



PERFORMANCE AUDIT REPORT

ON

DUALIZATION OF KHANEWAL-LODHRAN BYPASS ROAD (94 KM)

**COMMUNICATION & WORKS
DEPARTMENT**

GOVERNMENT OF THE PUNJAB

AUDIT YEAR 2020-21

AUDITOR-GENERAL OF PAKISTAN

PREFACE

The Auditor-General of Pakistan conducts audit under 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 the project "Dualization of Khanewal-Lodhran Bypass Road (94 Km)" was carried out accordingly.

Directorate General of Audit Works (Provincial), Lahore conducted performance audit of project "Dualization of Khanewal-Lodhran Bypass Road (94 Km)" during July - August, 2020 for the year from 2016-17 to 2019-20 with a view to reporting significant findings to 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 execution of the Project. The Audit report indicates specific actions that, if taken, will help the management to realize the objectives of the project. The report has been finalized in light of the discussion with management in SDAC meeting held in July 2021.

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

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Islamabad
Dated: 01.09.2021

(Ghulam Muhammad Memon)
Auditor-General of Pakistan

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ABBREVIATIONS & ACRONYMS

ABC	Asphaltic Base Course
ADP	Annual Development Program
AWC	Asphaltic Wearing Course
B&R	Buildings and Roads
BOQ	Bill of Quantities
CDWP	Central Development Working Party
C&W	Communication and Works
Cft	Cubic Feet
DFR	Departmental Financial Rules
ECNEC	Executive Committee of the National Economic Council
ECSP	Engineering Consultancy Services Punjab
GT	Grand Trunk
INTOSAI	International Organization of Supreme Audit Institutions
IPC	Interim Payment Certificate
ISSAIs	International Standards of Supreme Audit Institutions
LAC	Land Acquisition Collector
LM	Linear Meter
MB	Measurement Book
MRS	Market Rates System
NESPAK	National Engineering Services Pakistan
NHA	National Highway Authority
P&D	Planning and Development
PC-I	Planning Commission Proforma-I
PCC	Plain Cement Concrete
PDWP	Provincial Development Working Party
PEEDA	Punjab Employees Efficiency and Discipline Act
PFR	Punjab Financial Rules
P/L	Providing and Laying
PPRA	Punjab Procurement Regulatory Authority
PSDP	Punjab Sector Development Program
RD	Reduced Distance
RFT	Running Foot

RR & MTI	Road Research and Material Testing Institute
SDAC	Special Departmental Accounts Committee
SDO	Sub-Divisional Officer
SFT	Square Feet
TSE	Technically Sanctioned Estimate
VFM	Value For Money
XEN	Executive Engineer
%	Per Hundred
%0	Per Thousand

EXECUTIVE SUMMARY

The Directorate General of Audit Works (Provincial), Lahore conducted the performance audit of the project “Dualization of Khanewal-Lodhran Bypass Road (94 Km)” during July-Aug 2020 for the financial years 2016-17 to 2019-20. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Main objective of the audit was to evaluate the aspect of economy, efficiency & effectiveness in execution of project and to analyze how far the department remained successful in achievement of its objectives.

The project, having length of 94 km, was initially approved by PDWP in May 2017 for an amount of Rs 21.885 billion under eight different groups falling in jurisdiction of Districts Khanewal, Vehari and Lodhran. All the groups were awarded in May 2017 with stipulated completion period of ten (10) months. Out of eight groups, six groups consisted of road works while other two groups were related to construction of flyovers. The scope of work included dualization of existing single carriage way road, construction of one interchange at starting point at Khanewal, one flyover at Maitla Chowk over Multan-Vehari Road, two underpasses, one toll plaza at 56 km in District Lodhran and two weigh stations at terminal points. Due to certain revisions in the project, the cost was enhanced to Rs 22.295 billion. Up to June 2021 an amount of Rs 18.780 billion was incurred. The road was opened for traffic in May 2018 after completion of only road work portion and flyovers. Toll plaza and two weigh stations were not completed and incomplete project was handed over to NHA in July 2018. As per revised PC-I, this project was to be financed by Government of Pakistan but the same was funded by Government of the Punjab through Annual Development Program (ADP).

Audit observed that department did not follow financial rules in letter and spirit. Principles of economy, efficiency and effectiveness were disregarded while executing the project which badly hampered the achievement of the intended targets.

Key Audit Findings

Audit findings, categorized into Organization and Management, Financial Management, Asset Management, Procurement & Contract Management, Construction & Works and Monitoring & Evaluation were as under:

1. Serious irregularity of avoidance of approval of project from ECNEC by dividing it in to eight packages was observed. (4.1.1)
2. Undue financial burden on Exchequer of Punjab Government was observed as the funds were provided by Punjab government instead of Federal. (4.1.2)
3. Undue financial benefit to contractors due to unjustified increase in rates of two items was observed. (4.2)
4. Serious irregularities such as excess payment due to excess measurement and overpayment due to application of higher rates were observed.(4.3.1 & 4.4.1)
5. Non-compliance of instructions of agreement by Consultant was observed. (4.6.2)
6. Irregularities such as non-mutation of acquired land in the name of government and non-obtaining of vouched account were observed. (4.5.1)

Recommendations

Audit observed that most of the irregularities were either due to weak technical, supervisory and financial controls or poor contract management. Principal Accounting Officer needs to strengthen internal controls regime in the department in the light of following recommendations:

1. Ex-post facto sanction of project be obtained from ECNEC which is competent forum for approval. Management should ensure that such irregularity may not occur in future.
2. Principal Accounting Officer should take up the matter with P&D Department, Government of the Punjab and Federal Government for recoupment of expenditure incurred from ADP of Government of Punjab.
3. Increase in rates of items should be based on proper market survey and there should be proper mechanism and policy. Proper co-ordination with Finance Department before publication of rate is required.
4. Department should strengthen internal controls to avoid the cases of irregularities such as excess payment due to excess measurement and overpayment due to application of higher rates.
5. A robust mechanism for award of consultancy be devised to ensure the compliance of agreement.
6. Department should ensure mutation of acquired land in the name of government and vouched account should be timely obtained from concerned LACs.

1. INTRODUCTION

Khanewal-Lodhran road (N-5A) via Duniapur and Jahanian originates from National Highway (N-5) at Niazi Chowk near Khanewal City and merged again with National Highway (N-5) at Dewan Chowk near Lodhran City. This road reduces the distance of 29 km between Khanewal to Lodhran city as the existing road via Multan city was 127 km, whereas this road is 98 km. Commercial heavy vehicles prefer to ply on this road due to shorter length and to avoid thickly populated city of Multan. Out of 98 km, 7 km from Lodhran bypass to Super Chowk (Lodhran) was already dualized by NHA. The remaining 91 km was two lanes single carriageway having width of 24 ft. Now the metalled width for main carriage way was proposed for 48 ft (24 ft + 24 ft).

The project was funded by Government of the Punjab through Annual Development Program (ADP) and executed by Punjab Highway Department, Government of the Punjab. The consultant M/s NESPAK was hired for design & resident supervision of the project. In addition to this, another consultant M/s ECSP was also hired for vetting of sanctioned estimates. The road was opened for traffic in May 2018 after completion of only road work portion and flyovers. Toll plaza and two weigh stations were not completed and incomplete project was handed over to NHA in July 2018.

In order to ascertain how far the Department is successful in achieving its objectives, this audit assignment was undertaken. The audit exercise was also aimed for reviewing the construction of the project according to the specification and financial rules.

1.1 OBJECTIVES OF THE PROJECT

The main objectives of the project are below:

- i. Elimination of 29 km distance between Khanewal and Lodhran city.

- ii. Providing a safe, congestion free and high speed facility to the commuters of project area and heavy traffic travelling from Lahore to Karachi and Karachi to Lahore.
- iii. Creation of an express and comfortable link between main cities of country beside boosting of the local trade.
- iv. High impact on economic development of the country due to trade activity and tourism.
- v. Reduction of the accident ratio.

1.2 OPERATING PROCEDURE

The project was executed by C&W Department, Government of the Punjab through three Highway Divisions i.e. Khanewal, Vehari & Lodhran with the available officers/officials for management, monitoring, progress and to ensure proper execution. One Superintending Engineer, three Executive Engineers, four Sub Divisional Officers, eight Sub Engineers were nominated for execution of this project. In addition to regular officers / officials one Senior Research Officer, one Junior Research Officer and two Lab Assistants were also posted. A team of design & supervision consultant along with field testing laboratory was available there. Chief Engineer Punjab Highways Department South Zone was overall the administrator of this project. Initially, the measurement of executed work was recorded by Consultant in the measurement sheet and then recorded by Sub Engineers in measurement books. Bills of contractors' were initiated by consultant after applying due checks, processed by SDOs and passed by XENs. Online funds were released by Finance Department Government of the Punjab in treasury accounts. Divisional Accounts Officers, posted by Director General Accounts (Works) Lahore, were the primary auditors for pre-audit of contractors' bills. Cheques issued by divisional management were accounted for in District Accounts Offices, Khanewal, Vehari and Lodhran and payment against executed works was credited to vendors / contractors' accounts.

1.3 BENEFICIARIES

General public of Pakistan.

1.4 The project was split in eight (08) groups. Out of which four (04) groups were executed by Highway Division Khanewal, two (02) groups by Highway Division Vehari and two (02) groups by Highway Division Lodhran. The detail is available in Annex I.

1.5 Summary of year-wise financial status is as under:

(Rs in million)

Highway Division, Khanewal				
Sr. No	Financial Year(s)	Allocation	Releases	Actual expenditure
1	2016-17	4,000.000	4,000.000	4,000.000
2	2017-18	6,232.416	6,232.416	3,628.407
3	2018-19	60.310	1,068.578	1,068.565
4	2019-20	34.000	4.300	4.300
5	2020-21	515.000	515.000	515.000
Total		10,841.726	11,820.294	9,216.272

(Rs in million)

Highway Division, Vehari				
Sr No	Financial Year(s)	Allocation	Releases	Actual expenditure
1	2016-17	1,200.000	1,200.000	1,200.000
2	2017-18	2,783.345	2,166.545	1,563.829
3	2018-19	200.427	307.296	307.204
4	2019-20	40.000	10.264	10.264
5	2020-21	5.000	5.000	5.000
Total		4,228.772	3,689.105	3,086.297

(Rs in million)

Highway Division, Lodhran				
Sr No	Financial Year(s)	Allocation	Releases	Actual Expenditure
1	2016-17	-	2,300.000	2,300.000
2	2017-18	2,760.000	4,015.876	3,412.735
3	2018-19	369.041	610.577	610.255
4	2019-20	10.000	155.163	154.582
5	2020-21	0.010	0.010	0.010
Total		3,139.051	7,081.626	6,477.582

(Source: Statement of releases/expenditure given by the department)

2. AUDIT OBJECTIVES

The major objectives of the audit were to:

- i. Assess whether project was conceived and planned as per actual requirement/necessity.
- ii. Assess whether frequent changes in original design as well as PC-I were justified and in line with the public interest.
- iii. Assess whether land was acquired as per actual requirements in transparent manner and got mutated in the name of government.
- iv. Review that contract provisions and other applicable rules & regulations were properly observed during execution of project.
- v. Review project performance against intended objectives as envisaged in PC-I.
- vi. Assess the completion of the project within the stipulated time and cost.

3. AUDIT SCOPE AND METHODOLOGY

The audit scope included the examination of accounts record of the project for the financial years 2016-17 to 2019-20. The following areas were analyzed:

- Estimations and approval of quantities
- Tendering and bidding documents
- Measurements and calculation of quantities
- Contractor bills
- Application of rates
- Test reports of executed items and progress report of the project

Audit methodology includes preparation of PSR, data collection, examination / analysis of record, discussions with officers / officials of the department and consultant of the project as well as site visits to have a physical view of work done.

4. AUDIT FINDINGS AND RECOMMENDATIONS

The detailed audit findings are given in the following sections. It is important to point out that all the issues reported here were discussed with the management in SDAC meetings.

4.1 Organization and Management

During performance audit the observation related to Organization and Management was as under:

Avoidance of approval of project from ECNEC by dividing it in eight packages

As per Rule 8 of Second Schedule of Delegation of Financial Powers Rules, 2016 (amended upto date) “the scheme costing more than 10,000 million is recommended by PDWP of each Province to CDWP for approval and cost clearance. CDWP refers the scheme costing Rs 10,000 million or above to ECNEC which is final approving authority for approval of any provincial project/ scheme.

During scrutiny of the accounts record of the scheme “Dualization of Khanewal-Vehari-Lodhran Road” Audit observed that PC-I of the scheme was approved for Rs 21.885 billion and same was required to be approved/ cleared by ECNEC which was competent forum for approval but highway department split the scheme into eight groups (Annex-I) and got approved form PDWP, government of the Punjab.

Audit was of the view that Highway department started the project without proper planning and approval from relevant authority i.e ECNEC. This was violation of instruction of delegation of financial powers. Department avoided to obtain approval from competent forum, which showed the mismanagement and negligence of the department.

Violation of financial rules resulted in irregular approval of scheme amounting to Rs 21.885 billion.

Audit pointed out this issue in August 2020. The department replied that Highway department was serving department. The scheme was executed as per decision of Federal and Provincial governments. Reply was not tenable because Highway department did not obtain approval of scheme from competent forum.

The matter was discussed in SDAC meeting held on 06.07.2021. The department explained that funds for the said scheme were provided against ADP for the year 2016-17. Audit informed the Committee that scheme was required to be got approved from ECNEC being a competent forum. The Committee directed the department to coordinate with P&D Department and produce complete record for verification within 07 days otherwise the irregularity be got condoned from competent forum. The compliance of the SDAC’s directive was not reported till finalization of the report.

Audit recommends that the Highway department should seek ex-post facto approval from ECNEC and condonation of irregularity from competent forum besides fixing responsibility for this lapse.

(Para No. 23)

4.2. Financial Management

During performance audit the observations related to Financial Management were as under:

4.2.1 Undue financial burden on exchequer of Punjab Government.

As per revised PC-I vide paragraph No. 10, under financial plan and mode of payment, the project was required to be financed by Government of Pakistan through PSDP.

During scrutiny of record of work, “Dualization of Khanewal-Lodhran Road” Audit observed that the road fell under the jurisdiction of NHA. The condition of road was very deteriorated due to heavy traffic. So, a scheme “Dualization of Khanewal-Lodhran Road” was prepared for Rs 21.885 billion. This was the responsibility of NHA to reconstruct the scheme from the funds of the Federal government but the same was given to Punjab government to execute the scheme through its own resources instead of getting it done as deposit work. The Punjab government completed the scheme from its own resources and handed over to the NHA without any compensation.

Audit was of the view that there was no need to execute the project by the Government of the Punjab because this road fell under the jurisdiction of National Highway Authority (NHA) controlled by Federal Government. The incurring of heavy expenditure amounting Rs 18.780 billion was un-necessarily by Government of Punjab whereas according to condition No. 10 of revised PC-I, the project would be financed through Government of Pakistan so it was undue burden on exchequer of Punjab Government.

Weak administrative controls resulted in undue burden on Punjab exchequer for Rs 18.780 billion.

Audit pointed out this issue in August 2020. The department explained that Highway department was a serving department under Government of Punjab. The funds for the scheme were provided against ADP for 2016-17. Reply of the department was not tenable because the road was not under the jurisdiction of Punjab Highway department.

The matter was discussed in SDAC meeting held on 06.07.2021. The department reiterated its previous stance. Audit informed the Committee that as per PC-I vide paragraph No. 10, "under financial plan and mode of payment", the project was required to be financed by Government of Pakistan through PSDP. Whereas, Government of Punjab incurred expenditure from its own ADP in violation of instruction of PC-I. The C&W department / P&D department of Government of Punjab had not taken up the matter with Federal Government for payment of Rs 18.780 billion. The Committee directed the department to coordinate with P&D Department and produce complete record for verification within 07 days. The compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early recoupment of funds of Punjab Government.

(Para No. 22)

4.2.2 Undue financial benefit to contractors due to unjustified increase in rates of two items

During scrutiny of record of the road, Audit observed that two groups in Lodhran, two groups in Vehari and four groups in Khanewal of the project were awarded in May 2017 on the basis of tenders opened and called in May 2017. In month of June 2017, the rates of items, Sub-Base Course and Base Course were increased from Rs 800 per % cft to Rs 1,700 per % cft and Rs 1,500 per % cft to Rs 1,900 per % cft respectively in these specific districts instead of in all districts of Punjab. The abnormal increase in rates of two items was without any justification.

Audit was of the view that the increase in rates of sub-base course & base-course in June 2017 soon after the allotment of work in May 2017 for specific districts seemed to give financial benefits of escalation to the contractors.

Weak managerial controls resulted in un-due financial benefit to contractor due to un-justified increase in rates of two items amounting to Rs 244.742 million. (Annex-II)

Audit pointed out the issue in August 2020. The department explained that Highway Department is serving department under the Punjab Government of . Funds for the said scheme were provided for the year 2016-17. The reply was not tenable because Finance Department always increases rates on recommendation and survey conducted by relevant departments. Hence, Highway Department extended undue financial benefit to contractors in the shape of escalation.

The matter was discussed in SDAC meeting held on 06.07.2021. The department explained that Finance Department was competent forum to publish the input rates on monthly basis, hence C&W department was not responsible for abnormal increase of rates. Audit informed the Committee that works were awarded in May 2017 on the basis of tenders opened and called in May 2017. In month of June 2017, the material rates of Sub base course and Base course were increased from Rs 800 per % cft to Rs 1,700 per % cft and Rs 1,500 to Rs 1,900 per % cft in these specific districts i.e Khenewal, Lodhran and Vehari without any justification. This was abnormal increase and un-due financial benefit in the shape of price variation was given to contractors. The Committee upheld the view point of Audit and referred the para for clarification to Technical Advisor, Finance Department, Government of the Punjab. The compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early clarification from Finance Department.

(Para No. 17)

4.3. Procurement and Contract Management

During performance audit the observations related to Organization and Management were taken as under:

4.3.1 Overpayment due to application of higher rates

4.3.1.1 As per revised TSE the rate of item of work providing hand railing on flyover as per standard rank (double pipe) was Rs 2,518.40 per rft along with premium of contractor @ 4.4% above .

Audit observed that Executive Engineer Highway Division, Khanewal paid an item of work "Providing/laying of Hand Railing on Bridge (Double Pipe) complete in all respects" for quantity of 3369 rft @ Rs 3,604.18 per rft instead of admissible rate of Rs 2,518.40 per rft along with premium of 4.4%.

Audit was of the view that the department made violation of provisions of revised TSE regarding rates and extended undue financial benefit to contractor.

Application of higher rate resulted in overpayment of Rs 3,286,675.

Audit pointed out overpayment in August 2020. The department replied that rate was approved in revised TSE. Reply of the department was in contrary to approved rate of item in revised TSE.

The matter was discussed in SDAC meeting held on 06.07.2021. The department reiterated its previous stance. Audit informed the Committee that as per revised T.S Estimate, the rate of item "Providing hand railing on flyover (double pipe)" was approved @ Rs 2,518.40 Per rft and after adding premium @ 4.4% the payable rate was Rs 2,629.20 Per rft (2,518.40 + 4.40%). Whereas, department made payment @ Rs 3,604.18 Per rft. In this way excess rate of Rs 974.97 Per rft was paid. An

overpayment of Rs 3,284,675 was made. The Committee directed the department to effect the recovery of Rs 3,284,675 within 07 days and produce record for verification. The compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early recovery of overpayment besides disciplinary action against responsible(s).

(Para No . 02)

4.3.1.2 As per acceptance letter of scheme, the rate of item of work, "Cement concrete of bricks or stone ballast ratio of 1:4:8" was Rs 13,098.76 per % cft.

Audit observed that Executive Engineer Highway Division, Khanewal paid item "Cement concrete brick or stone ballast (1:4:8) complete in all respect" for quantity of 8336.31 cft @ Rs 22,151.66 per % cft instead of admissible rate of Rs 13,098.76 per %cft. Audit, further observed that up to 24th/Running bill this item was paid @ Rs 13,098.76 per %cft but in 25th/Running bill the rate was increased to Rs 22,151.66 per %cft.

Audit was of the view that the department increased the rate of executed & measured item without justification in violation of acceptance letter and undue financial benefit was given to contractor. It was also violation of para No.7.16 of DFR which stated that payment would be made according to item actually executed at site and recoded in measurement book. Department made violation of standard procedure.

Application of incorrect rates resulted in overpayment of Rs 754,677.

Audit pointed out overpayment in August 2020. The department explained that during execution of work the original item was changed to "Plain cement concrete of 1:4:8" on the recommendation of consultants and same was executed at site. The new provision of the item as now been incorporated in revised TS estimate. Reply was not tenable because the

item of cement concrete brick or stone ballast of 1:4:8 was provided in original TS estimate and also depicted in DNIT against which the contractor quoted his rate and the acceptance was issued with same nomenclature and the same item was executed at site which was confirmed from relevant record entry in MB. In revised estimate only rate has been changed instead of item which was unjustified.

The matter was discussed in SDAC meeting held on 06.07.2021. The department explained that item PCC 1:4:8 was executed at site instead of cement concrete brick or stone ballast of 1:4:8. The entry in MB was made as per acceptance letter and T.S Estimate. Audit informed the Committee from 1st running bill to 24th running bill, the item was paid @ Rs 13,098.76 % cft and in 25th running bill the rate was increased to Rs 22,151.66% cft without any justification. In measurement book the item was also entered as cement concrete brick of stone ballast of ratio 1:4:8. Hence, it was established recovery. The Committee directed the department to produce record to Administrative Department for probe into the matter of overpayment within 15 days. The compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early recovery of overpayment besides disciplinary action against responsible(s).

(Para No .09)

4.3.2 Non-recovery of security deposit

As per condition No. (d) of memorandum of work in contract agreement 5% security deposit was required to be retained from the bills of the contractors.

Executive Engineer Highway Division, Khanewal paid 11th/R. bill of Rs 13,808,209 but 5% security deposit amounting to Rs 690,410 was not deducted in violation of contact agreement.

Audit was of the view that undue financial benefit was given to contractor due to weak managerial and internal controls.

Audit pointed out issue in August 2020. The department did not reply.

The matter was discussed in SDAC meeting held on 06.07.2021. The department admitted the irregularity. Audit informed the Committee that department made violation of clauses of agreement which was issued by Finance Department. Hence, Finance Department was competent forum for condonation of irregularity. The Committee directed the department to refer the case to Finance Department for condonation within 07 days. The compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early condonation of irregularity besides disciplinary action against responsible(s).

(Para No. 04)

4.4. Construction and Works

During performance audit the observations related to Construction and Works were taken as under:-

4.4.1 Excess payment due to excess measurement

As per rule 7.28 and 7.29 of DFR (VOL-I), before signing the bill, Sub-Divisional Officer should compare the quantities in the bill with those recorded in MB and see that all the rates are correctly entered and that calculations have been checked arithmetically to be correct.

4.4.1.1 Audit observed that Executive Engineer Highway Division, Lodhran paid quantity 2025477 cft of item "Regular excavation undressed". This quantity was required to be deducted from the quantity of item "E/w embankment in ordinary soil 95% to 100%" which was done and same quantity was added before deduction. The addition of quantity of regular excavation in earth work embankment was un-justified because it has already been added this quantity in "Earth Work Embankment in

ordinary soil 95% to 100%" in RD wise measurement. Hence addition of quantity of 2025477 cft of item "Regular excavation undressed" was paid twice.

Audit was of the view that as per specification No 17.1(A)(11)(i) for execution of works 1967 Volume-I Part-II, if cutting and filling are being done simultaneously all suitable materials obtained from cutting shall be used in filling after recording X-Sections in Measurement Books. But Highway department added the quantity of regular excavation two times which was unjustified and excess measurement was recorded.

Excess measurement of earth resulted in excess payment of Rs 18,724, 000.

Audit pointed out issue in August 2020. The department explained that while calculating the total quantity of earth involved in each x-section, area of regular excavation was not added. Reply was tenable because the department deducted the quantities of road crust and regular excavation and again added the quantity of regular excavation which was unjustified.

The matter was discussed in SDAC meeting held on 06.07.2021. The department explained that while calculating the total quantity of earth work involved in X-section, the area of regular excavation was not added, hence it was one time added and same was also deducted. Audit informed the Committee that as per TSE (original/revised) the quantity/area of regular excavation was added in total quantity of earth work for making embankment. In measurement book, the department added two times this area once in total measured quantity of earth work (as lumpsum quantity) and secondly in measurement of earth work for making embankment RDs wise, therefore department should effect recovery. The Committee directed the department to provide complete record for re-verification within 07 days. The compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early recovery of excess payment besides disciplinary action against responsible(s).

(Para No. 21)

4.4.1.2 Audit observed that Executive Engineer, Highway Division, Khanewal paid an item of work "Earth work for making embankment" without adjustment/ deduction of area/quantity of road crust i.e sub base course, base course, road edging and carpeting.

Audit was of the view that as per provisions of original/ revise TSE and standard specifications of road and bridges 1971, the area of road crust was required to be adjusted/ deducted against item earth work for making embankment. But Highway department did not adjust/ deduct the said area, which resulted in excess measurement.

Excess measurement of earth resulted in excess payment of Rs 15,990,689

Audit pointed out issue in August 2020. The department replied that the item of the earth work was paid on the basis of as built x-section after deducting the road crust. Reply was not tenable because department violated the provisions of the TSE.

The matter was discussed in SDAC meeting held on 06.07.2021. The department reiterated its previous stance . Audit informed the Committee that department did not make deduction of crust i.e. sub base course / base course and carpeting from measured quantity of earthwork. The Committee directed the department to produce record i.e. MB showing deduction of crust to Audit for re-verification of within 07 days otherwise effect recovery. The compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early recovery of excess payment besides disciplinary action against responsible(s).

(Para No. 05)

4.4.1.3 Audit observed that Executive Engineer, Highways Division, Vehari paid the excess quantity of item "P/L plant premixed carpeting 2"

thick using 4.5% bitumen" in violation of recommendation of consultant of the project.

Audit was of the view that department made violation of recommendation of consultant of the project as in IPC No.13, the consultant recommended the quantity of item for 397159 sft whereas department paid the quantity for 417899 sft. In this way department allowed 20740 sft without recommendation of consultant. Undue financial benefit was extended to contractors.

Excess measurement resulted in excess payment of Rs 1347478.

Audit pointed out excess measurement in August, 2020. The department did not reply.

The matter was discussed in SDAC meeting held on 06.07.2021. The department explained that item of work "P/L of premixed carpeting 2" AWC" was paid as 417900 sft and this quantity remained same in 21st & Final bill. Audit informed that the Committee that in 13th IPC dated 20.06.2018, the consultant withheld the quantity of 20740 sft on account of item "P/L of premixed carpeting 2 inches AWC" but department released this quantity and paid in 20th & running bill. Whereas the consultant allowed this quantity in 14th IPC dated 27.06.2018 and required to be paid in 21st & final bill. Department gave undue financial benefit to contractor by releasing the withheld quantity without recommendations of consultant. Audit desired that an amount of Rs 161,697 on account of markup @ 12% may be recovered from contractor due to undue payment. The Committee directed the department to produce record to Administrative Department for probe into the matter within 15 days. The compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early recovery of excess payment besides disciplinary action against responsible(s).

(Para No. 10)

4.4.1.4 Audit observed that Executive Engineer, Highways Division, Lodhran paid the excess quantity of item, "P/L plant premixed bituminous

carpet (ABC) 2 inches” than the quantity of item of work, “P/L prime coat”. Whereas, as per provision of TSE (original/revise) both items were required to be paid equally.

Audit was of the view that Highway department extended undue financial benefit to contractor due to payment of excess quantity. As per provision of TSE and standard specifications both items were required to be paid equally. The item ABC was required to be laid on those area where prime coat has already been laid and 100% compacted.

Excess measurement resulted in excess payment of Rs 1,137,227.

Audit pointed out excess payment in August 2020. The department did not reply.

The matter was discussed in SDAC meeting held on 06.07.2021. The department explained that the deduction of bridge area from Prime Coat had been made for quantity of 17526 sft. The design of bridge was approved by the Road Research & Material Testing Institute Lahore. Audit informed the Committee that only one layer of carpeting i.e. AWC with tack coat was admissible on bridge portion and layer of ABC along with prime coat was not admissible. The payment of Rs 1,137,227 was not admissible and required to be recovered. The Committee directed the department to refer the case to RR& MTI Lahore for advice within 07 days. The compliance of the SDAC’s directive was not reported till finalization of the report.

Audit recommends early recovery of excess payment besides disciplinary action against responsible(s).

(Para No. 25)

4.5. Assets Management

During performance audit the observation related to Assets Management was taken as under:-

4.5.1 Unjustified booking of expenditure on account land acquisition & compensation of structure and non-mutation of acquired land in the name of the government

As per Section 17(A) of Land Acquisition Act 1894, the Collector shall, upon payment of the cost of acquisition make over charge of the land to the Authority, and the land shall thereupon vest in the name of Authority/Government. Also as per rule 2.20 of PFR Volume-I, every payment including repayment of money previously lodged with the government for whatever purpose, must be supported by voucher setting forth full and clear particulars of the claim.

Executive Engineer Highway Division, Khanewal booked expenditure of Rs 2,054.800 million for acquisition of land required for the project "Dualization of Khanewal-Lodhran Road" and compensation of structures and made payment to LAC Punjab Highway Department Multan but the vouched accounts were obtained from the LAC nor the mutation of acquired land was completed in the name of government.

Audit was of the view that a land 1619.57 kanals was acquired for entire length of the road by the LAC for which advance payment was made. Neither the record of transfer of land in the name of government was available nor vouched accounts were obtained from the LAC. However, some litigation cases for land were available Highway Divisions which showed the weakness of the department regarding internal controls.

Weak internal controls resulted in non-mutation of acquired land and non-obtaining of vouched accounts of Rs 2,054.800 million.

Audit pointed out issue in August 2020. The department explained that many requests had been made to obtain the vouched accounts but

were still awaited. Reply was not tenable because efforts of department were not on record.

The matter was discussed in SDAC meeting held on 06.07.2021. The department explained that LAC Multan had been requested many times to provide vouched account of Rs 2,054.800 million on account of Land Acquisition along with record of mutation but only vouched account had been submitted which would be produced to Audit for verification. The Committee directed the department to produce vouched account along with record of mutation to Audit for re-verification within 07 days. The compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early compliance of Committee's directives besides disciplinary action against responsible(s).

(Para No. 16)

4.6. Monitoring and Evaluation

During performance audit the observations related to Monitoring and Evaluation were taken as under:-

4.6.1 Non-recovery of minus bill

As per condition No.12 of consultant agreement, the Consultant will be 100% responsible for accuracy of measurement made on the work's quantities executed by contractors and he will certify the submitted IPC for payment after verification both in term of quality and quantity.

Audit observed that Executive Engineer, Highway Division, Vehari received the final bill from the Consultant with minus recovery of Rs 4,595,967 due to allowing excess quantities and rates of some items which were paid during execution.

Audit was of the view that due to negligence of consultant the contractor was overpaid and final bill went into minus. The penalty was

required to be imposed on consultant as well as on person(s) at fault.

Weak monitoring and internal controls resulted in non-recovery of minus bill amounting to Rs 4,596,000.

Audit pointed out issue in August 2020. The department replied that recovery of minus bill was made. Reply was not tenable as no record was produced.

The matter was discussed in SDAC meeting held on 06.07.2021. The department explained that recovery of minus bill had already been made from contractor in 37th & running bill on 20.03.2020. Audit informed the Committee that recovery was required to be made on 25.06.2018, when final IPC was submitted by the Consultant. The markup @ 12% amounting to Rs 865,573 was required to be recovered for delay in recovery for 565 days. The markup either should be recovered from contractor, consultant or from person(s) at fault. The Committee directed the department to produce record to Administrative Department for probe into the matter of undue payment within 15 days. The compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early recovery of markup and disciplinary action against responsible(s).

(Para No. 15)

4.6.2 Non-compliance of instructions of agreement by Consultant

As per condition of consultant agreement, Executive Engineer, Highway Division, Vehari was the representative of the C&W Department to coordinate with consultants regarding execution of the project and obtaining of reports.

Audit observed that the Consultants of Project could not comply with the instructions of the agreement regarding submissions of different reports as narrated in section-5 "Terms of Reference". (Annex-III).

Audit was of the view that the C&W department needs to augment its monitoring and supervisory role in order to ensure execution of quality work and timely delivery of desired benefits to the public but no reports showing the progress of project duly reviewed by the CE, PAO and P & D Department were produced. Internal checks such as inspections, regular monitoring, supervision by field engineers, mechanized testing and laboratory test reports of the executed works were also vital to ensure qualitative execution of work in line with the specifications and approved design. The mechanism of monitoring/supervision by Consultant i.e M/s NESPAK and M/s ECSP were prescribed in this regard but the consultants failed to perform their responsibilities properly because in some items, the re-measurement resulted in minus quantities which depicted that firstly the paid quantities of items were measured excessively.

Weak supervisory and monitoring controls resulted in non-compliance of instructions of agreement by Consultant.

Audit pointed out issue in issue in August 2020. The department explained that the consultants were asked to submit the required reports. Reply was not tenable because department did not take action against Consultants as per TORs.

The matter was discussed in SDAC meeting held on 06.07.2021. The department explained that consultants were asked to submit necessary reports / survey list but he did not make compliance of instructions contained in consultant agreements. Audit informed the Committee that the consultants did not comply with the TORs / instruction No. 4, 8 to 10, 13, 15 & 24 to 27 of consultant agreements. The Committee took it seriously and directed the department to produce record to Administrative Department for probe into the matter within 15 days. The compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early action against responsible(s) besides strengthening internal controls at departmental level.

(Para No. 13)

4.7 Environment

4.7.1 In violation of Section 12 of Pakistan Environmental Protection Act, Initial Environmental Examination and Environmental Impact Assessment (EIA) was not carried out.

4.7.2 Despite the fact that it had been indicated in the PC-I that the project may be having an environmental impact, the environmental data was not compiled by the project authorities. Hence, environmental impact of the project could not be assessed. Environmental aspect should have been given the top priority keeping in view the rising levels of pollutants in the atmosphere and poisonous smog in winter.

4.8 Sustainability

4.8.1 Sustainability of a project depends mainly upon the sufficient flow of financial resources during operation phases. After completion and taking over of the project, NHA is responsible for maintenance of road through provision of recurring cost by collection of toll at Qutab-pur. However, non-construction of weigh stations put the sustainability of the project at risk.

4.9 Overall Assessment

4.9.1 Economy: The contract was awarded through open competition. However, overall economy had been compromised by increasing the item rates of sub-base course and base-course for escalation purpose in specific relevant districts without any justification.

4.9.2 Efficiency: All the groups of the project were planned to be completed within ten months up to April, 2018 but the same were completed partially with delay of two months period.

4.9.3 Effectiveness: Since the project was completed within extended period of two months, therefore, successful achievement of objectives,

targets and desired results were assessed satisfactorily.

4.9.4 Compliance with Rules: Issues of organizational & management, poor financial management, construction & works, procurement & contract management, asset management and monitoring & evaluation depicting, losses, overpayments, irregularities and recoveries were noticed. Non-adherence to relevant rules and regulations, as highlighted by audit is the critical area which needs to adhere squarely by Principal Accounting Officers.

4.9.5 Performance Rating:

In view of the forgoing paras of the report, the performance of the Department is rated as **moderately satisfactory**.

4.9.6 Risk Rating: Medium

5 CONCLUSION

5.1 Key Issues for the Future

Compliance of PPRA Rules, specifications, financial rules and F.D notifications in letter and spirit, were imperative for maintaining transparency and fairness in the public spending.

5.2. Lessons learnt

Non-compliance of contractual obligations and violation of rules are critical areas to be improved.

ACKNOWLEDGEMENT

We wish to express our appreciation and gratitude to the Management & staff of Punjab Highway Department for the assistance and cooperation extended to the auditors during this assignment.

Annexure

Annex-I**(Para 1.4)
Summary of awarded works**

(Rs in million)

Highway Division, Khanewal (Length 40 km)						
Sr. No.	Group No.	Length	Name of Contractor	Agreement amount- Rs	Last paid bill	Amount
1	1	13 km (0.00-13.00)	M/s Sh. Abdur Razzaq & Co. Pvt. Ltd.	2,152.879	41th & R/ bill	2,247.202
2	2	15 km (14.00-28.00)	M/s Abdul Waheed Khan & Co.	2,266.660	36th & R/ bill	1,922.131
3	3	12 km (29.00-40.00)	M/s Abdul Waheed Khan & Co.	2,121.337	32th & R/ bill	1,719.184
4	-	Const. of interchange on Khanewal-Lodhran Bypass road Disstt. Khanewal	M/s Ikan-Engineers Services	1,181.659	26th & R/ bill	937.019
Total						6,721.904

(Rs in million)

Highway Division, Vehari (Length 11 km)						
Sr. No.	Group No.	Length	Name of Contractor	Agreement amount	Last paid bill	Amount
1	1	11 km (41.00-51.00)	M/s Habib Const. Services Ltd. J/v	1,702.833	39th & R/ bill	1,347.720

			Sheikh Nazar Muhammad & Co. Pvt. Ltd.			
2	-	Const. of Flyover at Maitla chowk	M/s Sh. Abdul Razzaq & Co.	1,009.908	21th & R/ bill	777.922
Total						2,127.039

(Rs in million)

Highway Division, Lodhran (Length 43 km)						
Sr. No.	Group No.	Length	Name of Contractor	Agreement amount	Last paid bill	Amount-
1	1	19 km (52.00- 70.00)	M/s Habib Const. Services Ltd. J/v Sheikh Nazar Muhammad & Co. Pvt. Ltd.	2,912.098	51st & F/ bill	2,586.576
2	2	24 km (71.00- 94.00)	M/s Muhammad Ramzan & Co.	3,284.521	60th & F/ bill	2,793.182
Total						5,379.758

(Source: data provided by department)

Annex-II**(Para No. 4.2.2)****Undue financial benefit to contractors due to unjustified increase in rates of two items**

(Rs in millions)

Sr #	Division	Group No	Item	Amount
1	Highway Division Vehari	01	Sub-Base Coarse	14.105
2	Highway Division Vehari	01	Base Coarse	3.221
3	Highway Division Vehari	02	Sub-Base Coarse	2.953
4	Highway Division Vehari	02	Base Coarse	0.669
5	Highway Division Lodhran	01	Sub-Base Coarse	25.701
6	Highway Division Lodhran	01	Base Coarse	22.384
7	Highway Division Lodhran	02	Sub-Base Coarse	27.997
8	Highway Division Lodhran	02	Base Coarse	24.906
9	Highway Division Khanewal	01	Sub-Base Coarse	31.777
10	Highway Division Khanewal	01	Base Coarse	16.054
11	Highway Division Khanewal	02	Sub-Base Coarse	18.094
12	Highway Division Khanewal	02	Base Coarse	16.059
13	Highway Division Khanewal	03	Sub-Base Coarse	14.379
14	Highway Division Khanewal	03	Base Coarse	18.860
15	Highway Division Khanewal	04	Sub-Base Coarse	4.532
16	Highway Division Khanewal	04	Base Coarse	3.051
Total				244.742

(Para No. 4.6.2)

Non-compliance of instructions of agreement by Consultant

TOR Number	Responsibilities of consultants
04	The Consultant will assure and certify that construction material brought at site by the contractor and incorporated into the work are properly tested on daily basis from the recognize laboratory.
08	The Consultant will assure and certify that construction material brought at site by the contractor and incorporated into the work are properly tested on daily basis from the recognize laboratory.
09	The Consultant will monitor progress and maintain upto date progress schedule in the form of bar charts, critical path diagrams, Gantt Charts and any other appropriate system developed during project.
10	The Consultant will submit monthly progress reports to the XEN, S.E.C.E, wherein he will point out the deficiencies in the works.
13	The Consultant will regularly update a list of contractor's construction equipment and will prepare a daily list of equipment/machinery.
14	The Consultant will regularly update a list of contractor's construction equipment and will prepare a daily list of equipment/machinery.
15	The Consultant shall maintain a permanent record of the results of all tests.
24	The Consultant will keep the record of daily inspection reports and will comply with the instructions of Engineer Incharge.
25	The Consultant shall carry out detail final inspection of the work and shall recommend to the XEN for issuance of completion certificate stating that work has been completed as per design, specification + agreement.
26	The Consultant will carry out the detailed Final Inspection of the work one month prior to expiry of the maintenance period of work and submit a report to

	the department pointing out defects if any, in work.
27	The Consultant will prepare and submit list of office equipment, survey equipment, furniture, vehicles and all other items provided by the client.