



SPECIAL AUDIT REPORT

ON THE ACCOUNTS OF

LAHORE RING ROAD AUTHORITY

COMMUNICATION & WORKS
DEPARTMENT

GOVERNMENT OF THE PUNJAB

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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PREFACE

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 require the Auditor General of Pakistan to conduct audit of the accounts of the Federation, the Provinces and any authority or body established by the Federation or a Province.

The Directorate General of Audit Works (Provincial), Lahore conducted special audit of Lahore Ring Road Authority, Lahore for the period from June 2006 to June 2016. Audit was conducted during the Financial Year 2016-17 with a view to reporting significant findings to the relevant stakeholders. The special audit was conducted on the directive of the Public Accounts Committee of Punjab Assembly.

Audit findings indicate the need for adherence to the regulatory framework besides instituting and strengthening the financial system and internal controls to avoid recurrence of similar violations and irregularities. The report was also discussed in Special Departmental Accounts Committee and the minutes of this meeting have been incorporated in the report.

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

Dated:
Islamabad

(Javaid Jehangir)
Auditor General of Pakistan

ABBREVIATIONS & ACRONYMS

AGP	Auditor General of Pakistan
AA	Administrative Approval
AASHTO	American Association of State Highway and Transportation Officials
A&C	Addendum & Corrigendum
B&R Code	Buildings & Roads Code
BOQ	Bill of Quantities
CE	Chief Engineer
Cft	Cubic Feet
CM	Chief Minister
CSM	Cement Sand Mortar
Cu.m	Cubic Meter
C&W	Communication & Works
CGA	Controller General of Accounts
DDC	District Development Committee
DDO	Drawing and Disbursing Officer
DFR	Departmental Financial Rules
DNIT	Draft Notice Inviting Tender
DP	Draft Para
DPC	Damp Proof Course
DRR	Director Road Research
DF	Director Finance
DPC	Departmental Promotion Committee
DPAC	District Price Assessment Committee
FBR	Federal Board of Revenue
FD	Finance Department
F&P	Finance and Planning
FIR	First Information Report
FWO	Frontier Works Organization
GST	General Sales Tax
HSD	High Speed Diesel
IDC	Inter Departmental Committee
IPC	Interim Payment Certificate
ISAAIs	International Standard of Supreme Audit Institutions
JMF	Job Mix Formula
LAC	Land Acquisition Collector

LDA	Lahore Development Authority
LRRRA	Lahore Ring Road Authority
LRRP	Lahore Ring Road Project
MB	Measurement Book
M&O	Monitoring and Operation
MFDAC	Memorandum for Departmental Accounts Committee
MRS	Market Rate System
MS	Mild Steel
NAB	National Accountability Bureau
NESPAK	National Engineering Services Pakistan
NOC	No Objection Certificate
NSL	Natural Surface Level
PAC	Public Accounts Committee
P&D	Planning & Development
PDP	Proposed Draft Para
PDWP	Provincial Development Working Party
PEEDA	Punjab Employees Efficiency, Discipline and Accountability Act
PFR	Punjab Financial Rules
PHA	Parks & Horticulture Authority
POL	Petrol, Oil & Lubricants
PPRA	Public Procurement Regulatory Authority
PRTC	Punjab Road Transport Corporation
PSO	Pakistan State Oil
PW	Public Works
PD	Project Director
RR & MTI	Road Research & Material Testing Institute
RCC	Reinforced Cement Concrete
RD	Revenue Deposit
Rft	Running Feet
SDAC	Special Departmental Accounts Committee
SDO	Sub-Divisional Officer
SECP	Securities and Exchange Commission of Pakistan
Sft	Square Feet
SNE	Schedule of New Expenditure
TSE	Technical Sanction Estimates
WAPDA	Water and Power Development Authority
WASA	Water & Sanitation Agency
XEN	Executive Engineer

EXECUTIVE SUMMARY

The Lahore Ring Road Authority (LRRRA) was initially established in 2004 under the jurisdiction of Road Construction Division, Lahore to develop strategic road network around the Lahore city. It was declared as independent Project Management Unit (PMU) in 2006, headed by a Project Director. The objective of the construction of Lahore Ring Road was to provide a signal free corridor for travelling in and around the Lahore city leading to reduction in travel time and fuel cost, connectivity to underdeveloped areas, improvement in environmental conditions and reduction in congestion on the city road network. The Ring Road Project has two components; Northern Loop and Southern Loop. The PMU was designated as Authority under the administrative control of Secretary Communication and Works (C&W) by the Government of Punjab in 2011.

The Directorate General Audit Works (Provincial), Lahore conducted Special Audit of Lahore Ring Road Authority, Lahore for the period from June 2006 to June 2016 on the direction of the Public Accounts Committee of the Provincial Assembly of Punjab. The audit was conducted in February 2017 in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

Key Audit Findings

Audit findings have been categorized into major issues regarding Land Acquisition, Financial Management, Procurement & Contract Management, Construction & Works and Toll Collection. The key audit findings observed during audit were as under: -

- i. Non-obtaining of vouched accounts – Rs 42,387.044 million
- ii. Non-mutation of land in the name of Government – Rs 15,512.079 million.
- iii. Loss to Government due to cost overrun – Rs 4,360.395 million.
- iv. Overpayment due to change in alignment of Southern Loop – Rs 656.757 million.

- v. Non-maintenance of Measurement Books – Rs 337.274 million.
- vi. Irregular payment without assessment – Rs 320.025 million
- vii. Loss to Government due to application of higher rates – Rs 80.441 million.
- viii. Overpayment due to higher rate of structural excavation – Rs 49.064 million.
- ix. Loss to Government due to payment of compound interest – Rs 44.533 million.
- x. Non recovery on account of de-escalation – Rs 12.221 million.

Recommendations

Audit observed various issues regarding Land Acquisition, Contract Management, Financial Management and Toll Collection which require corrective measures to avoid such occurrences in future. Therefore, Principal Accounting Officer needs to strengthen internal controls regime in the department in the light of following recommendations:

- i. Responsibility may be fixed for causing loss to the government due to cost overrun.
- ii. Land worth billions of rupees needs to be mutated in the name of Government of Punjab.
- iii. Internal controls like test check measurements / periodic inspections of works by supervisory officers need to be implemented.
- iv. Action needs to be initiated and responsibility fixed against the officers responsible for lapses and violation of rules besides effecting recoveries.

1. INTRODUCTION

1.1 The Lahore Ring Road Authority (LRRRA) was initially established in 2004 under the jurisdiction of Road Construction Division, Lahore to develop strategic road network around the Lahore city. It was declared as independent Project Management Unit (PMU), headed by a Project Director in 2006. The objective of the construction of Lahore Ring Road was to provide a signal free corridor for travelling in and around the Lahore city leading to reduction in travel time and fuel cost, connectivity to underdeveloped areas, improvement in environmental conditions and reduction in congestion on the city road network. The Ring Road Project has two components; Northern Loop and Southern Loop. The PMU was designated as Authority under the administrative control of Secretary Communication and Works (C&W) by the Government of Punjab in 2011 vide notification No. SOPC(C&W) 13-1/2011(C) dated 15-07-2011.

1.2 The Directorate General Audit Works (Provincial), conducted Special Audit of Lahore Ring Road Authority, Lahore for the period from June 2006 to June 2016 on the PAC directive. The audit was conducted in 2016-17 in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

1.3 Following organizational hierarchy was established for working of the Authority:-

- i. Chairperson/Project Director
- ii. Chief Engineer
- iii. Director Admn & Finance
- iv. Director Estate Management
- v. Director Engineering
- vi. Director Contract Planning & Design
- vii. Director Operations & Maintenance

1.4 Objectives of the Authority

- i. Development of road infrastructure.
- ii. Development of strategic road.

- iii. To provide the alternate road infrastructure to the population living in northern Lahore.
- iv. To constitute committees for performing specific functions of the Authority.
- v. To perform such other functions as may be ancillary, or as may be prescribed.

1.5 Summary of financial status

(Rs in Million)

Sr.#	Financial year	Budget	Expenditure
1	2006-07	14,406.8	12,828.6
2	2007-08	12,836.0	12,834.0
3	2008-09	18,636.8	18,163.7
4	2009-10	15,615.2	11,125.8
5	2010-11	10,375.3	8,746.0
6	2011-12	5,098.0	2,937.0
7	2012-13	3,549.0	3,217.2
8	2013-14	2,520.2	1,931.6
9	2014-15	1,586.2	1,374.7
10	2015-16	1,113.2	344.2
Total		85,736.7	73,502.8

Source: Budget statement duly signed by Director Finance LRRA, Lahore

2. AUDIT OBJECTIVES

The main objectives of audit were to check whether:

- The payments against acquisition of land were made according to standard procedures circulated by Finance Department Govt. of Punjab and accounting procedures prepared by the Controller General of Accounts and approved by the Auditor General of Pakistan.
- All procurements were made according to rules and procedures of Punjab Government.
- The grant of advances for acquisition of land and adjustment was in order.

3. AUDIT SCOPE AND METHODOLOGY

- 3.1 Audit scope included the scrutiny of accounts record of LRRRA Lahore for period from June 2006 to June 2016 including record maintained in Finance Directorate, Contract Directorate and Land Acquisition Wing etc.
- 3.2 Audit methodology included data collection, scrutiny / analysis of record, discussion with staff of Directorates of Finance, Engineering and Contract Planning & Design etc.

4. AUDIT FINDINGS

4.1 Land Acquisition Issues

On examination of record, audit observed the following issues related to Estate Management and Land Acquisition involving an amount of Rs 63,885.525 million:

4.1.1 Non-obtaining of vouched accounts from LAC – Rs 42,387.044 million

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.

Audit of Lahore Ring Road Project revealed that Lahore Ring Road Authority released an amount of Rs 42,387.044 million to Land Acquisition Collector on account of acquisition of land for Lahore Ring Road Project Packages 1 to 17 in Northern Loop and SL-I, II & III in Southern Loop. It was observed that Lahore Ring Road Authority could not obtain vouched account of the amount paid despite lapse of a considerable period, due to which the amount paid is held as unjustified.

Weak financial controls resulted in non-receipt of vouched account for Rs 42,387.044 million.

Audit pointed out the irregular payment in March 2017. The management replied that the vouched account would be submitted if the disbursement is made to the land lords. The reply of the department was not tenable because payment to the land owners was to be made without delay and vouched account was required to be obtained.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that complete record/ vouched account could not be obtained from the other executing agencies/departments. The Committee directed the department to obtain completion certificates and vouched accounts from the respective departments for onward production to Audit. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends that the matter needs to be investigated besides fixing responsibility.

(Para 49)

4.1.2 Non Mutation of Land–Rs 15,512.079 million

As per Para 2.33 of PFR, every Government servant should realize fully and clearly that he would be personally held responsible for any loss sustained to Government due to negligence or fault at his part. Further, Para 2.92 of PWD code and Para 2.85 of B&R code laid down that no work should be started on the Land which has not been duly made over (mutation) by responsible civil officer.

Audit of Land Acquisition Collector, Lahore Ring Road Authority, Lahore, revealed that original PC-I of Section –III of Southern Loop of Ring Road was approved by the Government in November 2009. The alignment of Section-III of the Southern Loop runs through the villages of Taro Gill, Rakh Sheikh Da Kot, Ram Kot, Moqaddam Singh Wala, Tukra Alam Shah, Rakh Sultan Ke and Marraka. Despite the facts that the

government placed sufficient amount at the disposal of the land acquisition collector but the Authority failed to get the land mutated.

Weak financial controls resulted in non-mutation of land worth Rs 15,512.079 million.

Audit pointed out the non-mutation of land in March 2017. The management replied that the process of mutation of land in the name of Govt. of Punjab is in progress and this will be produced after its completion.

The para was also discussed in the SDAC meeting held on 03.10.2017. The department committed to produce the documents regarding mutation of land in the name of Govt. of Punjab after its completion. The SDAC directed to do the needful. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends for getting early mutation of land in the name of the government.

(Para 32, 33 & 34)

4.1.3 Loss on account of increase in cost of land due to change in alignment of SL III– Rs 4,360.695 million

As per para 2.33 of Punjab Financial Rules Volume-I every Govt. official would be held personally responsible for loss sustained due to negligence at his part.

Ring Road Authority approved PC-1(Land Acquisition) of Section-III which fell in Southern Loop of Lahore Ring Road Project. Funds were placed at the disposal of Land Acquisition Collector in November 2009. The alignment of Section-III of the Southern Loop passes through the villages of Taro Gill, Rakh Sheikh Da Kot, Ram Kot, Moqaddam Singh Wala, Tukra Alam Shah, Rakh Sultan Ke and Marraka. As per PC-1, the original cost of land for Section-III was worked out Rs 3,383,300,000. Later on the Authority changed the alignment of the

ring road due to which some extra land of other mauzas/villages was included which was acquired at rates higher than the previous mauzas/villages.

Weak financial controls resulted in increase in cost of land to the tune of Rs 4,360.695 million.

Audit pointed out the cost overrun in March 2017. The department admitted that due to change in alignment and delayed execution of works, PC-1 was revised with increase in area. The reply of the department was not tenable because the rate of land was enhanced due to delayed execution of work.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management reiterated its previous stance. The Committee directed the department to probe the matter. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends that the matter needs to be investigated besides fixing responsibility.

(Para 2, 3, 10, 11, 12, 13, 87, 88 & 129)

4.1.4 Loss on account of acquisition of extra land due to change in alignment of SL-I – Rs 656.717 million

According to rule 2.10(a) of Punjab Financial Rules, Vol. 1, a Government servant should exercise the same vigilance for incurring expenditure from Government funds as a person of ordinary prudence would exercise in respect of expenditure incurred from his own money.

Lahore Ring Road Authority notified the Section-4 in respect of 450 kanals of Land required for the Southern Loop package 1 vide gazette notification No.38-08-DCRR LHR dated 16.06.2008. As per original PC-1 450 Kanals land was to be acquisitioned, however, the Authority issued an addendum notified vide no.02-200-DCRR-LHR for acquisition of 475 kanals and then again an addendum on 24.06.2009 vide no. 09-09-DCRR-

LHR was issued for 510 kanals. The award could not be announced even after 2nd addendum. Again an addendum / corrigendum vide no.SR/4124 dated 07.07.2011 was issued for the acquisition of 563 kanals 04 Marlas 101 sft and accordingly award was announced and payment was disbursed to the affectees. Thus the department acquired 113 kanals 04 Marlas 101 Sft additional land due to change in alignment.

Weak financial controls resulted in loss of Rs 656.717 million.

Audit pointed out the overpayment in March 2017. The management replied that the land was acquired through Section-4 notification under Land Acquisition Act and delay in acquisition due to changes in alignment has no effect on price. The reply of the Authority was not tenable because the extra land was got acquisitioned on higher rates due to change in alignment.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that acquisition of land was made as per Land Acquisition Act. The department further explained that additional land was planned for future needs of the private housing societies and commercial activities. Audit pointed out that in 2008, the department prepared PC-I for 450 Kanal but finally 563 Kanal land was acquired as per revised PC-I on enhanced rate. The Committee directed the department to probe the matter and fix responsibility. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends that the matter needs to be investigated besides fixing responsibility.

(Para 14, 15, 16 & 17)

4.1.5 Loss due to application of higher rates – Rs 408.257 million

In terms of para 2.10(a) of PFR Vol-I, every Public servant is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Land Acquisition Collector, Lahore Ring Road Authority, paid an amount of Rs 682,271,923/- to land owners of the mouzas / villages falling in the route of Ring Road Package-13 on higher rates than admissible. Audit further observed that the department paid excess amount to the residents of the areas against their building structures having inferior quality being river area.

Weak technical and financial controls resulted in loss of Rs 408.257 million to Government due to application of higher rates.

Audit pointed out the loss to Government in March 2017. The department replied that as per Section 23 and 24 of Land Act, the collector was responsible for assessment of compensation of land. The reply of the department was not tenable because the rates were enhanced by the collector from those approved by DPAC.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that the LAC is competent to enhance/increase the rates approved by the DPAC. Audit informed the Committee that DPAC fixes the rate of land keeping in view the market value of the area of land to be acquired. The Committee directed the department to obtain the advice from the BOR in the matter. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends that the matter may be investigated besides fixing responsibility for loss sustained to the Government.

(Para 28, 29, 30 & 31)

4.1.6 Irregular payment without assessment – Rs 320.025 million

In term of para 2.10(a) of PFR Vol-I, every Public servant is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Land Acquisition Collector, Lahore Ring Road Authority, announced award for Southern Loop package-III (SI-III) and paid an amount of Rs 320,025,320/- to Mr. Zahid Mahmood son of Muhammad Siddique (M/s SMC) against the losses of property situated in Mauza Tarogil vide voucher No.27/1270 dated 12.05.2016. It was pointed out that payment was made without any detail of losses and its approval from the competent authority. Audit is of the view that inadmissible payment was made to give undue favour.

Weak financial controls resulted in irregular payment of Rs 320.025 million.

Audit pointed out the irregular payment in March 2017. The department replied that the assessment for the constructed area was made by the Building Department and payment was made accordingly. The reply of the department was not tenable because no record was produced in support of their reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The department stated that record could not be got verified. The Committee directed to get the record re-verified from Audit within two days which was not done by the department.

Audit recommends that the matter may be investigated and responsibility be fixed besides verification of record.

(Para 39)

4.1.7 Loss due to overpayment of structures – Rs 82.790 million

In term of para 2.10(a) of PFR Vol-I, every Public servant is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Land Acquisition Collector, Lahore Ring Road Authority, in Package-13 paid an amount of Rs 82.790 million to land lords on account

of cost of structures. During scrutiny of the accounts record, it was revealed that the government land in the flood zone was illegally occupied by some local people who had constructed their mud houses. The LRRA paid this compensation to the illegal occupants of state land. The Lahore Ring Road Review Committee had also shown its concerns about this payment.

Weak financial controls resulted in loss of Rs 82.790 million.

Audit pointed out the irregular payment in March 2017. The management replied that payment was made as per assessment by the XEN Building Division. The reply of the department was not tenable because no record was produced in support of their reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that average cost of structure per owner was Rs 26,000. Audit pointed out that the area falls in flood zone and the residents had unauthorizedly constructed inferior quality structures on the state land. The Committee decided to get the record re-verified. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends that the matter may be investigated and the loss be made good from the concerned quarter under intimation to Audit.

(Para 45)

4.1.8 Loss due to application of excess rates – Rs 80.441 million

As per Finance Department's Notification No.RO (TECH) FD 2-3/2004 dated 02.08.2004, Chief Engineers shall, on the basis of input rates fixed/notified by Finance Department on its website, fix the rate of each item of work for rough cost estimates/administrative approval and detail estimate for technical sanction.

Lahore Ring Road Authority made payments to acquire private land in Mauza Harbanspura and Kotli Ghassi at higher rates than assessed

by District Price Assessment Committee (DPAC) which resulted in loss of Rs 80.441 million in Package-9.

Weak financial controls resulted in loss of Rs 80.441 million.

Audit pointed out the irregularity in March 2017. The management replied that LAC is authorized to enhance the rate approved by the DPAC. The reply of the department was not tenable being irrelevant.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management reiterated its previous stance. The Committee directed to refer the para to BOR for clarification and to probe the matter. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends for implementation of the SDAC directives.

(Para 5 & 6)

4.1.9 Loss to Government due to non-deduction of Income Tax from the payment of compound interest – Rs 44.500 million

In term of para 2.10(a) of PFR Vol-I, every Public servant is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Scrutiny of the record of Land Acquisition Collector, Lahore Ring Road Authority, revealed that Lahore Ring Road Authority paid an amount of Rs 556.657 million to land owners on account of compound interest @ 8%, however, the department did not make recovery of income tax on the compound interest.

Weak financial controls resulted in loss to government worth Rs 44.500 million.

Audit pointed out the loss to Government in March 2017. The management replied that there was no such provision in LAC Act. The reply of the department was not tenable because compound interest was subject to tax deduction.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management reiterated its previous stance. The Committee directed to refer the case to FBR for advice. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends that the matter needs to be investigated besides fixing responsibility.

(Para 4, 18, 19, 20, 21, 22, 23, 86)

4.1.10 Unauthorized payment of land acquisition – Rs 14.531 million

As per Section 4 part-II of LAC Act 1894, the collector of the district that land in any locality is to be needed for any public purpose or for a company a notification to the effect shall be published in the official gazette and the collector shall cause public notice of the substance of such notification to be given at convenient placed in the said locality.

Lahore Ring Road Authority, paid an amount of Rs 14,531,088 to M/s Anjuman Hamayat-e-Islam on account of cost of land for improvement/rehabilitation of existing Multan Road, Lahore. During audit, it was observed that Ring Road Authority paid the amount itself directly without involving the LAC, in violation of Land Acquisition Act 1894. Audit held this payment as unauthorized.

Weak financial controls resulted in unauthorized payment of Rs14.531 million.

Audit pointed out the irregularity in March 2017. The management replied that a Mosque was constructed in the premises of land registered in the name of trust. Relocation of mosque beyond the right of way of Multan Road was necessary to complete the project. The reply of the

department was not tenable because acquisition of land was made in violation of the criteria for acquisition of land through Land Acquisition Collector.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that payment was made to Anjuman-e-Hamayyat-e-Islam on account of land acquisition and compensation for structure after observing formalities. Audit pointed out that besides the stated irregularity, mutation of land was also yet to be verified. The Committee directed to investigate the matter and submit report to Audit for verification. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends that the matter needs to be investigated besides fixing responsibility.

(Para 83)

4.1.11 Excess payment for structures – Rs 13.846 million

According to Para 2.10 (a) of PFR Volume-I , that Government money should be incurred in most economical way as a man of ordinary prudence may incur from his own pocket.

Lahore Ring Road Authority/ Land Acquisition Collector, Lahore made payment to different affectees on account of compensation for machinery which was Rs 13.846 million higher than admissible. One affectee M/s Guyton Pharmaceuticals was paid Rs 74.450 million on account of cost of machinery. Depreciation @ 10% was required to be deducted which works out to Rs 7.445 million whereas a depreciation of only Rs 1.672 million was deducted which resulted in overpayment of Rs 6.237 million (Para 35). The same affectee i.e. M/s Guyton Pharmaceuticals was paid lump sum Rs 3.890 million and Rs 1.646 million on account of cost of extra work and cost of dismantling respectively without giving any detail (Para 36). Similarly another affectee M/s Asia Chemical Industry was paid Rs 37.600 million on account of compensation for cost of machinery but instead of deducting Rs 3.76

million (10%) on account of depreciation only an amount of Rs 1.723 million was deducted. Hence, overpayment of Rs 2.037 million was made (Para 37).

Weak technical and financial controls resulted in excess payment of Rs 13.846 million.

Audit pointed out the excess payment in March 2017. The management replied that the payment was made as per assessment made by the Machinery & Maintenance Division. The reply of the department was not tenable because payment was made in excess than admissible.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that the assessment was made by the Machinery Maintenance Division Lahore and payment was made accordingly. Audit pointed out that the department made provision for dismantling and shifting of the machinery whereas the land owner had himself got the machinery and structure dismantled and took away. The Committee upheld the observation of Audit and directed the department to probe the matter and recover the payment made on account of cost of machinery. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends that the excess payment may be got recovered from the concerned quarter besides fixing responsibility.

(Para 35, 36 & 37)

4.1.12 Unauthorized payment on account of land acquisition – Rs 4.600 million

In term of para 2.10(a) of PFRVol-I, every public servant is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Lahore Ring Road Authority / Land Acquisition Collector, paid an amount of Rs 4.600 million to Mr. Muhammad Akhtar son of Ch. Muhammad Ali against Khasra No.1637 situated in Mauza Harbanspura, for an area of 3 Kanal (Package-9) whereas the department had earlier excluded the area of land because it was owned by the Central Government. Hence, payment to the private owner in lieu of Central government land was unjustified. Audit further pointed out that the department paid the amount during the currency of stay order issued by an honourable court.

Weak financial controls resulted in unauthorized payment of Rs 4.600 million.

Audit pointed out the excess payment in March 2017. The management replied that payment was made after verification of record of ownership. The reply of the department was not tenable because the department had previously excluded the land.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained to the Committee that the payment was made as per Section 4 of Land Acquisition Act. The Audit pointed out that department had first excluded the piece of land from the area of land under acquisition. The Committee directed the department to get the original record of Board of Revenue. No progress was made so far.

Audit recommends that the excess payment may be got recovered from the concerned quarter besides fixing responsibility.

(Para 8)

4.1.13 Non-announcement of award for acquisition of land in Southern Loop

Lahore Ring Road Authority / Land Acquisition Collector acquired land of Mouza Toor and Warriach for Southern Loop SL-II. For this purpose District Collector, Lahore Ring Road issued notification under Section-4 of the Land Acquisition Act, 1894 for an area of 597 Kanals, 19

Marlas and 032 feet. The District Price Assessment Committee approved the rates of Rs 31,250 per Marla. However, the residents of the village filed a petition in Lahore High Court and also in Supreme Court of Pakistan on the plea that particulars of ownership have been tampered with malafide intention of Revenue Department. After hearing, the Supreme Court of Pakistan remanded the case to the Board of Revenue with the direction to decide the case within three months. Member (consolidation), BOR, Lahore after careful examination of the relevant record admitted the forgery in revenue records and ordered to prepare the record from the data available in Jamabandi 1966-67 of Mauza Warraich and jamabandi 1963-64 of Mauza Toor. On the other hand Lahore Ring Road Authority started construction of Road in SL-II without announcement of award and payment to the land lords.

Weak financial controls resulted in non-announcement of award timely.

Audit pointed out the matter in March, 2017. The management replied that the award was timely announced. The reply of the department was not tenable because matter was subjudice.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management informed that the case was in the court of law, however, the construction work of the road was in progress. The Committee directed the Authority to pursue the court case. No further progress was reported till finalization of the report.

Audit recommends that the matter may be investigated and responsibility be fixed for tampering of record.

(Para 38)

4.2 Financial Management

The issues relating to financial management involving an amount of Rs 7,527.02 million, observed during audit, were as under:

4.2.1 Non-obtaining of vouched accounts from other organizations – Rs 6,758.18 million

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.

Lahore Ring Road Project, released an amount of Rs 6,758.18 million to various authorities i.e. WASA, NTDC, LESCO, SNGPL, PTCL, OFC, ARMY, Railway, NTC, DCO, TEPA, CAA and Public Health Engineering Department on account of relocation of utilities coming in alignment of LRRP for Packages 1 to 17 in Northern Loop and SL-I,II & III in Southern Loop. It was observed that Ring Road Authority could not obtain the vouched account of the amount paid despite lapse of a considerable period.

Weak financial controls resulted in non-receipt of vouched account for Rs 6,758.18 million.

Audit pointed out the irregular payment in March 2017. The management replied that the vouched account would be submitted when disbursement is made. The reply was not tenable because no record was produced in support of the reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that complete record/vouched account could not be obtained from the other executing agencies / departments. The committee directed the department to obtain completion certificates and accounts from the respective departments for onward production to Audit. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends regularization of the irregular payment and production of relevant record of vouched account for audit scrutiny.

(Para 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 81 & 84)

4.2.2 Non deduction of withholding tax – Rs 425.00 millions

As per Section 151(1)(c) of Income Tax Ordinance 2001, 10% income tax/withholding tax was to be recovered from the payments and as per 7.10 of the concession agreement, taxes were to be deducted from all the payments.

Ring Road Authority entered into an agreement with M/s FWO for construction of Southern Loop of Ring Road Project SL.No.1 and SL.No.2 on PPP modality i.e. Build Operate and Transfer (BOT). According to the agreement M/s Frontier Works Organization will collect the Toll Tax for a period of 25 years. A concession agreement was executed between the parties, according to which a concessionaire body (Punjab Ring Road Infrastructure and Management Engineering (pvt) limited (PRIME) was got registered with Securities and Exchange Commission of Pakistan as private company whose 98% shares were lying with M/s FWO and only 02% with LRRRA. As per agreement, a payment of Rs 4,250 million was made to M/s PRIME by LRRRA. Audit pointed out that LRRRA did not recover / deduct income tax on source from the payment to the contractor (4,250 x 10% = 425.00 millions)

Weak financial controls resulted in non-deduction of income tax worth Rs 425.00 million.

Audit pointed out the irregularity in March 2017. The management did not reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that LRRRA merely paid its share of equity as per concessionaire agreement with PRIME. Audit informed the Committee that tax was required to be deducted. The Committee directed the department to deduct income tax as per rules and get the relevant record verified from Audit. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends that the matter may be investigated and the relevant record after income tax deduction be produced for audit scrutiny.

(Para 91)

4.2.3 Irregular expenditure due to purchase from non-sales tax registered firm – Rs 102.903 million

According to FBR Chief Commissioner Inland Revenue, Regional Tax Office, Lahore letter No.876 dated 06.8.13 written to Secretary Finance to Government of the Punjab it is to be ensured that the purchase of taxable goods may only be made from persons holding sales tax registration against sales tax invoices and payment is made through proper banking channel. In case of public works, it may be ensured that the contractors engaged make purchases only from persons holding sales tax registrations. Since contractors carrying out Government works against public tender are required to have a Bill of Quantity (BOQ), the Government departments/organizations while undertaking such venture must require contractors to present sales tax invoices of all the material mentioned in the (BOQ) as evidence of its legal purchases, before releasing payments to them.

Lahore Ring Road Authority, got executed asphaltic work for Rs 56.530 million and used 669 tons (approx) bitumen in asphaltic work. As per said instructions issued by the Government, the contractor was bound to procure the asphalt and other raw material like steel, cement and bricks etc from sales tax registered firms. The department was required to obtain sales tax invoices of all the material mentioned in the BOQ from the contractor before releasing the payments. But neither the department obtained sales tax invoices nor these were provided by the contractor.

Weak financial controls resulted in irregular expenditure of Rs 102.903 million.

Audit pointed out the irregular expenditure in March 2017. The management did not furnish reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that invoices of 684 tons bitumen purchased from PARCO have been produced to Audit for verification. The Audit clarified that PARCO was approved/registered in 2nd bi annual 2015 whereas the work was awarded to the contractor in April 2014. In 2014 the PARCO was not registered for use of bitumen in the execution of works. Therefore, recovery of the sales tax on purchase of asphalt is to be effected besides fixing responsibility. The Committee upheld the observation of the Audit and deferred the para for compliance as required by Audit.

Audit recommends regularization of the matter besides fixing responsibility.

(Para 187)

4.2.4 Non-accountal of supply items – Rs 68.255 million

According to Punjab Financial Rules, Volume-I and rules 6.9 and 6.46 of Department Financial Rules as well as Finance Department letter No. RO (TECH) FD-2-3/85-Vol-IV dated 7th January, 1992 and No.FD(FR)11-2/89 dated 27th March, 1990, the purchased store should be accounted for on the stock register properly in all respects.

Lahore Ring Road Authority made payment of Final Bill to Toll Management Contractor (NLC), on account of supply items got procured as per detail incorporated in the bill of the contractor, however the accountal of such item has not been produced for audit verification.

Weak technical and financial controls resulted in non-accountal of supply items worth Rs 68.255 million.

Audit pointed out the non-accountal in March 2017. The management did not furnish reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that all the items have been taken in stock register which were verified. However, the recovery effected from

the contractor on account of shortage of stock items is yet to be verified. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility.

(Para 177)

4.2.5 Overpayment due to higher rate of items–Rs 61.496 million

As per Finance Department’s Notification No.RO(TECH)FD.2-3/2004 dated 2-8-2004, the Chief Engineers on the basis of input rates notified by Finance Department on its website shall fix the rate of each item of the work for Rough Cost Estimates for Administrative Approval and detailed estimate for Technical sanction

Lahore Ring Road Authority, awarded a work to the contractor. The Authority got sanctioned an item of work “granular backfill with sand” @ Rs 730.66 Per cu.m and awarded to the contractor @ Rs 900.00 per cu.m. Audit pointed out that the department added inadmissible cost under the head manpower site engineer, supervisor whereas it was responsibility of the contractor to employ its qualified Engineer and diploma holder Engineers. Audit further pointed out that the department also added cost of front end loader, vibratory roller, pump and water lorry and water under the head “equipment” which were not admissible. In this way the department allowed an excess rate of Rs 582.47 per cu.m.

Weak technical and financial controls resulted in overpayment of Rs 61.496 million.

Audit pointed out the overpayment in March, 2017. The management replied that engineer’s estimate of LRRRA was based on input rates displayed on the website of FD/P&D duly approved by CM. The reply of the department was not tenable because approval was accorded for preparation of estimates and not for the execution of work by the NLC.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that summary has been approved by the CM. Audit pointed out that summary approved by the CM was meant only for execution of works by NLC whereas the work was awarded to M/s ZKB Reliable (JV). The Committee referred the para to FD for clarification about adoption of engineer estimate instead of MRS. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility.

(Para 108, 155, 162, 163 & 166)

4.2.6 Loss to Government Double effect in cash book –Rs 36.825 million

Cash book is an important accounting record for any department / agency / office. All the receipts are accounted for on receipt side of cash book and all payments are recorded on payment side of cash book through voucher number and with detail of cheques. All the cancelled cheques are also recorded in the cash book and the fresh cheques in lieu of cancelled cheques too under a procedure.

Lahore Ring Road Authority, withheld/deducted an amount of Rs 36.825 million from the running bills of M/s NLC and M/s Fabcon, contractors on account of recoverable amount and the same was not credited to the respective works. The department issued cheque of the same amount in favour of Chairperson, LRRA. The department again released the amount through challan and the amount was again debited to the bank column of the cash book of LRRA.

Weak financial controls resulted in loss to Government worth Rs 36.825 million.

Audit pointed out the irregular payment in March 2017. The management replied that no loss to government was incurred. The reply

of the department was not tenable because the department had debited the amount to main account twice.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that an assignment account was being operated and there was no loss to Government. Audit pointed out that the department has adopted its own accounting system due to which payment is being debited to the bank column in the cash book twice. Committee asked the department to correct the entries made in the cash book and produced the relevant record duly reconciled with the bank account. No progress was made so far.

Audit recommends that the matter needs to be investigated for fixing responsibility.

(Para 50)

4.2.7 Irregular payment of Mobilization Advance on supply items – Rs 33.710 million

As per Finance Department's Notification No. RO (Tech) FD 18-44/2006 dated 07.12.2007, mobilization advance @ 15% of tendered amount will be allowed only for works.

Lahore Ring Road Authority, paid an amount of Rs 33,710,000 as Mobilization Advance to the contractor which was not admissible on supply items. Moreover, the Authority in its letter of acceptance issued to the NLC (Toll Management Contractor) authorized the contractor to procure the articles after approval of LRRRA from NLC's own sources which shall be reimbursed in the invoices. The payment of mobilization advance against supply items was irregular.

Weak technical and financial controls resulted in irregular payment of mobilization advance amounting to Rs 33.710 million.

Audit pointed out the irregular payment in March 2017 but no reply was received.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that the Mobilization Advance was granted to the contractor after approval of Chairperson. Audit informed the Committee that the LRRRA paid Mobilization Advance on supply items in violation of the rules /contract agreement. The SDAC directed to probe the matter. No progress was made so far.

Audit recommends that the department may get the matter condoned from FD besides fixing responsibility.

(Para 175)

4.2.8 Unjustified Expenditure on engagement of 2nd consultant – Rs 24.262 million

In term of Para 2.10(a) of PFR Vol-I, every public servant is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Lahore Ring Road Authority, assigned Consultancy for Design and Construction supervision for Lahore Ring Road to M/s NESPAK Limited for which a huge amount was being paid. The Authority also paid an amount of Rs 24.262 million to M/s NAA for package No.11, 11 (a) and 14. The Authority had already engaged a qualified Consultant Engineer, therefore, engagement of another consultant was not justified.

Weak financial controls resulted in unjustified expenditure of Rs 24.262 million on hiring a 2nd consultant.

Audit pointed out the irregular payment in March, 2017. The management replied that 3rd party validation consultants were appointed after approval of the competent authority. The reply of the department was not tenable because positive results from 3rd party validation could not be achieved.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that the 2nd consultant was engaged as per approval of Chief Minister Punjab. The Committee directed the department to submit a report on the contribution made by the 2nd consultant and improvement through 3rd party validation. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends fixing responsibility for unjustified expenditure.

(Para 77, 78, 79 & 80)

4.2.9 Non recovery of sales tax on supply items – Rs 10.019 million

Chief Commissioner Inland Revenue, Regional Tax Office, Lahore through its letter No.876 dated.6-8-13 addressed to Secretary Finance to Government of the Punjab, directed to ensure that the purchases of taxable goods may only be made from persons holding sales tax registration against sales tax invoices and payment is made through proper banking channel. In case of public works, it may be ensured that the contractors engaged make purchases only from persons holding sales tax registrations. Since contractors carrying out Government works against public tender are required to have a Bill of Quantity (BOQ), the Government departments/organizations while undertaking such venture must require contractors to present sales tax invoices of all the material mentioned in the (BOQ) as evidence of its legal purchases, before releasing payments to them.

Lahore Ring Road Authority made payment of Rs 68,255,324 to the contractor out of which an amount of Rs 62,618,048 was paid on account of supply items. However, the Authority neither collected the Sales Tax invoices, nor deducted 1/5th of the sales tax from the payment of the contractor.

Weak technical and financial controls resulted in non-recovery of Rs 10.019 million.

Audit pointed out the non-recovery in March 2017. The management did not furnish reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that sales tax invoices were being arranged from the concerned quarter. The Committee directed to get the record verified. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends recovery of the amount of sales tax from the contractor besides fixing responsibility.

(Para 176)

4.2.10 Irregular Expenditure incurred on POL and Repair & Maintenance of vehicles – Rs 3.738 million

Government of Punjab, Services and General Administration Department, Lahore has notified the rules for allotment/use of official vehicles to the entitled officers according to which use of official vehicles in contravention of rules 17(3) and 28(2)(e) is liable to charging recovery at the rate of Rs 3.60 per kilometer.

Lahore Ring Road Authority has attached 33 official vehicles with the non-entitled employees of the Authority on which an amount of Rs 3,738,202/- was expended on account of POL and M&R during the year 2015-16. Audit observed that LRRRA has allotted the official vehicles to non-entitled persons, further log books of the vehicles were not maintained properly.

Weak technical and financial controls resulted in irregular expenditure of Rs 3.738 million.

Audit pointed out the irregular expenditure in March 2017. The management replied that no irregular expenditure was incurred on account of POL and repair & maintenance charges. The reply of the department

was not tenable because the Authority allotted the vehicle to non-entitled employees at a large scale.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that no irregular expenditure had been incurred on account of POL and repair & maintenance charges. Audit pointed out that a huge amount was incurred on account of repair and maintenance of the vehicles attached with non-entitled officials. Audit further pointed out that LRRA has not introduced any mechanism for maintenance of log books of the respective vehicles. The Committee directed the department to adopt the vehicle allotment policy notified by S&GAD Department. No progress was intimated to Audit.

Audit recommends regularizing the matter from competent forum besides fixing responsibility.

(Para 134)

4.2.11 Loss due to burning of official vehicle – Rs 2.635 million

As per Para 2.33 of Punjab Financial Rules Volume-I every Govt. official would be held personally responsible for loss sustained due to negligence at his part.

Lahore Ring Road Authority conducted an inquiry regarding loss due to damage of an official vehicle “Land Rover-Defender”110 (4x4), 5 Door, Registration No. LEG-07-7241 which was completely burnt reportedly due to the fault of a Deputy Director (Admin & Coord), on 27.07.2011. The Enquiry Officer held the officer responsible as the official vehicle was damaged due to fault of the Deputy Director Admn & Coord. The Enquiry Officer also recommended the recovery from the officer alongwith registration of an FIR for detailed investigation and initiation of criminal proceedings.

Weak administrative controls resulted in loss of Rs 2.635 million to Government.

Audit pointed out the loss to Government in March 2017. The department replied that official vehicle No.LEG-07-7241 was burnt accidentally. The reply of the department was not tenable because the enquiry officer held the LRR officer responsible in his enquiry report.

The para was also discussed in the SDAC meeting held on 03.10.2017. The department explained that the office vehicle “Land Rover” LEG 07-7241 was burnt accidentally and the officer was not held responsible in a later inquiry. Audit pointed out that neither the official vehicle Land Rover was entitled to the officer nor the first enquiry officer acquitted him. The Committee directed the department to get the loss written off from the competent authority. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends that the matter may be investigated for fixing responsibility.

(Para 132)

4.3 PROCUREMENT AND CONTRACT MANAGEMENT

The issues relating to procurement and contract management involving an amount of Rs 37,893.434 million, observed during audit, were as under:

4.3.1 Irregular award of work – Rs 27,391.843 million

As per rule 8 of the second schedule of Delegation of Financial Powers Rules, 2006, the ECNEC is the final approving authority for any provincial project costing beyond Rs 10,000 million after clearance from CDWP forum.

Lahore Ring Road Authority entered into an agreement with M/s FWO for Engineering, Procurement, construction and financing of Southern Loop of Ring Road Project SL.No.1 and SL.No.2 with a total length of 22.35 km, at a bid price of Rs 25,942,300,938. The contract was awarded on PPP modality i.e. Build Operate and Transfer (BOT), according to which M/s FWO will collect the Toll Tax for a period of 25

years. Lahore Ring Road Authority issued letter of intent to the Developer (FWO) without observing the codal formalities i.e. approval of ECNEC and detailed working of PC-I.

Weak technical and financial controls resulted in irregular award of contract for Rs 27,391.843 million.

Audit pointed out the irregular expenditure in March 2017. The department replied that detailed proposal mentioning key features were presented before Steering Committee in its meeting held on 15.02.2016 and was approved by the PDWP in its meeting held on 04.06.2016. The reply of the department was not tenable because it was not within the purview of the PDWP.

The para was also discussed in the SDAC meeting held on 03.10.2017. The department explained to the Committee that Govt. of Punjab has made provision of 2% Equity Share in concessioner agreement and the amount of share of Govt. of Punjab is less than 10 Billion and there was no need to refer the case to ECNEC forum. Audit pointed out that total cost of the project is Rs 25.942 billion and approval of the ECNEC was mandatory. The Committee directed the department to refer the case to P&D Department / Finance Department for clarification. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends to get clarification from FD/P&D besides fixing responsibility.

(Para 120, 121, 122, 124, 125, 127 & 128)

4.3.2 Wasteful expenditure on refurbishment of Multan Road – Rs 7,035.761 million

In term of para 2.10(a) of PFR.Vol-I, every Public servant is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Lahore Ring Road Authority, took up a project “Improvement/Widening of existing Multan road from Tokhar Niaz Beg to Chauburji” for which the construction work was got executed by M/s FWO. It was observed that the Lahore Ring Authority incurred an amount of Rs 7,035,761,000 on account of Land Acquisition, Design and consultancy charges, construction cost and grant in aid etc and the accounts of the contractor have not since been closed. It was further observed that Government of the Punjab started another project Orange Line Metro Train Project on the same alignment (on the existing Multan Road. Hence, the expenditure on rehabilitation of road was wasted.

Weak technical and financial controls resulted in wasteful expenditure of Rs 7,035.761 million.

Audit pointed out the irregular payment in March 2017. The management replied that Orange Line Metro Train Project was initiated by the Government of the Punjab after the completion of the project of Multan Road. The reply of the department was not tenable because the department has already incurred a huge expenditure for “Improvement / Widening of existing Multan road from Tokhar Niaz Beg to Chauburji”.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained to the Committee that Orange Line Project was being constructed by LDA, therefore, the para may be referred to concerned quarter. Audit pointed out that the rehabilitation of the Multan road including center RCC drain was constructed by LRRR. Further Audit informed the Committee that the projects are launched keeping in view the need for next 20 years. The Committee directed to refer the case to the FD Department /P&D Department to fix the responsibility. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends to regularize the matter from FD besides fixing responsibility.

(Para 82)

4.3.3 Irregular agreement due to non-adoption of General Document of Agreement – Rs 913.005 million

As per Finance Department's Notification No.RO (TECH) FD 2-3/2004 dated 02.08.2004, Chief Engineers shall, on the basis of input rates fixed/notified by Finance Department on its website, fix the rate of each item of work for rough cost estimates/administrative approval and detail estimate for technical sanction.

Lahore Ring Road Authority prepared the estimate of different works on the basis of engineer estimate and awarded these works to the civil contractors. The Chief Minister approved summary for execution of work under engineer estimate only for NLC only whereas works were awarded to the other contractors on the same terms and conditions. Further, the department signed the FIDIC based agreement, which was not approved as general document of agreement for execution of works between the contractors and the department.

Weak technical control resulted in execution of irregular agreement due to non-adoption of general document of agreement for Rs 913.005 million.

Audit pointed out the irregularity regarding adoption of FIDIC based engineer estimate by the management in March 2017. The department replied that FIDIC based estimates have already been approved by the competent authority. The reply of the department was not tenable because the relaxation was granted by Chief Minister Punjab only for adoption of engineer's estimate for award of work directly to NLC instead of floating tenders. It was applicable on the other contractors.

The para was also discussed in the SDAC meeting held on 03.10.2017. The department stated that summary has been approved by the CM for relaxation of rules to adopt FIDIC based engineer estimate instead of general document of agreement. Audit pointed out that summary to CM does not relax the rules regarding award of work to other contractors. The Committee directed to seek concurrence of Finance

Department in the matter. No progress was intimated till finalization of the report.

Audit recommends to regularize the matter from FD besides fixing responsibility.

(Para 105, 113 & 151)

4.3.4 Loss to Government due to ill planning – Rs 875.987 million

In term of para 2.10(a) of PFRVol-I, every Public servant is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Lahore Ring Road Authority/Land Acquisition Collector acquired private land of about 198 Kanals, 06 Marlas and 117 feet for Package-3 in 2006 and 2007. The alignment of this package runs through the villages, KhoKhar, Bhama, Bella Basti Ram, Kot Khawaja Saeed, Mehmood Booti, Baghbanpura, Rakh Shahdra Jungle, Ram Kishan wala, Harbanspura and Rakh Shahdra Jungle(part-II). An amount of Rs 9,268,260,337 was paid to the land owners on account of cost of land and structures etc. It was observed that social activities and movements of the residents were not kept in view while planning. Due to poor planning no under pass and flyovers were designed in the area of Package-3. It was further observed that after agitations and strikes, the government had to decide to construct an under pass near Shadbagh pumping station and Jhuggian Judha on Ring Road, Lahore (Package-3/B) and a flyover/under pass at Karol Ghatti (Package 3 C). On account of the ill planning of the Design Work, the government had to bear extra expenditure.

Ill planning resulted in extra expenditure of Rs 875.987 million.

Audit pointed out the matter in March 2017. The management did not furnish the reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that the record will be produced shortly. The Committee directed that the matter may be referred to the Finance Department for condonation. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends that the department may get condonation from FD besides fixing responsibility.

(Para 51, 52, 72, 73, 74, 75, 76)

4.3.5 Unjustified provision of engineering and design cost – Rs 705.000 million

According to Para 2.10(a) of PFR Volume-I, that Government money should be incurred in most economical way as a man of ordinary prudence may incur from his own pocket.

Lahore Ring Road Authority signed an agreement with M/s FWO for construction of Southern Loop of Ring Road Project SL.No.1 and SL.No.2 on PPP modality ie. Build Operate and Transfer (BOT). According to the agreement, M/s FWO will collect the Toll Tax for a period of 25 years. The department made a provision of Rs 705,000,000 for Engineering and Design cost in the above noted concessionaire agreement. Audit pointed out that LRRA is already paying Engineering and design cost to M/s NESPAK (Pvt) limited on account of the above work, so the provision in the concessionaire agreement is unjustified and needs explanation.

Weak technical and financial controls resulted in unjustified provision of Rs 705.000 million.

Audit pointed out the irregular payment in March, 2017. The management replied that provision mentioned above was kept in project for the detailed designing and construction supervision of the project by the independent engineer. The reply of the department was not tenable because the department could not justify the provision of separate payment

to the consultant in the PPP mode project, whereas the Ring Road Authority was already making payments to M/s NESPAK on account of design cost etc.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that the provision for engineering cost and design cost had been made in the concessionaire agreement. Audit pointed out that M/s LRRA also paid a huge amount to the consultant on account of the activities performed by the consultant for Southern Loop. After a detailed discussion, the Committee directed for verification of record. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends to produce the relevant record for verification in compliance of the SDAC directives.

(Para 92)

4.3.6 Irregular estimation due to adoption of engineer estimate amounting to – Rs 570.203 million

As per Finance Department's Notification No.RO (TECH) FD 2-3/2004 dated 02.08.2004, Chief Engineers shall, on the basis of input rates fixed/notified by Finance Department on its website, fix the rate of each item of work for rough cost estimates/administrative approval and detail estimate for technical sanction.

After seeking the approval of the Chief Minister Punjab through a summary, Lahore Ring Road Authority, got prepared the estimate of different works on the basis of engineer estimate and awarded those works to the contractors without open bidding process in violation of the rules.

Weak technical and financial controls resulted in irregular estimation/award of work worth Rs 570.203 million.

Audit pointed out the irregular estimation & award of work in March 2017. The department replied that all packages of LRRA were

prepared on engineers estimate on the basis of summary approved by the CM. The reply of the department was not tenable because the CM approved the summary only for NLC.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that summary has been approved by the CM. Audit pointed out that summary approved by the CM was meant only for execution of works by NLC whereas the work was awarded to M/s ZKB Reliable (JV) in violation of the approved summary. The Committee referred the para to FD/P&D for clarification regarding of adoption engineer estimate instead of MRS. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends to regularize the matter from FD besides fixing responsibility.

(Para 104 & 150)

4.3.7 Irregular Payment due to payment of higher rates – Rs 380.239 million

As per Para 12(2) of PPRA Rules 2009, all procurement opportunities over 2.00 million rupees should be advertise on the Authority's website as well as in other print media or newspapers having wide circulations. The advertisement in the newspaper shall principally appear in at least two national dailies one in English and other in Urdu.

Lahore Ring Road Authority, awarded work for Construction of Tolling Booths and lease agreement for collection of toll tax to M/s NLC without calling tenders / open competitions in violation of PPRA rules 2009.

Weak technical and financial controls resulted in irregular payment of Rs 380.239 million.

Audit pointed out the irregular payment in March 2017. The management did not furnish reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that the works were awarded after approval of C.M Punjab. Further the department committed to produce the approved rate analysis for audit verification in respect of Para 174, however, the management did not produce any record to Audit.

Audit recommends to regularize the matter and produce the relevant record for verification besides fixing responsibility.

(Para 157, 167, 169, 170, 171, 174)

4.3.8 Non-recovery of – Rs 11.025 million

Para 2.10 of PFR Volume-I laid down that Government money should be incurred in most economical way as a man of ordinary prudence may incur from his own money.

Lahore Ring Road Authority made payment of consultancy to M/s. NESPAK, for design and construction supervision on different packages of Ring Road Project. During Audit scrutiny it was pointed out that LRRRA paid an excess amount of Rs 11,024,938 than admissible as per approved rates.

Weak technical and financial controls resulted in non-recovery of Rs 11.025 million.

Audit pointed out the irregular payment in March 2017. The management replied that no excess payment had been made. The reply of the department was not tenable because the department did not fully appreciate the audit observation.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that this Para was duplicity of another para (Para No. 73) for excess payment of consultancy for Rs 12.155 million which was kept pending for want of verification of overpaid amount of consultancy which has been recovered from the invoices No.54-61. Audit pointed out that no duplicity of observation was involved

and this was a separate audit observation. The Committee directed to pursue this para along with Para No. 73. No progress was intimated.

Audit recommends an early recovery besides fixing responsibility.
(Para 85)

4.3.9 Overpayment due to wrong calculation in comparative statement –Rs 6.526 million

According to rule 2.10(a) of Punjab Financial Rules, Vol. 1, a Government servant should exercise the same vigilance for incurring expenditure from Government funds as a person of ordinary prudence would exercise in respect of expenditure incurred from his own money.

Lahore Ring Road Authority, prepared the estimate of a work on the basis of engineer estimate, for Rs 296.658 million and awarded to the contractor at an agreement amount Rs 306.325 million. The contractor quoted the cost against the bill No. 4.2 i.e. “Structure underpass barrel and retaining wall” as Rs 197,305,897, which was reduced to Rs 192,767,861 after an undertaking from the contractor for 2.3% rebate. However, the department changed the amount as Rs 199,294,221 by manipulation in the calculation process.

Weak technical and financial controls resulted in overpayment of Rs 6.526 million.

Audit pointed out the overpayment in March 2017. The management replied that as per BOQ the contractor quoted Rs 203,985,897 against Bill No.4.2 of BOQ instead of Rs 197,305,897. The reply of the department was not correct because the total of the amount of bill No. 4.2 was manipulated deliberately.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that the contractor quoted its rates on the basis of which work was allotted to the lowest bidder. Audit pointed out that figures of the bid were manipulated to give undue benefit

to the contractor. The Committee decided to constitute a committee to probe the facts. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends an early recovery besides fixing responsibility.
(Para 181)

4.3.10 Overpayment due to payment of extra quantity of Admixture – Rs 3.845 million

According to specification No.10.27.2 of admixture plasticizer 50 kg cement is acquired as 250 ml.

Lahore Ring Road Authority awarded the different works to the contractor. The Authority sanctioned and made payment to the contractor for excess quantities of admixture than admissible. Audit pointed out that the Authority has over paid the amount of Rs 3.845 million to the contractors on account of excess use of admixture (plasticizers).

Weak technical and financial controls resulted in overpayment of Rs 3.845 million.

Audit pointed out the irregular payment in March 2017. The management replied that work was executed according to the provision in TS estimate. The reply of the department was not tenable, being irrelevant.

The para was also discussed in the SDAC meeting held on 03.10.2017. The department explained to the Committee that the design/estimate has been approved by the consultant and paid accordingly. The Audit pointed out that as per specification 10.27.2 in the book for road work the quantity of admixture/plasticizer has been fixed from 250-300 ml for 50 kg cement. Moreover, the department could not justify the purpose for use of admixture/plasticizer in the RCC because no emergency in the execution of work was involved. The Committee directed to refer the case to the RRMTI for clarification of quantity and

justification for use of admixture/plasticizer in the RCC. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends an early recovery besides fixing responsibility.
(Para 95 & 142)

4.4 Construction and Works

The issues relating to construction and works involving an amount of Rs 577.972 million, observed during audit, were as under:

4.4.1 Non maintenance of Measurement Books /Measurement Sheets – Rs 337.274 million

As per Rule 7.29 of DFR Vol-I, before signing the bill, the Sub-Divisional Officer should compare the quantities in the bill with those recorded in the measurement book and see all rates are correctly entered and that all calculations are arithmetically correct

Lahore Ring Road Authority, awarded a contract to the contractor and made payment for Rs 337.274 million, however the department did not record the entries in the measurement books for work done / executed by the contractor. Further the department does not have any permanent record of work done.

Weak technical and financial controls resulted in irregular payment of work worth Rs 337.274 million.

Audit pointed out the irregular execution in March 2017. The management did not furnish reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that the LRRA has been exempted from maintaining measurement books/measurement sheets as per its manual. Audit pointed out that there was no such exemption to the LRRA.

The Committee referred the matter to the Finance Department for clarification. No progress was intimated till finalization of the report.

Audit recommends clarification from FD besides fixing responsibility.

(Para 164)

4.4.2 Overpayment due to higher rate of item of work structural excavation – Rs 49.064 million

As per para 1 (i & ii) of the Finance Department notification No.RO (TECH) FD-18-23/2004 dated 21st September, 2004 the rate analysis of the item rate (non standardized) shall be prepared by the XEN and approved by the SE on the basis of input rate of material/labour etc available at web site of the FD.

Lahore Ring Road Authority, prepared the analysis of rate of an item of work i.e. “Structural excavation” @ Rs 143.32/cu.m, however, the department paid the item of work @ Rs 243/cu.m. During Audit scrutiny of the rate analysis it was observed that the department added inadmissible items in the rate analysis i.e. head man power, site engineer, supervisor etc. It is worth mentioning that the contractor M/s ZKB Reliable was registered under class A to D category of contractors and it should have its own qualified engineers and diploma holder engineers etc. The department also added the inadmissible cost of front-end loader, vibratory ruler, dumper, water lorry and cost of water etc. under the sub head equipment. In this way the department provided undue benefit to the contractors.

Weak technical and financial controls resulted in overpayment of Rs 49.064 million.

Audit pointed out the overpayment in March 2017. The management replied that engineer’s estimate of LRRA is based on input rates displayed on the website of FD/P&D duly approved by CM. The reply of the department was not tenable because approval was accorded for preparation of estimates as per applicable rules.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that summary was approved by the CM. Audit pointed out that summary approved by the CM was meant only for execution of works by NLC whereas the work was awarded to M/s ZKB Reliable (JV). The Committee referred the para to FD for clarification for adoption of higher rates instead of MRS.

Audit recommends an early recovery besides fixing responsibility.
(Para 107, 112, 115, 118, 153 & 154)

4.4.3 Irregular expenditure due to procurement of bitumen from other than NRL amounting – Rs 48.001 million

As per condition No.4 of the acceptance letter of said work issued to the contractor, bitumen will be arranged from National Refinery Limited, Karachi and documentary proof shall be provided to the Engineer before release of payment against the work done.

Lahore Ring Road Authority, got executed asphaltic work for Rs 26.809 million and used the 138.56 tons (approx) bitumen in asphaltic work. As per said condition of the acceptance letter the department was required to obtain the proof of procurement of bitumen from the National Refinery Karachi. The department did not obtain the proof of procurement of bitumen from the contractor to check whether the bitumen was obtained from the NRL or any other source.

Weak technical and financial controls resulted in irregular expenditure of Rs 48.001 million.

Audit pointed out the irregular expenditure in March 2017. The management replied that bitumen used in asphaltic works was procured from Attock petroleum. The department admitted the irregularity.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management produced the invoices of bitumen procured by the contractor from the Attock Petroleum Limited Morgah Rawalpindi.

Audit pointed out that bitumen procured from Attock Petroleum Morgah was banned by the C&W Department. The Committee also confirmed telephonically whether the use of bitumen of Attock Petroleum Limited Morgah Rawalpindi was admissible or not. It was confirmed that the use of bitumen from Attock Petroleum Limited Morgah Rawalpindi was banned. The Committee recommended to recover the amount on account of asphaltic work got executed below specification / carriage. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends to regularize the matter from the competent authority besides fixing responsibility.

(Para 119 & 178)

4.4.4 Overpayment due to unjustified item of work amounting to – Rs 36.90 million

As per Finance Department's Notification No.RO (TECH) FD 2-3/2004 dated 02.08.2004, Chief Engineers shall, on the basis of input rates fixed/notified by Finance Department on its website, fix the rate of each item of work for rough cost estimates/administrative approval and detail estimate for technical sanction.

Lahore Ring Road Authority awarded a work of Package-3 to the contractor and paid an item of work i.e. "Excavation of unsuitable material" up to quantity of 17833.360 cu.m against provision of 500 cu.m @ Rs 214.94/cu.m. During audit it was observed that the provision for excavation of unsuitable material was not permissible because it was in the newly constructed area.

Weak technical and financial controls resulted in overpayment of Rs 36.90 million.

Audit pointed out the overpayment in March 2017. The management replied that no unsuitable material was paid in the main carriageway. The reply of the department was not tenable because the

department made excavation of unsuitable material under the newly constructed road.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that item was executed outside the alignment of newly constructed road. Audit pointed out that the department also paid the item of excavation of earth from the unsuitable material under the newly constructed road. The department admitted the view point of the Audit and promised to effect recovery. The Committee directed the department to effect recovery and get it verified from Audit within 60 days. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends an early recovery besides fixing responsibility.
(Para 98, 144 & 145)

4.4.5 Irregular payment due to non-approval of Non Schedule/non BOQ items – Rs 32.266 million

As per Finance Department's Notification No.RO (TECH) FD 2-3/2004 dated 02.08.2004, Chief Engineers shall, on the basis of input rates fixed/notified by Finance Department on its website, fix the rate of each item of work for rough cost estimates/administrative approval and detail estimate for technical sanction.

Lahore Ring Road Authority, awarded a work to the contractor and made payment of Rs 32.266 million through bill No. 10 of the contractor in which all the items were paid as non BOQ and non schedule without approval of the competent authority.

Weak technical and financial controls resulted in irregular payment of Rs 32.266 million.

Audit pointed out the irregular payment in March 2017. The management replied that the work was awarded after approval of the C.M

Punjab. The reply of the department was not tenable because it did not correspond to the audit observation.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that summary had been approved by the CM. Audit pointed out that summary approved by the CM was meant only for execution of works by NLC. The Committee referred the para to FD for clarification regarding adoption of engineer estimate instead of MRS. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends to regularize the matter from the competent authority besides fixing responsibility.

(Para 117)

4.4.6 Overpayment due to application of incorrect rates of Non MRS item T.P. Paint – Rs 25.030 million

As per Finance Department's Notification No.RO (TECH) FD 2-3/2004 dated 02.08.2004, Chief Engineers shall, on the basis of input rates fixed/notified by Finance Department on its website, fix the rate of each item of work for rough cost estimates/administrative approval and detail estimate for technical sanction.

Lahore Ring Road Authority awarded a work to the contractor M/s Zoraiz Engineers (Pvt) Limited in which an item "Pavement marking in thermoplastic paint for 15 centimeter wide lines" was got executed and paid at the rate of Rs 125 per square meter. In the rate analysis, the department worked out the rate of Rs 143.64 instead of Rs 99.03. If the department had prepared the correct rate analysis, the item could have been paid at the rate of Rs 103.49 instead of Rs 125 after adding premium.

Weak technical and financial controls resulted in overpayment of Rs 25.030 million.

Audit pointed out the overpayment in March 2017. The management replied that rate of pavement marking with thermoplastic paint on the road is not available in the MRS therefore, rate was prepared by the NESPAK and approved by the competent authority. The reply of the department was not tenable because excess rate was approved by the consultant and interest of the government was not watched.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that rate had been framed on the basis of engineer estimate for non MRS item of work by taking input rates notified by the FD. Audit contended that the department had included non MRS rate and extra ordinary labour. The Committee directed the department to refer the matter to Finance Department for clarification/vetting. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends an early recovery of overpaid amount besides fixing responsibility.

(Para 137, 138, 139 & 140)

4.4.7 Overpayment due to non-recovery on de-escalation – Rs 12.221 million

As per clause 55(1) of the contract agreement, if any variation (increase or decrease) to the extent of 5% or more in the price of any of the item mentioned in sub clause (2) takes place after the acceptance of tender and before the completion of contract, the amount payable under the contract shall be adjustable to the extent of the actual variation in the cost of the item concerned.

Lahore Ring Road Authority, awarded a work to the contractor and paid Rs 321.029 million up to 6th running bill however the department did not recover the price de escalation due to decrease in rate of diesel.

Weak technical and financial controls resulted in overpayment of Rs 12.221 million.

Audit pointed out the overpayment in March 2017. The management admitted the recovery and replied that recovery shall be made from the final bill.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that recovery shall be made as soon as possible. The Committee directed to effect recovery at the earliest and produce final bill of the contractor to Audit for verification. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility.

(Para 116)

4.4.8 Overpayment due to less use of dismantled material – Rs 7.374 million

As per Communication and Works Department letter No. SOH-I(C&W)1-42/97(Misc.) dated 28th November, 1997, dismantled material extracted from dismantling of bricks soling/brick edging or road pavement would be used in item for laying of sub-base course in full and 90%.

Chairperson Lahore Ring Road Authority made payment for an item of work i.e “breaking of existing road pavement” for a quantity of 1267.638 cu.m against provision of 2720 cu.m. The department reused the 760.583 cu.m instead of reusing the 2448 cu.m as per instructions issued by the Secretary C&W. The department reused less quantity of dismantled material i.e 1687.42 cu.m.

Weak technical and financial controls resulted in overpayment of Rs 7.374 million.

Audit pointed out the irregular payment in March 2017. The management replied that the material after breaking of existing road pavement was fully utilized. The reply was not tenable because the department did not make recovery as per instructions issued by the Secretary C&W.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that 60% recovery has been made as provided in agreement. Audit pointed out that as per instructions issued by the secretary C&W vide letter No.SOH-I (C&W)1-42/97(Misc) dated 28.11.1997 that 90 % of dismantled road pavement was required to be reused. The Committee directed the department to comply with the instructions of Secretary C&W. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility.

(Para 97 & 143)

4.4.9 Overpayment due to execution of excess quantity than designed – Rs 6.975 million

The measurements should be taken down in the measurement book and nowhere else. As all payments for work or supplies are based on the quantities recorded in the measurement book, it is incumbent upon the person taking the measurements to record the quantities clearly and accurately.

Lahore Ring Road Authority, awarded a work to the contractor and got approved design of rigid pavement from the RRMTI in which 0.92 lbs steel was approved to be executed per sq ft. The department got executed and paid for the item quantity of steel in excess of the approved design of RR&MTI which resulted in extra consumption of steel and excess payment.

Weak technical and financial controls resulted in overpayment of Rs6.975 million.

Audit pointed out the overpayment in March 2017. The management replied that the structural design of rigid pavement was revised and amended by the consultant. Reply of the department was not tenable because 10” thick rigid pavement was got designed from the

RRMTI and NESPAK also designed the 10” thick rigid pavement and huge difference of quantity of steel was not justified.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that the C&W got approved the design of rigid pavement 10” (inch) thick from the RR&MTI but later the LRRRA adopted the design from the NESPAK. Audit pointed out that RR&MTI recommended the design for 10” (inch) thick rigid pavement on the request of LRRRA and 178841 kg steel was paid due to non-adoption of design approved by the RR&MTI. The Committee directed to probe the matter and effect recovery besides fixing responsibility for non-adoption of design recommended by the RR&MTI. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility.

(Para 183)

4.4.10 Overpayment due to carriage on bajri – Rs 6.607 million

As per Finance Department’s Notification No.RO (TECH) FD 2-3/2004 dated 02.08.2004, Chief Engineers shall, on the basis of input rates fixed/notified by Finance Department on its website, fix the rate of each item of work for rough cost estimates/administrative approval and detailed estimate for technical sanction.

Lahore Ring Road Authority, made provision of carriage in the rate analysis amounting to Rs 379,776.38 for aggregate to be used into item of work Asphalt Wearing Course. Audit pointed out that provision of carriage for aggregate was not allowed by the Finance Department. The Finance Department has notified the separate rate for Asphalt Wearing Course which was at site rate.

Weak technical and financial controls resulted in overpayment of Rs 6.607 million.

Audit pointed out the irregular payment in March 2017. The management replied that rate analysis of AWC was prepared by taking the input rate of aggregate for surface dressing. The department admitted the view point of the Audit.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that rate analysis was prepared with the consultation of the FD (Technical Wing), therefore, carriage for bajri used in carpeting was added. Audit pointed out that prior to 2nd bi annual 2015 the rate of bajri to be used in carpeting was available at site in input rates notified by the FD. The Committee directed to refer the matter to FD for clarification. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility.

(Para 103, 148 & 149)

4.4.11 Irregular release of withheld amount for imbalance rates – Rs 4.900 million

As per Para (v) of the Finance Department notification No.RO (Tech)FD 1-2/83-VI dated 29.03.2005, the final cost of tender/payment shall be the same percentage above/below the amount of technical sanctioned estimate as was at the time of approval of the tender, so as to pre-empt excess payment.

Lahore Ring Road Authority, prepared the estimate amounting to Rs 296.658 million of a work on the basis of engineer estimate and got it approved from Chief Minister Punjab. The department awarded the work to a contractor at 3.528 % above the estimated cost. The contractor quoted the dis-proportionate rates in his bid. While making the payment of 11th & Running bill the department retained an amount of Rs 8,095,252 on account of weighted %age. However, in 12th running bill the department released an amount of Rs 4,900,000 out of Rs 8,095,252 which was irregular.

Weak technical and financial controls resulted in irregular release of Rs 4.900 million.

Audit pointed out the irregular release in March 2017. The management replied that LRRA released Rs 4.9 million of subject work withheld on account of imbalance rates instead of weighted percentage.

The para was also discussed in the SDAC meeting held on 03.10.2017. The department explained that the amount was withheld on account of imbalance rates and the same was released after execution of the items on lesser rates. Audit pointed out that the Final bill of the contractor is yet to be verified. The Committee directed to produce the final bill of the work to Audit. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends to regularize the matter from the competent authority and produce the final bill of the work for verification.

(Para 180)

4.4.12 Irregular payment due to non-provision of Rate Analysis – Rs 4.657 million

As per Finance Department's Notification No.RO (TECH) FD 2-3/2004 dated 02.08.2004, Chief Engineers shall, on the basis of input rates fixed/notified by Finance Department on its website, fix the rate of each item of work for rough cost estimates/administrative approval and detail estimate for technical sanction.

Lahore Ring Road Authority, awarded a work to a contractor. The department got executed and made payment of Rs 4,657,361 on account of the following items without approval of rate analysis as under:

Sr.No.	Particular of item	Quantity paid	Rate Paid	Amount
01	P/L plain black historical motives/murals (like Minar-e-pakistan, Lahore fort and shahi masjid etc)	11046 sft	191.33	2,113,431.18
02	P/Applying weather shield paint of approved quality on external surface of buildings....	65,876.93	25.17	2,543,930.14
			Total	4,657,361.32

Weak technical and financial controls resulted in irregular payment of Rs 4.657 million.

Audit pointed out the irregular payment in March 2017. The management replied that no such approval / technical sanction was asked from the Authority otherwise it would have produced the same. Reply of the department was not tenable because the department did not produce the rate analysis duly approved by the competent authority.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that rate was framed on the basis of engineer estimate for non MRS item of work by taking input rates notified by the FD. Audit contended that the department has not produced the rate analysis prepared as per rates notified by the FD. The Committee directed the department to refer the matter to Finance Department for clarification/vetting. No compliance of the SDAC directive was reported till finalization of the report.

Audit recommends to regularize the matter from FD besides fixing responsibility.

(Para 136)

4.4.13 Overpayment due to non-utilization of available earth in item selected fill – Rs 2.204 million

As per item No. 1 of technical sanction estimate read with item No. 17 and 21 of Chapter No. 3, Earth Works, MRS 4th quarter, 2007, the rates of transportation of excavated earth was included in the item rates of “excavation in foundation of buildings, bridges and other structure including dagbelling, dressing, back filling, watering and ramming, lead upto one chain.

Lahore Ring Road Authority, awarded a work to the contractor and got sanctioned the rate analysis of an item “selected fill material” @ Rs 389.89/cu.m and paid to the contractor @ Rs 975.00/cu.m. The department added inadmissible cost under the head man power i.e. site engineer and supervisor. It is pointed out that the class A to D contractor must have its qualified engineer and diploma holder engineers. Moreover, the department added inadmissible cost of pump, and water lorry and cost of water and cost of specified material (earth) and carriage instead of reusing the available earth received after structural excavation. The correct rate comes to Rs 89/cu.m and after adding the contractor quoted premium rate comes to Rs 119.00/cu.m. Payment at higher rate resulted in overpayment.

Weak technical and financial controls resulted in overpayment Rs 2.204 million.

Audit pointed out the overpayment in March 2017. The replied that work was awarded to M/s NLC after approval of C.M Punjab.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management stated that summary has been approved by the CM. Audit pointed out that summary approved by the CM was only for execution of works by NLC. The Committee referred the Para to FD for clarification about adoption of engineer estimate instead of MRS. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility.

(Para 156)

4.4.14 Overpayment due to payment of extra premium – Rs 1.589 million

According to rule 2.10(a) of Punjab Financial Rules, Vol. 1, a Government servant should exercise the same vigilance for incurring expenditure from Government funds as a person of ordinary prudence would exercise in respect of expenditure incurred from his own money.

Lahore Ring Road Authority awarded a work to the contractor for Rs 285.651 million i.e. 4.426 % above the estimated cost Rs 273.545 million. The contractor initially offered a bid amounting Rs 284.230 million which was 3.90 % above the estimated cost but later on the department added 0.50 % premium into bid documents which was not justified. The department made payment of Rs 1,589,006 on account of 0.50 % extra premium than the bid.

Weak technical and financial controls resulted in overpayment of Rs 1.589 million.

Audit pointed out the irregular payment in March 2017. The department replied that 0.5% premium was quoted by the bidder in its bid. The reply of the department was not tenable because the tender register is absolutely silent about 0.5% premium.

The para was also discussed in the SDAC meeting held on 03.10.2017. The department explained to the Committee that the contractor quoted item rates in its bid and at the end added 0.50% premium. Audit pointed out that the tender register is silent about 0.50% premium. The Committee directed to probe the matter for fixing responsibility and effecting recovery through a committee comprising the member from Finance Department and Planning and Development Department. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility.

(Para 96)

4.4.15 Overpayment due to less use of bitumen in Asphalt Base Course– Rs 1.464 million

As per Finance Department's Notification No. RO (Tech) FD-2-3/2004, dated 02.08.2004, the payment of carpeting was to be made to the contractor as per Job Mix Formula (JMF) or actual bitumen used in the work.

Lahore Ring Road Authority prepared the analysis of Asphalt Base Course with the 3.60 % content of bitumen and got approved the rate @ Rs 17,097.48 per cu.m. During execution of work the extraction tests of ABC were conducted and bitumen content was found 3.27 % to 3.37 % (average 3.30 %) which was less than the content approved in the estimate i.e. 3.60 %.

Weak technical and financial controls resulted in overpayment of Rs 1.464 million.

Audit pointed out the irregular payment in March 2017. The management replied that rate analysis was prepared by NESPAK in which quantity of bitumen was calculated as per template of the Finance Department. The reply of the department was not tenable because the payment was to be made as per actual use of bitumen.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management admitted the recovery and stated that recovery shall be effected as soon as possible. The Committee directed to recover the amount within 60 days. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility.

(Para 99, 100, 101, 102, 146 & 147)

4.1.16 Non-recovery of cost of old steel and bricks – Rs 1.446 million

As per technical sanctioned estimate, dismantled material obtained from brick soling / road egging as well as road pavement will be re-laid as sub-base and at the same time, the same quantity will be deducted from the sub-base.

Lahore Ring Road Authority made provision into bill No 4.2 of the agreement regarding recovery of old steel and old bricks amounting to Rs 1,400,000 and Rs 46,250 respectively. However, the department did not make recovery on account of cost of the said old material.

Weak technical and financial controls resulted in non-recovery of Rs 1.446 million.

Audit pointed out the overpayment in March 2017. The management replied that a token quantity was taken in TS estimate for estimation purposes at site actually no RCC structure and brick masonry was dismantled. The reply of the department was not tenable because detailed TS estimates were to be prepared after survey of site of work.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that a token/ lump sums quantity was taken in TS Estimate. Audit pointed out that the department has made provision in bill No. 4.2 of the agreement for recovery of steel /bricks received from dismantling. The Committee directed the department to recover the cost of dismantling material as per agreement. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends early recovery besides fixing responsibility.

(Para 114)

4.5 Toll Collection

During audit, various issues related to Toll Collection, involving an amount of Rs 1372.592 million, were observed which are as under:

4.5.1 Non reconciliation of toll tax collection – Rs 695.335 million

In term of Para 2.10(a) of PFR Vol-I, every Public servant is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Lahore Ring Road Authority awarded a contract for toll collection after obtaining the approval from C.M Punjab through a summary for the period from 29.10.2011 to 31.03.2015. According to the agreement, NLC being a corporate body (Toll Management Contractor), shall collect the toll tax from the users of Lahore Ring Road and deposit 85% of the total amount collected to the Govt. of Punjab and 15% share will be retained by M/s NLC(TMC). During scrutiny of the record, it was observed that LRRRA neither produced the relevant record of toll collection nor reconciled the toll tax collection with traffic count data.

Weak technical and financial controls resulted in non-reconciliation of toll tax worth Rs 695.335 million.

Audit pointed out the non- reconciliation of toll tax in March 2017. The management did not furnish reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that traffic count data shall be got verified. The SDAC directed to get the record verified. In compliance of directive of the SDAC, the department produced data for 10 days only which was not sufficient for working of toll collection during inter period of agreement.

Audit recommends to produce the reconciled record of toll collection for verification besides fixing responsibility.

(Para 160)

4.5.2 Loss to Government due to collection of toll tax on Northern Loop by the Developer before the completion of Southern Loop – Rs 600.026 million

As per Rule 2.33 of Punjab Financial Rules Volume-I, every government servant should realize fully and clearly that he would be held personally responsible for any loss sustained by government through fraud or negligence on his part.

Lahore Ring Road, Authority is maintaining 15 toll plazas on Northern Loop of Lahore Ring Road Project. A concession agreement was executed between the parties, according to which a concessionaire body (Punjab Ring Road Infrastructure and Management Engineering (Pvt) Limited (PRIME) was constituted to construct the Southern Loop on BOT basis. As per clause 17.1 of the concession agreement, the PRIME was authorized to collect toll tax of the Northern Loop with effect from 22.12.2016 i.e. prior to the date of completion of the Southern Loop i.e. 31.12.2017, for which the concession agreement was executed. In this way the contractor (FWO) was given undue benefit for collection of tax of Northern Loop for the period from 22.12.2016 to 31.12.2017.

Weak technical and financial controls resulted in loss to Government expenditure worth Rs 600.026 million.

Audit pointed out the loss to Government in March 2017. The management did not furnish reply.

The para was also discussed in the SDAC meeting held on 03.10.2017. The management explained that a provision for toll collection was made in the concessionaire agreement as per financial model approved by the competent authority. Audit pointed out that toll collection of the Northern Loop of Lahore Ring Road before the installation of the

ITS system by the Contractor was not admissible. The Committee directed the department to get the verification of record / minutes of the steering Committee. Compliance of the SDAC directive was not reported till finalization of the report.

Audit recommends to produce the reconciled record of toll collection for verification besides fixing responsibility.

(Para 130)

4.5.3 Loss to Government due to less collection of toll tax – Rs 77.231 million

As per Rule 2.33 of Punjab Financial Rules Volume-I, every government servant should realize fully and clearly that he would be held personally responsible for any loss sustained by government through fraud or negligence on his part.

Lahore Ring Road Authority executed an agreement for toll collection of Lahore Ring Road with NLC-Toll Management Contractor (TMC) on the approval of Chief Minister, Punjab for the period from to 29.10.2011 to 31.03.2015. According to the agreement, NLC being a corporate body, was to collect the toll tax from the users of Lahore Ring Road and out of the total amount collected, 85% share was to be paid to Government of Punjab and 15% share pertained to M/s NLC (TMC). During the last year of the contract, w.e.f 01.04.2014 to 31.03.2015 M/s NLC had collected toll tax of Rs 205,700,370. Whereas in the subsequent year M/s Faizan Communication Limited collected Rs 262,410,786, from 01.04.2015 to 31.03.2016 which was much higher amount than that collected by M/s NLC in the preceding year. Thus, the Authority sustained loss of Rs 65.217 million because of contract with M/s NLC at lesser rates. It was further observed that during the period from 29.10.2011 to 28.02.2012, the toll tax amounting to Rs 12.014 million collected by NLC was not on record.

Weak technical and financial controls resulted in loss of Rs 65.217 million on account of less recovery and Rs 12.014 million due to non-recovery of toll tax.

Audit pointed out the loss to Government in March, 2017. The department did not furnish reply.

The Paras were also discussed in the SDAC meeting held on 03.10.2017. Regarding Para 161 the department explained to the Committee that traffic count data shall be got verified after discussion. Regarding Para No. 158 the department explained that effective date of toll collection by NLC was finalized by P&D Department. The Committee directed the department to submit the case to P&D department for its clarification and get the record verified. No progress was intimated to Audit till finalization of this report.

Audit recommends to produce the reconciled record of toll collection for verification besides fixing responsibility.

(Para 158 & 161)

4.6 CONCLUSION AND RECOMMENDATIONS

4.6.1 **Performance Rating:** Northern Loop of Lahore Ring Road Project was completed and was under operation whereas the SL-I and SL-II of Southern Loop is under construction on BOT basis in accordance with the concessionaire agreement with M/s FWO and it will be completed by December 2017.

4.6.2 **Risk Rating:** The department paid an amount of Rs 4,250.00 million to Concessionaire (PRIME/FWO) as an equity share of the Project. However, the department did not obtain the bank guarantee / performance security from the Developer (FWO) against the above payment.

4.6.3 **Key issues for the Future:** Lahore Ring Road Authority must keep close watch on the progress of the construction work of Southern Loop to avoid any delay in its completion and to avoid fluctuation in the price of materials / labour and climatic conditions etc.

4.6.4 **Lessons Learnt:** Non-compliance of contractual obligations and violation of rules were critical and need to be improved.

- i. Land acquisition process is required to be carried out with utmost vigilance.
- ii. Adherence to contractual obligations needs to be ensured at every stage of execution.
- iii. Action needs to be initiated and responsibility fixed against the officers concerned for lapses and violation of rules besides effecting recoveries.
- iv. Toll Collection system is required to be made more transparent.
- v. Performance security of the work is required to be obtained in time to safeguard the public interest.

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