that evidence of expenditure is required for verification. The DAC directed the management to provide expenditure statements of previous and current year to audit at the earliest.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives and fixation of responsibility on the person(s) at fault for overstating figures in financial statements / non-reconciliation with bank.

#### 4.2.2 Irregular payment of inadmissible escalation - Rs. 27.972 million

According to Para 5 of Planning and Development Department, GoB's Notification No. P&D. ROCT (1) 129/2008/2383 dated June 14, 2008, "A lump sum increase of 6% is to be added in PC-I during its approval as provisional sum for the schemes upto Rs. 50 million, 8% provisional sum for the schemes up to Rs. 100 million and 10% provisional sum for the schemes more than Rs. 100 million on account of escalation for all new schemes."

The Project Director, Kachi Plain Water Supply Project, Naseerabad awarded work for supply of HDPE pipe for the project to M/s Alpha Pipe Industries (Pvt.) Ltd. during the year 2014-15. The pipes were supplied during 2014 to 2018 and an amount of Rs. 27.972 million was paid as escalation charges during the financial year 2018-19 without approval of PDWP, as detailed below:

(Rs. in Million)

S. No.	D.No.	Name of Contractor	Particulars	Package No.	Escalation Paid
1.	D-75/24.06.2019	M/s Alpha Pipe Industries (Pvt.) Ltd. Peshawar	Escalation charges from 2016-18	Package-I	1.300
2.			Escalation charges from 2016-18	Package-II	7.809
3.			Escalation charges from 2016-18	Package-III	5.898
4.			Escalation charges from 2016-18	Package-IV	12.965
<b>Total</b>					<b>27.972</b>

Inadmissible escalation was caused due to inefficiency of the project management.

Allowing escalation without approval from the P&D Department compromised the economy of the project and resulted in overpayment to the contractor and loss to the Government.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but no reply was received.

In the DAC meeting held on August 20, 2024, the management replied that escalation charges were paid as per provision of approved PC-I and attached copies of PC-I. Audit stated that documents attached needed to be scrutinized in detail. The DAC directed the management to provide original PC-I and minutes of PDWP meeting to audit for verification.

The management provided minutes of the PDWP meeting held on 12.10.2021 in which price escalation amounting to Rs. 41.900 million was approved, however, the minutes were unclear whether it also included Rs. 27.972 million, that the department had already paid in respect of HDPE pipes. Therefore, Audit recommends that it may be justified.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives besides fixing of responsibility on the person(s) at fault and recovery from the contractor.

#### **4.2.3 Cost-overrun of the project - Rs. 1,026.190 million**

According to original PC-I of the project “Kachi Plain Water Supply Project Phase-II, Naseerabad” the Project cost was 1,773.77 million and completion date was June, 2017. Further as per 6.13 of the Manual of Development Projects, “It may be noted that 15 per cent permissible limit is allowed only in respect of original approved cost and not for revised cost.” Moreover, as per Para 6.12 (v) *ibid*, “In case of a revised project, the reasons for increase in respect of each item as originally estimated have to be furnished. Similarly increase due to revision in the scope of the project is to be given separately with PC-I.”

Performance Audit of the Project “Kachi Plain Water Supply Project Phase-II, Naseerabad” revealed that project cost of Rs. 1,773.77 million was approved in PC I, which was enhanced to Rs. 2,799.960 million vide revised

PC-I due to delays in completion of the project, resulting in cost-overnun of Rs. 1,026.190 million, as detailed in below:

**(Rs. in Million)**

<b>Cost as per original PC I</b>	<b>Cost as per revised PC I</b>	<b>Cost-overnun</b>	<b>%</b>
1,773.770	2,799.960	1,026.190	57%

Delay in completion of the project caused cost-overnun which resulted in uneconomical procurement and inefficient execution.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that cost-overnun was due to five-time revision of PC-I w.e.f. 2015 to 2021 and due to inclusion of new areas in the project. It was also replied that project had been completed. Audit reiterated that completion of the project after long delay was not enough to justify the huge cost-overnun. Audit referred to Para 6.4 of the Manual of Development Project, according to which, “the PC-I should be supported with a feasibility study, survey and investigation and market survey report. For undertaking any such feasibility, a proper request on the PC-II Proforma is to be submitted for approval to the competent forum depending upon the cost of PC-II. Allocation of funds is made on request subject to availability. It is mandatory that all infrastructure projects (or having infrastructure component) costing Rs 500 million or above should be based on a professional feasibility study.” Audit further informed the forum that proper feasibility study was not carried out and strategic points were not sorted out well in advance by the project management in coordination with the concerned quarters to avoid cost-overnun. The DAC directed the management to provide year-wise physical and financial progress and PC-IV along with reasons justifying the revision.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives alongwith justification of delay and cost revision of more than 57%, besides fixation of responsibility for not re-tendering the scheme after revision.

#### **4.2.4 Excess deduction of security deposit to avoid lapse of budget - Rs. 9.570 million**

As per Para 2.66 of B&R Code read with Clause 19 of conditions of contract agreement, “Security deposit @ 10% should be deducted from payment made for work done to contractors and refunded after three months from date of completion of scheme.” Further, as per TR 290, “It is not permissible to draw money from the Treasury to prevent the lapse of budget grant.”

Performance Audit of the Project “Kachi Plain Water Supply Project Phase-II, Naseerabad” revealed that the PD paid an amount of Rs. 23.926 million during the financial year 2019-20 to M/s Alpha Pipe Industries (Pvt.) Ltd for supply of HDPE pipe for the project and deducted excess security deposit amounting to Rs. 9.570 million which was 50% of the gross amount of bill to avoid lapse of budget, as detailed in **Annexure 4.1**.

Deduction of excess security deposit was caused due to prevalence of weak financial controls.

Excess deduction of security deposit resulted in undue financial benefits to the contractor at the expense of public exchequer.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that pipes were supplied but their lab test reports were awaited, therefore, excess security was deducted to secure the project’s interest. When satisfactory lab tests reports were received, the security deposit was released. Audit stated that

Security Deposit Register was required to verify the fact. The DAC directed the management to provide Security Deposit Register to audit for verification.

No further progress was intimated till finalization of this report.

Audit recommends proper justification of excess deduction of Security Deposit and provision of security register.

#### **4.2.5 Non-realizations of Government taxes - Rs. 19.531 million**

According to Section 3 of BSTS Act, 2015 and amendments in Balochistan Act No. VI of 2015 notified by Balochistan Provincial Assembly Secretariat vide No. PAB/Legis:V(11)/2019 dated 25.07.2019 and Finance Department corrigendum No. FD.SO.(MPR)1-46/BST/2020/3714-48 dated 04.05.2020, “BSTS @ 6% was applicable from July 01, 2019 on construction services under tariff heading 9814.2000 where payment was made from Balochistan Provincial Consolidated Fund.”

Performance Audit of the Project “Kachi Plain Water Supply Project Phase-II, Naseerabad” revealed that the PD incurred an expenditure of Rs. 325.527 million during the financial years 2015-22, without deduction of BSTS from the running bills of the contractors @ 6% amounting to Rs. 19.531 million, as detailed in **Annexure 4.2**.

Non-deduction of BSTS was caused due to prevalence of weak financial controls.

Non-realization of BSTS resulted in revenue loss to the government.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that BSTS had been recovered from the contractor's bills. The DAC directed the management to provide original record to audit for verification.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

### **4.3 Construction and Works**

#### **4.3.1 Non-provision of alternate power supply for the project**

According to revised PC I of the project “Kachi Plain Water Supply Project Phase-II, Naseerabad” operating cost of the Project was estimated 26.4 million annually, out of which, Rs. 10.6 million was projected for WAPDA and Generator cost.

Performance Audit of the Project “Kachi Plain Water Supply Project Phase-II, Naseerabad” revealed that power supply in various areas of Sibi district and Kachhi district was interrupted and hardly two hours’ electricity was being supplied to the area. Despite this limitation, the project management did not plan providing any alternate power source in the PC I. The supply of water to various areas was therefore greatly hampered due to power shortages.

Non-provision of a reliable source of power for water pumping was caused due to lack of proper planning.

Absence of a permanent and reliable power source resulted in ineffectiveness of the project.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that alternate source of power supply was available in shape of generator. Audit stated that record of utilization of generator, handing & taking over certificate is required for verification. The DAC directed the management to provide requisite record to audit.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

#### **4.3.2 Non-deployment of security system**

According to revised PC I of the project “Kachi Plain Water Supply Project Phase-II, Naseerabad” 360-kilometer HDPE pipe line of 50mm to 450mm dia was constructed. Diesel generators and turbine pumps for boosting stations were also procured.

Performance Audit of the Project “Kachi Plain Water Supply Project Phase-II, Naseerabad” revealed that no security plan was prepared to protect the installed infrastructure against theft, misuse and destruction. The project had so far installed over 280km long pipeline, 8 boosting stations and three Water Works Stations costing Rs. 2,799.960 million, however, no plan for their security in the form of deployment of human and technical resources was devised to protect the same from damage, misuse, theft and destruction.

During field visit, Audit witnessed that the pipeline had been punctured at various spots for illegal connections, which not only undermined the water pressure and quantity for the destined population but also jeopardized the quality of water by exposing it to contamination.

Lack of proper planning caused non-deployment of security for the installed infrastructure.

Non-deployment of security system for the project jeopardized the overall effectiveness of the project.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that the project was already completed in the financial year 2023-24 and handed over to the concerned Divisional Officer of PHE, therefore, security of the infrastructure was the responsibility of the regular PHE Division. Audit, however, reiterated that security of such a huge setup could not be ensured without proper security plan that should consist of deployment of security personnel, installation of CCTV cameras at all the infrastructure sites for monitoring, and protection of boosting stations and water works through barbed wires. The DAC directed the management to prepare a proper security plan including expediting appointment of watchmen, patrollers, engaging the district administration for deployment of permanent security staff at all stations and installation of CCTV cameras and submit the same to the PAO.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

#### **4.3.3 Non-preparation and approval of work plan and work breakdown structure of the project**

As per contract agreement with the contractor, work and construction plan will be prepared by the contractors and approved by the management of the project. Further, a work breakdown structure in project management and systems engineering is a deliverable-oriented breakdown of a project into smaller components. A work breakdown structure is a key project deliverable that organizes the teams work into manageable sections.

Performance Audit of the Project “Kachi Plain Water Supply Project Phase-II, Naseerabad” revealed that no work and construction plan was prepared by the contractors nor was it approved by the project management. Work plan was necessary for planning of project activities and for proper

monitoring and gauging the progress of the project. Furthermore, Work Breakdown Structure (WBS) was not available on record which led audit to believe that no such document was prepared. It was the primary responsibility of the consultant to prepare a WBS comprising of daily and weekly items. The consultant was also responsible to supervise the implementation of WBS. Absence of work plan and WBS depicted that work was carried out in haphazard manner which ultimately hampered the overall progress and compromised effectiveness of the project by causing inordinate delay.

Inefficiency was caused due to weak planning.

Due to non-preparation of work plan and WBS, project activities were not completed as per stipulated time period resulting in delays in completion of the project, and adversely affecting the effectiveness of the project.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that Kachhi Plan Water Supply Scheme Phase-II had a work plan but due to local and political problems and five-time revision of PC-I w.e.f. 2015 to 2021, the work plan could not be implemented. However, work had been completed in June, 2024. The DAC directed the management to provide Package-wise work plan to audit for verification.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

#### **4.3.4 Irregular procurement of HDPE pipe due to non-conducting of laboratory tests - Rs. 1,789.900 million**

According to SI No. 32-28 of CSR, 2018, following test for PVC/HDPE pipes will be conducted from PCSIR or other laboratories owned by Government/Semi Government Institutions.

- I. Weight per running meter;
- II. Diameter of pipe; and
- III. Wall thickness of pipe;

The Project Director, Kachi Plain Water Supply Project Phase-II, Naseerabad awarded the work “Procurement and supply of high-density polyethylene (HDPE) pipe and fittings” to M/s Alpha Pipe Industries (Pvt.) Ltd. Peshawar (Manufacturer) for various packages of the project. HDPE pipes of various diameters amounting to Rs. 1,789.9 million were procured from the suppliers on NSR basis during the financial years 2015-22, as detailed in **Annexure 4.3**.

The expenditure was held irregular as the payment was made without conducting laboratory tests to ensure that specific/certain quality standards were met out and sub-standard pipes were not provided by the supplier. It was also observed that no quality assurance certificate was provided by site engineer or any responsible officer of the project.

The irregularity was caused due to prevalence of weak internal controls of the project.

Purchase of pipes without conducting laboratory tests may result in procurement of sub standards pipes, eventually affecting the overall efficiency of the project.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that lab test reports of the HDPE pipes were available. The DAC directed the management to produce original lab test reports along with bills to audit for verification.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives besides provision of complete batch-wise laboratory tests and conducting a third-party validation to rule out any compromise on quality of pipes.

#### **4.4. Assets Management**

##### **4.4.1 Non-conducting of physical verification of assets**

As per to GFR 159-160, Vol-I, “Physical verification of all stores should be made at least once a year under rules prescribed by competent authority. A certificate of stores with its results should be recorded on the list, inventory or account, as the case may be, where such verification is carried out.”

Performance Audit of the Project “Kachi Plain Water Supply Project Phase-II, Naseerabad” revealed that the management did not conduct the physical verification of assets of the project. Due to non-conducting of physical verification, the actual position of stores/assets could not be verified.

Non-conducting of physical verification of assets depicted existence of weak internal controls.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that Secretary PHE had been visiting the stores and other assets of the project. However, no such reports were made available to the forum. Audit pointed out

that verification of all assets including office equipment, vehicles and other store items was required. Further, for store of pipes and other development scheme related items, proper record of their procurement and entry into the register, subsequent issuance to schemes and remaining balance was to be maintained. Moreover, dead stock register was also to be maintained. The Chairman DAC decided that he would visit and verify the stores himself.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

#### **4.5. Monitoring and Evaluation**

##### **4.5.1 Lack of monitoring and evaluation of the project**

As per Para 10.8 of Manual of Development Projects, “The multi-disciplinary monitoring teams, comprising representatives of the Projects Wing and concerned technical section of PD&R Division, sponsoring or executing agency and provincial government (for provincial projects only) are deputed for undertaking site visits and also to focus specifically on the following:

- i. The divergence between the PC-I work plan and the actual physical implementation
- ii. Whether the physical output is commensurate with the financial outlay of the projects?
- iii. Status of foreign-aid utilisation
- iv. Availability of inputs other than finance
- v. Unit rate analysis and assessment of project effects vis-à-vis output,
- vi. employment, environmental etc.
- vii. Source of the recurring cost and maintenance liability on completion of the project

Further as per Para 11.3 *ibid*, “The project evaluations to be carried out are: (i) ex-ante evaluation, (ii) on-going evaluation and (iii) terminal evaluation or ex-post evaluation.”

Performance Audit of the Project “Kachi Plain Water Supply Project Phase-II, Naseerabad” revealed that no monitoring of the Project was carried out as per instructions laid down in Project Manual. The project was started in 2014-15 and was physically completed except Package-V up to June, 2023 but no monitoring and evaluation of the project was carried out to monitor and streamline the progress of the project with its ultimate goals and assess the effectiveness of the project.

Lack of proper monitoring and evaluation mechanism of the project was caused due to inefficiency on part of project management.

In the absence of monitoring of the project and ongoing evaluation, management failed to assess the progress of the project and timely accelerate the project activities resulting in delays.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that project staff and consultants were present on site every time and after every three months Progress Review Meeting was being held in Secretary office as well as in P&D department, who used to check performance and construction activities. The Secretary PHE and Chief Minister Inspection Team also visited the activities of the project. Further, a committee of the Supreme Court also visited and monitored the work. However, no such reports were made available to the forum. The DAC directed the management to provide Monitoring Reports and Evaluation Reports in line with Manual of Development Projects, CMIT Report, Supreme Court Report and PC-IV to audit for verification.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

#### **4.5.2. Non-existent Complaint Management and Redressal System**

As per Section 6.4 (ii) of National Drinking Water Policy 2009, “Provincial Governments will develop Standard Operating Procedures (SOPs) for planning, design, construction, monitoring and operations and maintenance for the various categories of water supply schemes with viable complaint and redressal system. This will ensure adherence to the technical standards and specifications and quality construction and sustainable service.”

Performance Audit of Kachi Plain Water Supply Scheme (Phase-II), revealed that no system existed in the PHE Department and PD office to receive, process, and redress complaints of the local communities, and other stakeholders including the general public. Furthermore, no SOPs were formulated to develop a monitoring system to continuously collect data on various operational issues of project, analyzing the data and then taking corrective measures.

Lack of proper complaint management and redressal system was observed due to prevalence of weak supervisory controls of the project management.

Absence of proper supervision had adverse impact on the effectiveness of the project.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but no reply was received.

In the DAC meeting held on August 20, 2024, the management replied that audit recommendation was noted for compliance. The DAC directed the management to ensure establishment of a mechanism for complaint redressal, and develop a monitoring system to continuously collect data on various operational issues of project, analyzing the data and then taking corrective measures under intimation to Audit.

No further progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

#### **4.5.3 Non-conducting of internal audit/checks**

According Rule 13 of GFR, Vol.-I, “In the discharge of his ultimate responsibilities for the administration of an appropriation or part of an appropriation placed at his disposal, every Controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores, but also that the prescribed checks are effectively applied. For this purpose, each Head of the Department will get the accounts of his office and those of the subordinate disbursing officers, if any, inspected at least once in every financial year by a Senior Officer not connected with the account matters. The results of these inspections should be incorporated in the form of an inspection report.”

Performance Audit of the Project “Kachi Plain Water Supply Project Phase-II, Naseerabad” revealed that the Controlling Officer, during the financial year 2022-23, failed to conduct the internal checks of the project office. It is the utmost responsibility of the controlling officer, to ensure financial management, detect fraud and irregularity in the entity, if any and convey the same to audit through Internal Audit Report. The failure to conduct the internal audit in the specified financial year and the presence of weak internal controls within the organization have contributed to the recurring occurrence of similar issues year after year. This chronic problem not only undermines the financial stability of the entity but also erodes trust in its operations and management. It is, therefore, imperative that immediate corrective measures be taken to strengthen internal controls and ensure that internal audits are conducted rigorously and in a timely manner.

Non-conducting of internal checks occurred due to weak financial management.

The failure to conduct internal audits can potentially lead to the emergence of further significant irregularities and the persistent recurrence of identical issues on annual basis.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but not reply was received.

In the DAC meeting held on August 20, 2024, the management replied that audit recommendations were noted for compliance. The DAC directed the management to conduct the internal audit and provide a copy of the report to Audit.

No further progress was intimated till finalization of this report.

Audit strongly recommends implementation of DAC directives.

## **4.6 Environment**

### **4.6.1 Non-preparation of Environmental Impact Assessment of the project**

As per section 12 (1) of Pakistan Environmental Protection Act 1997, “No proponent of a project shall commence construction or operation unless he has filed with the Federal Agency an initial environmental examination or, where the project is likely to cause an adverse environmental effect, an environmental impact assessment, and has obtained from the Federal/Provincial Agency approval in respect thereof.”

Performance Audit of the Project “Kachi Plain Water Supply Project Phase-II, Naseerabad” revealed that project was initiated without preparation of Initial Environmental Examination. The management was under legitimate obligation to obtain approval from Provincial Agency by submitting Environmental Impact Assessment but no such study was found available on record.

Audit is of the view that certain components of the project such as excavation of trenches for water pipeline and construction of water storage tanks would certainly affect the overall environment of the area. However, no assessment in this regard was carried out. The situation implied non-compliance with the PEPA Act, 1997.

Lack of improper planning caused deviation from the provisions of PEPA Act.

Non-conducting of environment assessment jeopardized the overall effectiveness of the project by adversely affecting the environment of the target population.

The matter was reported to the PD, Kachi Plain Water Supply Project, Phase-II and PHE Department, GoB, in March, 2024, but no reply was received.

In the DAC meeting held on August 20, 2024, the management replied that an initial environmental examination was carried out before initiating the work. However, no report was made available to the forum. Audit stated that environmental examination was required before initiation and impact assessment after completion of work. The DAC directed the management to produce both environmental examination and impact assessment report to audit for verification.

No further progress was intimated till finalization of this report.

Audit recommends taking corrective measures in line with PEPA Act, 1997 and fixation of responsibility for non-compliance in the matter.

#### **4.7 Overall Assessment**

The Kachi Plain Water Supply Project Phase-II faced issues like underachievement of targets, inadequate allocation of funds, uneconomical expenditures, and lack of monitoring and evaluation. These problems resulted

in financial losses, ineffective project implementation, and non-achievements of desired objective such as provision of safe drinking water to the community and impact on occurrence of WBDs. Besides, lack of environment impact assessment, absence of complaint redressal mechanism, and improper planning in the form of feasibility, as enunciated in Para 6.4 of the Manual of Development Project, led the project to as many as five revisions, increased the environmental risk and hampered the overall effectiveness. The objectives of the project could be achieved through an improved accountability mechanism, effective planning, a robust system of monitoring and evaluation, and compliance with applicable rules.

- i. **Relevance:** Despite underachievement of the targets set in the revised PC-I, Kachi Plain Water Supply Project Phase-II remained relevant throughout its implementation. Notably, the project management's plans and efforts to provide water to the area, which had no source of water other than flood water, proved to be pertinent.
- ii. **Efficacy:** The project achieved its physical outcomes to a greater extent by installing the required infrastructure including 8 boosting stations, three water works, one main treatment plant/ pumping station at DM Jamali, and 360 KM long pipeline connecting 38 villages across four districts including Kachi, Sibbi, Naseerabad and Lehri.<sup>10</sup> However, it is yet to achieve its main objective of provision of **sufficient and safe** water to the area. Till date, Bakhtiarabad, the biggest beneficiary of the project, and nearest to the water source, has been supplied with sufficient water. Whereas, Bhag, Landi Sharif, Tangoti, Chalgari, and Sultanpur, covered in Package II upto border of Sanni, have partial supply of water. As far as Lehri, which was covered in Package-I, it has its own water sources, so supply of water is not an issue there. However, the package was intended to provide water supply line, which would benefit the en-route villages from Khariwah boosting station up-till Lehri Water Works. Tanks on this line have been constructed, however, so far, no water supply had been ensured. Khairwah boosting station between

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<sup>10</sup> PC-I and Progress Report of the Project.

Lehri and Lindsay has water supply. From there, the supply was planned from Lindsay to Mall Ghurumzai in Sibbi, and some areas of Bhag including Haji Sheher under Package-IV, but no supply has yet been ensured.

The second aspect of efficacy is its impact on prevalence of WBDs, which the project completely failed to create. A complete account of the impact of the project on incurrence of WBDs has been provided in Para 4.1.1.

To sum up, the project has not been successful to ensure complete water supply to all the targeted areas even at the close of Financial Year 2022-23 after lapse of six years despite completion of four of its five packages, and it completely failed to bring about any impact on the occurrence of WBDs.

- iii. **Economy:** Most of Project's financial and other resources were managed economically based on the revised budget. Although, the long delay affected the overall economy by more than 57% of the project cost, since the project cost was enhanced from Rs. 1,774 million to almost Rs. 2,800 million.
- iv. **Efficiency:** Review of project performance indicated that the project activities faced delays due to non-availability of sufficient financial resources, which resulted in time and cost-overruns. This adversely affected efficiency of the project. Except the revision in cost and scope, the project management was efficient in carrying out four packages. However, the heaviest package was package V with more than 50% of the total budget of the project (Rs. 1,423 million), which could not be completed timely. The efficiency was mainly affected due to lack of proper planning, non-preparation and implementation of WBS by the consultant, and absence of effective monitoring system.
- v. **Effectiveness:** Overall effectiveness of the project regarding achievement of its intended objectives including provision of safe drinking water and a decrease in WBDs remained below expectations. There were two main indicators of effectiveness as per PC-I:
  - a. Provision of sufficient and safe drinking water;

- b. Improvement in health and hygiene condition of the residents of the area through prevention of WBDs.

As far as provision of water is concerned, the project was effective, but the supplied water could not be declared safe as no filtration plants had so far been installed, and the contamination caused by illegal connections on the long 360 km supply line. Similarly, improvement in health and hygiene conditions could not be brought about by the project, as a significant proportionate increase in the rate of incurrence of WBDs in the area was seen when compared to increase in population from 2017 to 2023. The best justification for this shocking result may be that the important package-v of the project is yet to complete, after which, the impact may be gauged in a better way.

The overall effectiveness was mainly hampered by five important factors including non-installation of filtration plants on all the pumping stations, insufficient alternate power supply, lack of security arrangement for the protection of the installed infrastructure, absence of effective monitoring and evaluation system and lack of complaint redressal mechanism.

- a. **Performance Rating:** Moderately satisfactory
- b. **Risk Rating:** Medium
- c. **Compliance with Rules:** The expenditure incurred was, in most, in conformity with rules. However, in some instances the government rules, regulations and procedures were violated while making certain expenditures related to construction and works.

## 5. CONCLUSION

The audit findings of the Kachi Plain Water Supply Project (Phase-II) report revealed several issues such as underachievement of targets, financial inefficiencies, and project implementation failures. The biggest setback for the

project was the cost and time-overrun it incurred due to insufficient and lack of timely funds provision. To ensure success and effectiveness of the Project, the project management should conduct a comprehensive review of past failures and engage all stakeholders to make it a success story. Completion of the essential components, as suggested in this audit, and establishing a robust security system, developing an effective evaluation framework and devising a pro-active complaint redressal mechanism are equally essential. Finally, since the main long-term objective of the project is improvement in health and hygiene conditions through safe and sufficient drinking water, but the project completely failed to achieve it, therefore, an ex-post/ terminal evaluation, involving local communities would help in a better assessment of the project, ultimately resulting in realization of the long-term objectives. These improvements and proactive measures, if taken seriously and implemented in letter and spirit, would pave the way for success of the project with long lasting benefits.

#### **5.1. Key issues for the future:**

- Efforts need to be made to complete the remaining package (v) of project within stipulated timeframe as per PC I, and water supply to all the target areas needs to be ensured at the earliest to avoid further cost and time-overrun.
- Construction and installation of filtration plants need to be initiated at the earliest to ensure that the supplied water is safe.
- Uninterrupted power supply is essential for pumping water through various boosting stations, without which the project is ineffective.
- The installed infrastructure needs to be protected against theft, misuse and destruction, for which dedicated security system needs to be installed/ deployed.
- The project could not create any impact on the incurrence of WBDs, reasons for which need to be explored, which could be done through an independent ex-post evaluation.

## **5.2. Lessons Identified:**

- Non-allocation of sufficient funds, lack of proper planning, weak monitoring and supervision caused the project to face time and cost-overrun. Besides, in some cases, lack of compliance to government Rules, Regulations and Procedures caused irregular expenditure, losses and overpayments, which need to be corrected.
- Installation of infrastructure without proper power source and proper security is of relatively less use; therefore, to completely make the project effective, the key issues identified in the report need to be addressed on priority.
- Security of the installed infrastructure is of ultimate importance, as it not only secures the structure, but also helps in ruling out any illegal connections and contamination.

## **ACKNOWLEDGEMENT**

We wish to express our appreciation to the management and staff of Kachi Plain Water Supply Project (Phase-II) for the assistance and cooperation extended to the auditors during this assignment.

## **ANNEXURES**

**4.2.4 Excess deduction of security deposit to avoid lapse of budget - Rs. 9.570 million**

**Annexure 4.1  
(Rs. in Million)**

<b>Name of works, Name of Contractor</b>	<b>Cheque No. and date</b>	<b>Bill Amount</b>	<b>Security deposit deducted</b>	<b>Security deposit to be deducted</b>	<b>Excess deduction</b>	<b>%age</b>
Supply of HDPE Pipe for Kachi Water Supply Project, Phase-II, M/s Alpha Pipe Industries (Pvt.) Ltd. Peshawar	19061639/ 17.06.2019	23.926	11.963	2.393	9.570	50%

**4.2.5 Non-realizations of Government taxes - Rs. 19.531 million**

**Annexure 4.2  
(Rs. in Million)**

<b>S. No.</b>	<b>Name of work</b>	<b>Contractor</b>	<b>Payment up to 06.2022</b>	<b>BSTS @ 06%</b>
1.	Laying of pipe line and civil work Kachi Plain Water Supply Project Phase-II (Package-I)	M/s Allah Din	77.770	4.666
2.	Laying of pipe line and civil work Kachi Plain Water Supply Project Phase-II (Package-II)	M/s Mohammad Saddique and Brothers	61.471	3.688
3.	Laying of pipe line and civil work Kachi Plain Water Supply Project Phase-II (Package-III)	M/s Allah Din	22.819	1.369
4.	Laying of pipe line and civil work Kachi Plain Water Supply Project Phase-II (Package-IV)	M/s Malik Abdul Ghaffar and Brothers	74.980	4.499
5.	Laying of pipe line and civil work Kachi Plain Water Supply Project Phase-II (Package-V)	M/s Allah Din	51.929	3.116
6.	Laying of pipe line and civil work Kachi Plain Water Supply Project Phase-II (Package-VI)	M/s Allah Din	36.558	2.193
<b>Total</b>			<b>325.527</b>	<b>19.531</b>

**4.3.4 Irregular procurement of HDPE pipe due to non-conducting of laboratory tests - Rs. 1,789.9 million**

**Annexure 4.3  
(Rs. in Million)**

<b>S. No.</b>	<b>Name of work</b>	<b>Pipe outer dia (mm)</b>	<b>Quantity (RM)</b>	<b>Rate Per RM</b>	<b>Amount</b>
1.	Supply of HDPE Pipe for Kachi Water Supply Scheme Project, Phase-II (Package-V)	450	16,000	26,551.98	424.832
		400	11,400	20,981.96	239.194
		160	22,000	1703.42	37.475
		50	30,000	251.26	7.538
2.	Supply of HDPE Pipe for Kachi Water Supply Scheme Project, Phase-II (Package-V)	450	27,602.25	14,932.71	412.176
3.	Supply of HDPE Pipe for Kachi Water Supply Scheme Project, Phase-II (Package-I)	250	29,538	3824.24	113.078
		160	6,000	1227.33	7.364
		110	5,999.46	587.34	3.523
		75	6500	277.29	1.802
4.	Supply of HDPE Pipe for Kachi Water Supply Scheme Project, Phase-II (Package-II)	250	22,500	3,630.51	81.686
		200	30,000	2336.49	70.094
		160	5,500	1227.33	6.750
		110	6,000	587.34	3.524
		75	5,000	277.29	1.386
		50	20,000	121.68	2.434
5.	Supply of HDPE Pipe for Kachi Water Supply Scheme Project, Phase-II (Package-III)	250	26,000	4,097.34	106.530
		50	10,000	121.68	1.216
6.		355	17,000	7,300	124.100

<b>S. No.</b>	<b>Name of work</b>	<b>Pipe outer dia (mm)</b>	<b>Quantity (RM)</b>	<b>Rate Per RM</b>	<b>Amount</b>
	Supply of HDPE Pipe for Kachi Water Supply Scheme Project, Phase-II (Pckg-IV)	315	12,000	5742.36	68.908
		250	1,000	3630.51	3.630
		200	29,988	2,336.49	70.066
		50	21,316	121.68	2.594
<b>Total</b>					<b>1,789.9</b>