



**SPECIAL AUDIT REPORT
ON
THE CONSULTANCIES HIRED BY
EARTHQUAKE RECONSTRUCTION
AND
REHABILITATION
AUTHORITY(ERRA)
AUDIT YEAR 2014-15**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

ADB	Asian Development Bank
ADF	Asian Development Fund
AGP	Auditor General of Pakistan
AIT	Assistance and Inspection Team
AJK/AJ&K	Azad Jammu and Kashmir
AKLAS	Azad Kashmir Logging and Saw Mill Corporation
APS	Army Public School
EQAA	Earthquake affected areas
BHU	Basic Health Unit
BOQ	Bill of Quantities
C&W	Communication and Works
CDA	Capital Development Authority
CDWP	Central Development Working Party
CPC	Closing Payment Certificate
CRE	Chief Resident Engineer
CSR	Composite Schedule of Rates
DAC	Departmental Accounts Committee
DAO	Divisional Accounts Officer
DG	Director General
DHQH	District Headquarter Hospital
DRU	District Reconstruction Unit
EA	Engineering Associates
EAD	Economic Affairs Division
ECIL	Engineering Consultants International (Pvt.) Ltd.
ECNEC	Executive Committee of the National Economic Council
EEAP	Earthquake Emergency Assistance Project
EIA	Environmental Impact Assessment
EOT	Extension of Time
EPC	Escalation Payment Certificate
ERRA	Earthquake Reconstruction and Rehabilitation Authority
FA	Financing Agreement
GCC	General Conditions of Contract
GFR	General Financial Rules
GGPS	Government Girls Primary School
GHS	Government High School
GMS	Government Middle School
GOP	Government of Pakistan
GPS	Government Primary School
GST	General Sales Tax
HQs	Headquarters

IA	Implementing Agencies
ICB	International Competitive Bidding
IDA	International Development Association
IMA	Independent Monitoring Agency
INTOSAI	International Organization of Supreme Audit Institutions
IPC	Interim Payment Certificate
IPSAS	International Public Sector Accounting Standards
ITB	Instructions to Bidders
JV	Joint Venture
Km	Kilometer
LC	Letter of Credit
LD	Liquidated Damages
LGS	Light Gauge Steel
M&E	Monitoring and Evaluation
MoF	Ministry of Finance
M/s	Masars
NESPak	National Engineering Services of Pakistan
NGO	Non-Governmental Organization
NOC	No Objection Certificate
NSL	Natural Surface Level
SERRA	State Earthquake Reconstruction & rehabilitation Agency
PEC	Pakistan Engineering Council
PERRA	Provincial Earthquake Reconstruction and Rehabilitation Agency
PC-I	Planning Commission Proforma-I (Cost)
PC-II	Planning Commission Proforma-II (Feasibility Study)
PC-III	Planning Commission Proforma-III (Annual targets and progress reporting)
PC-IV	Planning Commission Proforma-IV (Project Completion Report)
PC-V	Planning Commission Proforma-V (Post-completion review)
PCC	Particular Conditions of Contract
PEF	Pakistan Earthquake Fund
PES	Pakistan Engineering Services
PIU	Project Implementation Unit
POL	Petrol Oil and Lubricant
T&C	Transport and Communication
THQH	Tehsil Headquarter Hospital
TOR	Terms of Reference
TST	Triple Surface Treatment

UC	Union Council
Vol	Volume
WB	World Bank

PREFACE

Articles 169 & 170 (2) of the Constitution of the Islamic Republic of Pakistan read with Sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor General of Pakistan to conduct audit of receipts and expenditure of the Federation and the Provinces on the accounts of any authority or body established by the Federation or a Province.

The report is based on the special audit of consultancies hired by Earthquake Reconstruction and Rehabilitation Authority, Islamabad for the period from 2005 to 31st December, 2013. The Directorate General Audit (Climate Change & Environment) conducted special audit during the year 2014-15 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues. Relatively less significant issues are listed in the Annex-I of the Audit Report. The audit observations listed in the Annex-I shall be pursued with the Principal Accounting Officers at the DAC level and in all cases where the PAOs do not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening of internal controls to avoid recurrence of similar violations and irregularities.

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

S/d-

Dated: 14th July, 2020

[JavaidJehangir]
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit (Climate Change & Environment), Islamabad conducts regularity (Financial Attest Audit and Compliance with Authority Audit) and performance/Project audit of projects/ departments utilizing ERRA funds.

The special audit of consultancies hired by ERRA was approved in the annual audit plan 2014-15 and accordingly the audit was conducted. The report covers the period since establishment of ERRA to 31st December, 2013. The audit was conducted in accordance with the INTOSAI Auditing Standards and guidelines issued by the Department of Auditor General of Pakistan.

The prime objective of the Special Audit of Consultancies hired by ERRA is to report on the performance of consultants as technical partners of ERRA in rehabilitation and reconstruction work. In order to achieve the prime objective, the hiring process of consultants, consultant's performance against intended objectives and compliance with applicable rules, regulations and procedures was reviewed. The report is aimed at enhancing the accountability process by highlighting the weaknesses in consultant's performance, with recommendations for improvements.

a. Audit objectives

The core objective of Audit is to report on the performance of consultants as well as performance of ERRA towards management of consultants as technical partners of ERRA in rehabilitation and reconstruction work since inception to 31st December, 2013. The following procedures were laid-down in order to achieve the audit objectives:

- i. Review the hiring process of consultants in order to assess the transparency and economy observed in the process.
- ii. Review consultant's performance against intended KPIs.
- iii. Review compliance with applicable rules, regulations and procedures.

b. Scope

Audit obtained a list of 31 consultants hired by ERRA that provided the consultancy services to ERRA Headquarters, AJK & Khyber

Pakhtunkhwa areas (Annex-II). However, ERRA did not provide any detail/ list of consultants hired in Khyber Pakhtunkhwa for EEAP projects despite repeated requests. Out of thirty (31) consultants, a sample of eleven (11) engineering consultants was selected based on expenditure. Audit gave due coverage to the consultants hired by every fund source (GoP, donor, sponsor) and for every sector (health, education, transport and power). It was also ensured that consultants working during the course of audit could be picked up keeping in view the magnitude of their operations. This will not only allow audit to help ERRA improvise through its recommendations but will also enable to fairly generalize its results to the consultants as a whole. The period under audit scrutiny was from establishment of ERRA i.e. 24th October, 2005 to 31st December, 2013.

c. Methodology

The Audit was conducted in accordance with the INTOSAI Auditing Standards as envisaged in Financial Audit Manual (FAM). The Audit also included review of record, field visits and discussion with management.

d. Comments on Internal Control and Internal Audit Department

The organization has its own Internal Control mechanism. However, the same needs improvement. The system of internal audit is in place, however, no internal audit reports have been shared with audit.

e. Key findings of the audit report

- i. Irregular payments/ violation of rules were observed in 8 cases involving Rs. 9,464.322 million. This include3 cases of violations of Pakistan Engineering Council (Conduct and Practice of Consulting Engineers) Bye-laws,1986, 2 cases of violation of Manual of Development Projects and 3 cases of violation of Contract Agreement. ¹

¹Para 1.2.2, 1.2.3, 1.2.4, 1.2.6, 1.2.9, 1.2.11, 1.2.12, 1.2.16

- ii. Weak internal controls were observed in 29 cases involving Rs. 4,023.652million.²
- iii. Weak financial management in 2 cases resulted into non-deposit of receipts into government treasury and unauthorized off-setting of claims by the consultants amounting to Rs. 39.722 million. Further, this also led to creation of huge liabilities amounting to Rs. 1,280.698 million of NESPAK against ERRA.³
- iv. Recoveries were pointed out in 22 cases amounting to Rs. 550.351 million. This includes 02 cases of recovery of taxes, 02 cases of non-deposit into treasury, 18 cases of recovery of unauthorized payments to consultants in violation of contract agreements and Pakistan Engineering Council (Conduct and Practice of Consulting Engineers) Bye-laws, 1986.⁴
- v. There was 1 case of unverifiable expenditure amounting to Rs. 2,853.47 million.⁵
- vi. There were 3 cases amounting to Rs. 370.229 million pertaining to assets procurement and management. These include 1 case of mis-procurement of assets, 1 case of improper maintenance of assets and 1 case of unauthorized retention of physical assets by NESPAK.⁶
- vii. There was 1 case of advance payment for an amount of Rs. 50 million to NESPAK without bank guarantee.⁷

f. Recommendations

The PAO needs to take necessary steps to strengthen and institutionalize internal controls in the light of the following recommendations:

- i. Internal Controls should be strengthened and internal audit to be conducted on regular basis to ensure compliance of the applicable rules. The PEC Guidelines, 1986 need to be followed in letter and

² Para 1.2.2, 1.2.3, 1.2.4, 1.2.5, 1.2.6, 1.2.7, 1.2.8, 1.2.9, 1.2.10, 1.2.11, 1.2.12, 1.2.13, 1.2.14, 1.2.15, 1.2.16, 1.2.17, 1.2.18, 1.2.19, 1.2.20, 1.2.22, 1.2.23, 1.2.24, 1.2.25, 1.2.27, 1.2.28, 1.2.29, 1.2.30, 1.2.31, 1.2.32, 1.2.33, 1.2.35, 1.2.36, 1.2.37, 1.2.38, 1.2.39, 1.2.40, 1.2.42, 1.2.43

³ Para 1.2.20, 1.2.21, 1.2.25

⁴ Para 1.2.5, 1.2.6, 1.2.7, 1.2.8, 1.2.10, 1.2.12, 1.2.14, 1.2.17, 1.2.20, 1.2.22, 1.2.25, 1.2.26, 1.2.27, 1.2.28, 1.2.29, 1.2.30, 1.2.31, 1.2.32, 1.2.33, 1.2.36, 1.2.37, 1.2.42

⁵ Para 1.2.15

⁶ Para 1.2.43, 1.2.44, 1.2.45

⁷ Para 1.2.18

spirit, so as to benefit department by ensuring fair competition while making procurements.

- ii. The department needs to strengthen its financial control, besides recovering the unauthorized commission deducted by the cellular companies.
- iii. The amount of recovery pointed out on account of overpayments, unauthorized payments, taxes and late delivery charges needs to be recovered.
- iv. The Vouched / adjustment accounts need to be obtained and produced to audit for verification. Complete record needs to be produced to audit, failing which, the authenticity of payments cannot be verified.
- v. The Asset management and inventory control systems need to be made effective through continuous monitoring.
- vi. Bank guarantees need to be obtained against the advance payments.

1.1 INTRODUCTION

The earthquake of 8th October 2005 rendered over three million people homeless and virtually destroyed more than half a million houses, 73,338 people dead and 128,304 severely injured. Pakistan had never seen such a catastrophe that could have caused such human, physical and economic losses. There was no precedent in dealing with a disaster of this magnitude and no such department existed to deal with such a calamity/disaster.

ERRA was established at the Federal level on 24th October 2005 through an Ordinance, which was replaced afterward with Act of Parliament. PERRA and SERRA are the implementing agencies at Provincial (Khyber Pakhtunkhwa) and State level (AJ&K) respectively, whereas District Reconstruction Units (DRUs) operate at the District level in earthquake affected areas. ERRA prepared sector strategies for each of the affected sectors to determine the losses and to build back better.

In order to carry out the reconstruction and rehabilitation of the areas affected by the earthquake, ERRA decided to engage the Consultants to provide engineering consultancy services for projects carried out in the earthquake affected areas. To support the reconstruction activities of ERRA, initially a general consultancy contract was signed by ERRA with the National Engineering Services Pakistan (NESPAK) on 26th April, 2006. NESPAK was required to: (i) carry out various engineering services like Seismic, geological, geotechnical studies etc. for specific affected area(s) identified by the ERRA (ii) provide available counterpart staff and facilities to international development agencies on various assignments, (iii) review the work plan, implementation schedules prepared and submitted to ERRA by respective civil government of AJK & Khyber Pakhtunkhwa and provide recommendations, (iv) review the quality assurance plans, and (v) assist ERRA in selection of specialized consultancy firms, wherever required to be specifically hired by ERRA for various projects. ERRA hired other consultancy firms i.e. M/s The Architect, M/s ECIL, M/s ACE Arts, M/s Engineering Associates, M/s SAMPAC, M/s PEPAC etc. to provide consultancy services for the projects in different sectors such as transport, power, health and education sectors.

ERRA is still in the process of reconstruction activities and consultants are actively involved in designing, supervision and contract administration of the ERRA's reconstruction projects executed in AJK and KhyberPakhtunkhwa areas.

1.2 AUDIT FINDINGS AND RECOMMENDATIONS

Organization and Management

1.2.1 Non-Production of record

Section 14 (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides that any person or authority hindering the auditorial functions of the Auditor-General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

The special audit of consultancy of NESPAK was commenced in April, 2014. Despite repeated requests (verbal as well as written); the cooperation from procurement wing of ERRRA regarding provision of record was highly un-satisfactory.

The Management of ERRRA was served with subsequent reminders dated 16.07.2014 and 28.07-2014. It was replied by the formation vide letter dated 20.08.2014 that the necessary record was provided to audit vide their letter dated 25.07.2014, which was contrary to fact. The record as detailed at Annex-III was not provided/ produced to audit:

Audit is of the view that non-production of record is a serious lapse on the part of management.

The matter was pointed out to the management on 21.10.2014 but no reply was received.

The PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that the above record may be arranged by ERRRA and produced for detail audit.

(Para No. 92, NESPAK)

Irregularity & non compliance

1.2.2 Irregular payment of consultancy contracts without PC-I - Rs. 3,533.074 Million

According to Sections 4.25, 4.26 and 4.27 of Manual for Development Projects of Planning Commission, Minor schemes, irrespective of sector, estimated to cost upto Rs. 1.00 million should be prepared on the proforma. Preparation of the project on the PC-I proforma is the pivotal phase of the project cycle. The PC-I should be supported with a feasibility study, survey and investigation and market survey report.

Audit observed that contrary to above guidelines, a general consultancy agreement was signed between EERA and M/s NESPAK on 24.09.2005 for the design and supervision work of EERA projects with completion date of 25.09.2008 at a cost of Rs. 508.695 million. The contract was extended upto 30.06.2014 vide amendment No. 4 and an expenditure of Rs. 3,533.074 million was incurred till the date of audit without any approved PC-I.

Audit holds that the award and execution of contracts and incurring of expenditure amounting to Rs. 3,533.074 million is irregular.

The matter was pointed out on 21.10.2014. The management replied that the Central Contract concluded with M/s NESPAK included the pre-requisites of PC-I comprising budget allocation period, manpower, assets and equipment. But so far as the preparation of PC-I is concerned, it is clarified that all rehabilitation projects had been executed or being executed at SERRA (AJK) and PERRA (Khyber Pakhtunkhwa) regions. The separate PC-I is not required as the Engineering cost on which NESPAK is appointed as Consultant has been included in the respective PC-I's of all these projects.

The reply of the management is not convincing as the cost of consultancy services is not included in all sector wise projects, where NESPAK is providing consultancy services.

The PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report

despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that the matter may be inquired and action may be taken against responsible under intimation to audit besides getting approval of PC-I.

(Para No. 75, NESpak)

1.2.3 Undue favor to the consultant by making overpayment and signing of amicable settlement by the employer despite having serious reservations – Rs. 25.820 million

According to appendix E Clause 1(i) to the contract, the contract price for consultancy services for the purpose of the agreement is 2.7% of total project cost. Further, Appendix E 1 (ii) stipulates that as per the estimated cost of the project, the 2.7% consultancy fee comes to Rs. 85,142,921. This estimated amount will be paid in two equal halves i.e Rs. 42,571,460 each for both design & planning and supervision. The design payments of the projects were linked to the different phases underlined in the contract i.e 5% on submission of inception report, 10% on submission of Topographic survey and geo-technical report, 10% on submission of concept dev. and architectural design report, 15% on submission final engineering designs, 40% on submission of tender docs/ engineering estimates/ PC-I and 20% on tender evaluation and award of work.

ERRA awarded a consultancy contract to M/s the Architect for design, planning and supervision of the high profile project of AJK University at Chattar Class Muzaffarabad. The payments of Rs. 82.696 million were made to the consultant for design, planning and supervision.

It was observed that:

- i. The payment in the design & planning phase was linked with the phases laid down in the contract. As it is evident from the ERRA letter dated 24.03.2014, the employer had serious apprehensions regarding specifications including topographic survey, soil investigation and submission of report, hence, the payment of Rs. 82.696 made for design & planning phase was unjustified.

- ii. Audit did not find any list of staff/ attendance record of the site staff with the invoices. Further, the detailed deployment of staff was neither provided in the agreement nor agreed in the later stages. Moreover, in the opinion of employer, the site supervision staff was engaged in resolving contractual issues with the employer instead of site supervision.
- iii. According to clause 2.6 of GCC, the employer was required to impose the fine @ 2% of the completion cost of the remaining work, if the delay was attributable to the consultant, but the same was not imposed.
- iv. The professional indemnity insurance as required under byelaws of PEC, 1986 and clause 3.4 of GCC was not obtained from the consultant. This act put the project at risk as the consultant's services were terminated and the responsibility of the design still lied on the shoulders of the consultant.
- v. The consultant was entitled for remuneration @ 2.7% of estimated project cost for design and supervision before the project was completed. However, the consultant received an amount of Rs. 25,820,059 @ 2.7% as difference of actual and estimated cost, which is unauthorized before the completion of project.

Audit holds that the contract was not managed properly and professionally. Such high profile project amounting to Rs. 5,826.856 million (cost of projects and supervision fee) was put at harm's way, due to mis-management and delayed actions.

The matter was pointed out to the management on 21.10.2014. The department replied that the services of consultant were not extended due to unsatisfactory performance of consultant and the consultant had not been paid supervision fee amounting to Rs. 4.002 Million @ 40% of progress of project titled University of AJK, King Abdullah Campus Chatter Klass, Muzaffarabad. Similarly an amount of Rs.1.342 Million had not been paid to M/s The Architect admissible on final completion cost of project GGPGC-Muzaffarabad. Final negotiation is under way at ERRA level and penalty will be imposed on consultant, if necessary.

In the DAC meeting held on 3rd to 5th July, 2018, the Para was pending till verification of Reports and amicable settlement deed. Payment detail may be reconciled with physical progress within a week.

It was revealed during the verification of record dated 11.07.2018 that the consultant was entitled for remuneration @ 2.7% of estimated project cost for design and supervision. The consultant would only be entitled to receive difference of design and supervision fee @ 2.7% of actual project cost upon completion of the project. Thus, the payment of Rs. 25,820,059 on account of design fee in addition to 2.7% of estimated cost was unauthorized. It is evident from the ERRA letter dated 24.05.2014 that the employer had serious reservations about the professionalism and commitment of the consultant towards the project. The extension was not given to the consultant by the donor and the project was awarded to M/s Al-Taraz for the leftover work. Meanwhile, an amicable settlement was signed by ERRA and consultant, which was not approved by donor. The settlement provides that the consultant would be paid design and supervision fee on the contract execution cost.

Audit recommends that despite serious allegations of the employer, the signing of amicable settlement on such terms was undue favor, which needs to be inquired. The consultant was discontinued to work since 2014, and his final settlement should have been worked out on the basis of last IPC of actual work done verified by the consultant. The over payment needs to be recovered besides imposition of penalty for non-completion.

(Para No. 54, PMIU, SKFD-Muzaffarabad)

1.2.4 Unauthorized payment of project allowance to employees of NESPAK - Rs. 10.021 million

Appendix-A 3(a) to the Pakistan Engineering Council (Conduct and Practice of Consulting Engineers) Bye-laws 1986 does not include the project allowance as part of the salary or in non-salary cost / remuneration of the consultant.

ERRA paid Project allowance amounting to Rs. 10,020,567 (vide IPC-64) at the rate of 15% to NESPAK. Despite repeated requests, the

payroll and basis of different components of remuneration paid to the employees were not provided to audit.

Audit holds that the payment of project allowance to the consultant (NESPak) out of ERRA funds was unauthorized as it was neither agreed in the initial agreement nor admissible under PEC by-laws.

The matter was pointed out to the management on 21.10.2014. The management replied that PEC byelaws, Appendix – A specifies the basis of computation of professional charges and fee for consulting engineers, method No. 3 regarding cost plus fixed fee basis which was adopted by ERRA and NESPak for this particular project because it is not possible to state the exact scope of work at the time of appointment of the consulting engineer. Under the head Salary Cost sub part (xv) clearly specifies that client shall reimburse “Any other special allowances or benefits, actually paid or payable to an employee and mutually agreed between consulting engineer and employer and required as per any labor or other laws in force”. Further, it is pertinent to note that office time observed by NESPak in all its offices was five days a week as per circular issued dated May 02, 2005. ERRA requested that NESPak would extend their office timing from five days a week to six days a week for better coordination of works. ERRA and NESPak mutually agreed on terms and conditions regarding payment mechanism of additional working days.

The reply is not satisfactory as neither any specific project was disclosed nor any basis of payment of project allowance was produced to audit.

In the DAC meeting held on 3rd to 5th July, 2018, the Para was pending till the verification of approval of Amendment No. 7 with respect to efficiency monitoring clause.

No further progress was intimated till finalization of this report.

Audit recommends that the total amount of project allowance may be worked out and recovered from the consultant.

(Para No. 84, NESPak)

1.2.5 Unauthorized payment to consultant M/s ECIL on account of additional staff hired – Rs. 82.287million

In contract negotiation committee meeting held on 16-17 April, 2007, the sub- committee discussed about staffing level and proposed arrangements in detail. It was decided to keep the proposed staff arrangements intact on the assurance of the consultant that in case of any deficiency, the additional positions would be engaged/ hired at the cost of company overheads and the project would be pushed to completion.

A consultancy contract for detailed design and construction supervision in transport sector EEAP was awarded to M/s ECIL on 23.04.2007 at a cost of Rs. 257.951 million. Audit observed that the consultant hired staff in addition to the staff laid down in the contract, and their remuneration of Rs. 82.287 million was claimed from the client (EEAP) instead of bearing the same from the company's overhead.

Audit holds that the payment to the consultant is in violation of contractual provision.

The matter was pointed out to the management on 21.10.2014. The management replied that the payment of consultancy services was got regularized under contract clause GCC 2.6 (b) read with SCC through modification/variation order No.06 vide No. EEAP/CE/1965-69/2012 dated 23-04-2012 and No. 07 vide No. EEAP/CE/3056-62/2013 dated 23-05-2013.

The reply of the management is not relevant, as the payment is made in violation of the agreed contractual provision.

In the DAC meeting held on 3rd to 5th July, 2018 it was decided that a Technical Committee may be constituted to evaluate the negotiation committee decisions and change in scope of work within four weeks. Fate of the Para will be decided accordingly.

No further progress was intimated till finalization of this report.

Audit recommends that amount so paid may be recovered. Besides, the matter be thoroughly inquired to fix the responsibility against the person's held accountable and result of the inquiry may be intimated to audit.

1.2.6 Overpayment on account of unauthorized increase in salary of staff of M/s Engineering Associates– Rs. 14.226 million

Three different consultancy contracts were awarded to M/s Engineering Associates vide package No.2, 3 and 4 for construction of buildings in district Kohistan and roads and bridges in District Shangla and Kohistan respectively.

The contract agreements for design & planning and supervision were signed on February, 2009. The supervision phase of the contract was commenced in August, 2010. Accordingly, the supervision staff was deployed on and after commencement of supervision phase. Their appointment/ joining dates were submitted by the consultants to employer in each progress report.

Audit noticed that the date of appointment/ joining of the supervisory staff was presumed from the date of signing of contract and 10% increase in salary was given on the preceding 13th, 25th, 37th and 49th month. The amount of 10% increase after passing of each year was paid as detailed at Annex-IV.

Audit holds that the staff has not actually appointed/joined for the field supervision as presumed. Further, the base for 10% for each subsequent year was changed on running basis (by including the increase of previous years) instead of initial pay as agreed in the contract which led to overpayment.

The matter was pointed out to the management on 21.10.2014 but no reply was received. Further, the PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that the ten percent increase in salary should be re-calculated from the date of commencement of work and joining of personnel (being paid), whichever is later. The base salary used for calculating the subsequent increase by every 13th, 25th, 37th and 49th month

is running instead of being fixed. The base salary for that purpose should be the fixed salary agreed in the contract. The excess amount paid may be worked out and recovered.

(Para No. 68, PMIU, SFD-Abbottabad)

**1.2.7 Over payment to consultant over and above contractual provision
- Rs. 8.420 million**

Three different consultancy contract were awarded to M/s Engineering Associates vide package No.2,3 and 4 for construction of buildings in district Kohistan and construction of roads and bridges in District Shangla& District Kohistan respectively.

According to clause 4.2 (b) of general conditions of contract, if required to comply with the provisions of clause GC 3.1.1 hereof, adjustments with respect to the estimated periods of engagement of key personnel set forth in Appendix C may be made by the consultants by written notice to the client, provided(i) that such adjustments shall not alter the originally estimated period of engagement of any individual by more than 10% or one week, whichever is larger and (ii) that the aggregate of such adjustments shall not cause payments under this contract to exceed the ceilings set forth in clause GC 6.1(b) of this contract.

According to SC 6.1 of the contract, construction supervision fee amount is a fixed ceiling for the planned construction / completion period of 30 months. In case of slow progress, the consultant shall endure, as per directions by the client, to adjust proportionately to complete the construction supervision during an extended period of time within stipulated amount. However, if the completion period extends substantially beyond the planned period, at no fault of the consultant, an enhancement in this amount and time will be agreed mutually with the consent of IDB.

Contrary to above, the required adjustments in the man months were not made according to time frame of physical execution. This resulted into an overpayment of Rs. 8.420 million beyond the ceiling fixed in the agreement as detailed at Annex-V.

Audit holds that the consultant was required to adjust its man months in accordance with the physical progress and need of the project, so that complete supervision of the project could be carried out within time stipulated in the contract and within ceiling/ men months'/ amount fixed.

The matter was pointed out to the management on 21.10.2014 but no reply was received. Further, the PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that payment over and above the ceiling fixed in violation of contractual clauses may be recovered from the consultant under intimation to audit.

(Para No. 57, PMIU, SFD-Abbottabad)

1.2.8 Unauthorized payment of site office to consultant– Rs. 5.296 million

Section 7 (1 & 2) of Pakistan Engineering Council Conduct and Practice of Consulting Engineers, Bye-laws, 1986, provides that percentage of construction cost contracts includes professional charge for the consulting engineer (including the Salary Costs, the Overheads, the Fee and the Direct Non-Salary Costs) is used for assignments comprising mainly the design of various works, Preparation of drawings, specifications and other contract documents. In supervision contracts, provision of a liaison office to be maintained at headquarters of the employer is to be clearly indicated and either to be absorbed in the overhead or to be separately compensated at the wish of the employer. This is applicable in the resident type of supervision. Further, Appendix-A 3(b), provides that the consultant shall maintain a site office at his own cost throughout the construction period.

Audit observed that:

- i. The employer/ ERRA provided the site office (along with maintenance) and field facilities through an amendment in the

contract and a payment of Rs. 5.296 million was made to the consultants as detailed at Annex-VI.

- ii. the employer in its letter no. 1061/ DirCoord/Office dated 04.11.2013 informed the General Manager M/s The Architect that the site office was located away from field facilities and had never been occupied by their staff. The employer along with contractor was facing problems for delivering important documents at site office, as the Resident Director insisted on delivering the mails at his residence.
- iii. Moreover, the number of staff, space requirement and rent of the building was also not assessed. The income tax on the rent of the office was also not deducted from the owner.

Audit holds that the payment for site office and field facilities contrary to the above mentioned provisions is unauthorized, as the percentage remuneration of the consultants already include overheads, salary and non-salary cost. Amendment in the contract clauses, after lapse of many years from the date of original contract agreement, for provision of facilities tantamount to undue favor to consultant.

The matter was pointed out to the management on 21.10.2014 but no reply was received. Further, the PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that the amount paid on account of rent of office may be recovered from the consultant.

(Para No. 58, PMIU, SFD-Abbottabad)

1.2.9 Unjustified payment of overtime to hired technical / non-technical staff - Rs. 465,110

Appendix-A 3(a) to the Pakistan Engineering Council (Conduct and Practice of Consulting Engineers) Bye-laws, 1986 does not include overtime payment as part of the salary or non-salary cost of the consultant.

The General consultancy agreement amounting to Rs. 508,694,840 was signed between ERRA and NESPAK on 24.10.2005 for the period of 36 months.(i.e upto 25-09-2008), which was further extended up to 30.06.2014 as a result of amendments to the contract. However, despite lapse of more than 08 years, the tasks undertaken by NESPAK were still underway.

Audit observed that technical and non-technical staff engaged by NESPAK for ERRA projects was paid overtime amounting to Rs. 465,110 vide IPC-64.

Audit holds that the payment of over time is unjustified as it is against the PEC bye-laws. Further, the task assigned to the NESPAK was not completed in the stipulated time. In the absence of any extra efforts or extra-ordinary progress, the payment of overtime is also un-justified.

The matter was pointed out to the management on 21.10.2014. The management replied that as per PEC byelaws, Appendix – A which specifies the basis of computation of professional charges and fee for consulting engineers, method No. 3 regarding cost plus fixed fee basis adopted by ERRA and NESPAK for this particular project because it is not possible to state the exact scope of work at the time of appointment of the consulting engineer. Under the head Salary Cost sub part (xv) clearly specifies that client shall reimburse “Any other special allowances or benefits, actually paid or payable to an employee and mutually agreed between consulting engineer and employer and required as per any labor or other laws in force”.

The reply of the management is not satisfactory, as the payment of the overtime is neither justified as per PEC Bye-laws 1986 nor the efforts/ progress of the consultant was extraordinary.

In the DAC meeting held on 3rd to 5th July, 2018, the Para was pending till the verification of approval of Amendment No. 7 with respect to efficiency monitoring clause.

No further progress was intimated till finalization of this report.

Audit recommends that the total payment of overtime to non-technical/ technical staff may be worked out and recovered.

1.2.10 Unauthorized payment against use of rented vehicles despite the provision of procurement and fictitious payment on account of rent – Rs.4.248 million

As per the Appendix-3 of contract laid down with M/s Engineering Associates, provision of procurement of one vehicle 1000 cc and one motorcycle was given in each contracts:

It was observed that during the complete tenure of contract, the rented vehicles were used for the project instead of procuring as detailed at Annex-VII. The amount spent on rented vehicle was either equal to or more than the amount provided for procurement of vehicle. The rental payments bills were not supported by sub vouchers i.e. bill/ voucher, contract agreement, details of beneficiary, type of vehicle and acknowledgment of payment from the rent a car agency etc. Further, the rent of the car was claimed for complete months. Whereas, the actual need of the rented vehicles might have been for a period of more or less than the complete months.

Audit holds that the amount so spent is unjustified. Further, the payment of rental claims without supporting documents made it unverifiable as the authenticity of the same could not be verified.

The matter was pointed out on 21.10.2014. The department replied that the provision available in PC-1 was not sufficient to purchase the vehicles to meet with hilly areas on kacha track Roads. In order to meet with the development task at sites as per instruction of donor i.e. Asian Development Bank (ADB), the vehicles comprising of Jimmy 1300 CC and Double Cabin 2400 CC were hired by the consultant on rent at lowest cost.

The reply of the management is not satisfactory as the PC-I is silent to this effect.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that complete record i.e. rental agreement and use of rented vehicles may be get verified besides regularization of rented vehicles in place of provision of procurement vehicles.

No further progress was intimated till finalization of this report.

Audit recommends that the matter may be got regularized in the absence of which the matter may be inquired to fix the responsibility besides recovery of the amount.

(Para No. 15, EEAP-AJK)

1.2.11 Unjustified appointment of drivers and expenditure on account of pay - Rs. 432,000

As per the Appendix-3 of contract laid down with M/s EA associates, the provision of procurement of one vehicle 1000 cc and one motorcycle was given in each of the following contracts.

Name of the Consultant	Contracts	Provision of procurement		Amount spent on the pay of drivers	Remarks
		1000 cc vehicle	Motorcycle		
M/s EA Consultant	10 BHU and 1 RU, Rawlakot	1	1	108,000	
	DHQ, Athmuqam	1	1	108,000	Upto Bill No. 12 (partial/ incomplete payment record was produced to audit
	8 BHUs including RUs, 1 RU of CMH, ADHO/ DHO, Rawlakot	1	1	108,000	
	1 RHC and 8 BHUs including RUs, Rawlakot	1	1	108,000	
Total		4	4	432,000	

Audit observed that instead of procurement of vehicles, rented vehicles were used during complete tenure of the contract. Vehicles were not purchased but full time drivers were appointed. The payment was made to the drivers on a computer generated sheet. Payment voucher were not accompanied by sub-vouchers/basic component for identification of individuals like names, attendance, CNIC, acknowledgments etc.

Audit holds that appointment of drivers without procurement of vehicles is unjustified. Further payment without supporting sub-voucher seems to have been made to the ghost employees.

The matter was pointed out to the management on 21.10.2014. The department replied that drivers were appointed by the consultant with the approval of employer to perform their duties at project sites and their duties could not be linked with the procurement of vehicles. Payments have been made by the consultant through acknowledgement receipts which are supported in the invoices in original.

The reply of the management is without any supporting document.

In the DAC meeting held on 3rd to 5th July, 2018 it was decided that Para is pending till verification of complete record showing payment to the concerned drivers along-with justification of their hiring against rented vehicles. However, no further progress was intimated till finalization of this report.

Audit recommends that appointment of drivers and payment thereof without procurement of vehicle in the first place is unjustified. Further, payment without supporting voucher renders it fictitious and needs to be recovered.

(Para No. 16, EEAP-AJK)

1.2.12 Unauthorized payment on account of field visits of consultant M/s PEPAC (IDB) –Rs. 5.332 million

As per Appendix E-I(iv) of the contract, the field visits of the Management of the consultant will not be borne by the client.

M/s PEPAC has been awarded contract for design, planning and supervision of IDB projects. Audit observed that contrary to above, consultant claimed the following amounts for field visits of staff:

	Expenditure on field visits upto Oct, 2012 (Rs.)	Monitoring of progress & quality (Rs.)	Processing of claim as per contract (Rs.)	Meeting with client expenditure upto Oct, 2012 (Rs.)	Total (Rs.)
Provision in contract	200,000	3,065,000	785,000	50000	4,100,000
Expenditure	114,593	3,063,020	2,134,000	20000	5,331,613
Excess/ deficit	85,407	1,980	(1,349,000)	30,000	(1,231,613)

Audit further observed that the expenditure was not supported by vouchers, which renders it doubtful. The amount so spent was to be borne by the consultant as per contract.

Audit is of the view that the expenditure made is in contravention to the clauses of the contract renders it unauthorized.

The matter was pointed out to the management on 21.10.2014 but no reply was received. Further, the PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that the responsibility may be fixed on person(s) at fault besides initiating the recovery process under intimation to audit.

(Para No. 67, PMIU, SFD-Abbottabad)

Internal Control Weaknesses

**1.2.13 Delayed submission of IPCs resulting into extra financing charges
- Rs 10.199 million**

The clause 6.4 (c) of the contract agreement stipulates that the client shall pay the consultant's statements within sixty (60) days after the receipt by the client of such statements with supporting documents. Only such portion of the statements that is not satisfactorily supported may be withheld. Further, Interest rate /financing charges as specified in the SC @ KIBOR plus 1%, shall become payable on any amount due but not paid on, such due date.

It was observed that EEAP withheld/delayed many payments which were later on paid with interest to the consultant as detailed below:

Invoice No.	Net amount (Rs.)	Income tax amount (Rs.)	Gross total amount (Rs.)	Delay amount paid @ 10% of gross amount (Rs.)
15, 20, 40, 50, 65	311,733,871	18,365,187	330,099,058	10,199,857

Audit holds that the payment of financing/interest charges amounting to Rs.10.199 million on account of delayed payments shows weak financial controls of the department, due to which the government suffer additional burden of Rs. 10,199,857. This resulted into undue favor to the consultant.

The matter was pointed on 21.10.2014. The department replied that the payment of consultancy was delayed in the initial period of FY 2007-08 and for the closing period of ADB grant 0029 FY 2010-11. The delay was happened due to shortage of fund at the end of ADB. The implementation of payment against grant component was started at the end of ADB w.e f. July 2008 through withdrawal applications and some payment were delayed due to delay in issuance of NOC by the donor i.e ADB against variation order No. 05. The total payment of Rs. 7,083,703/- was made against invoice No. 15, 20, 40, 50 and 65 out of total claim of Rs. 21,123,348 on account of delay payment as per GCC 6.4(c). The original invoices were properly received by the client through Dak receipt.

The reply of the management is without supporting evidence. Further, the reasons of delay of each IPC were not attached with the claim. The solid justification for each delayed IPC is not produced to audit.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that Para is settled subject to verification of record showing that IPCs were generated within a reasonable time and delayed payment was on the part of the donor.

The statement showing the record pertaining to submission of IPCs from the consultant was provided during verification dated 08.08.2018, which clearly indicated that the lapse is on the part of EEAP. The department was requested to provide bank statements along with copy of the contract clause indicating the maximum agreed period of clearing the IPCs from the donor. Further, the bank statement in support of Bank date indicated in the statement may also be provided.

Audit recommends that the matter be inquired and responsibility of such negligence may be fixed on the person(s) responsible.

(Para No. 32, EEAP-AJK)

1.2.14 Undue favor to the consultant by making monthly payment of consultancy fee by de-linking it with the physical progress of the project– Rs. 13.384 million

Pakistan Engineering Council Conduct and Practice of Consulting Engineers, By-laws, 1986 provides a method of Percentage of Construction Cost for calculation of design and supervision fee to the consultant. As an alternative but not generally, fixed percentage fee is also paid to the consulting engineer for supervision phase of the work, subject to limitations clearly fixed for the duration of the contract and the man month requirements with categories of the supervisory staff of the consulting engineer.

The procurement evaluation committee meeting was held on 10 November, 2007 to finalize the contracts of different firms. The consultant M/s ACE Arts requested the committee to de-link the payment of the construction supervision from the construction progress of the contractors. The committee decided to pay the consultant on equal monthly installments even if the contractor is not working or producing progress.

M/s ACE Arts was awarded the work of design and supervision of DC, Rawlakot and Government Boys College, Hajira on 31.05.2011. The design and supervision fee of M/s ACE ARTS was fixed as 2.38% of the final cost of the project, paid in two equal halves for design and construction phase of the project in the ratio of 40:60 (7 installments in design & planning phase and 24 equal monthly installments in supervision phase). The physical / financial progress of the projects against the consultancy fee paid to the consultant is detailed at Annex-VIII.

Audit holds that:

- i. The de-linking of supervision fee from physical progress in the construction phase is a violation of PEC guidelines.
- ii. It tantamount to financial favor to the consultant and relieving the consultant from his responsibility in pushing the progress to the targets.
- iii. The physical progress was much below from financial progress in Government College for Boys, Hajira. It was the responsibility of

the consultant not to recommend the payment of the contractor over and above the physical progress.

The matter was pointed out on 21.10.2014. The department replied that as per clause 6.3 of PEC documents “Standard form of contract for engineering consultancy services” for large projects, “payment will be made to the consultants according to the payment schedule stated in the Special Condition. SC proposed by PEC does not limit the payment to consultant with the progress of project. The payment was delinked from progress on the request of the consultant being justified in the light of PEC documents. It is further clarified that the Physical Progress and Financial Progress of GBDC Hajira is as 83% and 79% respectively.

The reply of the department is not convincing. Payment made to the consultant was more than the payment due as per contract and as per the physical progress of the projects. The excess payment may be recovered with interest from the consultant and further payment may be stopped until the progress is not pushed to the targets.

In the DAC meeting held on 3rd to 5th July, 2018 it was decided that the department may initiate a process of recovery by issuing a notice to the consultant indicating excess payment vis a vis worked done. Any amount withheld by the department may be retained as a security for enforcing recovery.

No further progress was intimated till finalization of this report.

Audit recommends that the amount may be recovered under intimation to audit.

(Para No. 42, PMIU, SKFD-Muzaffarabad)

1.2.15 Unverifiable payment on account of salary, non-salary and reimbursable expenditure –Rs. 2,853.47 million

Section 44 and 45 of Chapter 3 of Audit and Accounts Order provides that it is the duty of Auditor General to see that there should be provision of funds authorized by competent authority fixing the limits within which expenditure can be incurred; that the expenditure incurred should conform to the relevant provisions of the Constitution or, of the orders made there under and should also be in accordance with the

financial rules and regulations framed by competent authority; and that there should exist sanction, either special or general, accorded by competent authority, authorizing expenditure. The expenditure should be incurred with due regard to broad and general principles of financial propriety. Any cases involving a breach of these principles and thus resulting in improper expenditure or waste of public money should be treated by Audit in the same manner as case of irregular or unauthorized expenditure.

The Management of ERRA paid an amount of Rs. 2,853.47 million to NESPAK on account of salary, non-salary and reimbursable expenditure. Only computerized sheets had been annexed with the claims and were not supported by vouchers. The following supporting vouchers/documents were not produced for scrutiny:

- i. Pay roll and copy of cheque/ acknowledgement receipt.
- ii. Detail of staff deployed by the consultant for supervision and original record of attendance of supervision staff in respect of each project.
- iii. Supporting vouchers/ record for payments made on account of reimbursable expenditure.
- iv. Rent agreements for site office/ office accommodation and deduction of taxes from the payment to owner of accommodation.
- v. Supporting vouchers for purchase of assets and POL.
- vi. Insurance obtained by consultant such as insurance of assets & equipment, life insurance and professional indemnity insurance.
- vii. Deposit Challan/ cheque of withheld taxes and taxes deposited by the NESPAK.
- viii. Monthly and quarterly progress reports for all the projects.
- ix. Design vetting report by the NESPAK for design prepared by other consultants.

Audit holds that in the absence of supporting vouchers the expenditure incurred could not be authenticated.

The matter was pointed out to the management on 21.10.2014. The management replied that NESPAK submitted monthly running invoice along with photocopies of all supporting vouchers. Besides, NESPAK regularly shared detail of assets / asset registers to the relevant quarters of ERRA.

The reply of the management is not satisfactory as no record was provided to audit.

In the DAC meeting held on 3rd to 5th July, 2018 it was decided that complete record would be audited after provision of Certificate from ERRA and NESPAK stating that the vouched accounts are complete and available for Audit.

No further progress was intimated till finalization of this report.

Audit recommends that complete record provided by NESPAK to ERRA may be produced to audit. Otherwise, the matter be inquired and responsibility may be fixed.

(Para No. 88, NESPAK)

1.2.16 Irregular payment of consultancy charges without PC-I - Rs. 73.886 million

According to Sections 4.25, 4.26 and 4.27 of Manual for Development Projects of Planning Commission, Minor schemes, irrespective of sector, estimated to cost upto Rs 1.00 million should be prepared on the proforma. Preparation of the project on the PC-I proforma is the pivotal phase of the project cycle. The PC-I should be supported with a feasibility study, survey and investigation and market survey report.

The Management of ERRA awarded consultancy contract to M/s NESPAK for detail design and supervision work of 30 Kuwait funded colleges. An expenditure of Rs.73, 886,328 was incurred.

Audit observed that the consultancy contract was awarded without preparation of PC-I and its approval from the competent forum.

Audit is of the view that due to weak internal controls and financial management irregular expenditure of Rs. 73.886 million was incurred.

The matter was pointed out to the management on 21.10.2014. The management replied that PC-Is of all Kuwait Funded Schemes (30 x Colleges) were prepared and approved from competent forum. Whereas, for consultancy services, amendment No. 4 had been made in M/s NESPAK general consultancy agreement, which stipulated that construction supervision services for Kuwait Fund Colleges shall be paid @ 4.5% of the work done by the contractor during the period duly supervised, measured and certified for payment by the consultant. Accordingly, payments were processed as per the said amendment.

The reply of the management is not acceptable as it does not address the observation raised by audit.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that the matter is to be considered jointly by ERRA with NESPAK for the preparation of PC-I.

No further progress was intimated till finalization of this report.

Audit recommends that the matter may be inquired and action may be taken against the responsible(s).

(Para No. 36, PMIU, SKFD-Muzaffarabad)

1.2.17 Loss to state due to non-deduction of Education Cess and Tajweedul Quran Trust- Rs. 8.429 million

As per income tax ordinance 2001, Education Cess @ 5% on the amount of tax as defined under clause (63) of section 2 has been levied and enforced in AJK w.e.f July 2006 onwards. Further as per notification issued by the Services and General Administration Department, Government of AJK, vide No.Admin/Sec-1/H-10/(16)/90 dated 17.06.1991 (reproduced in SERRA letter dated 13.03.2012) deduction of Tajweed-ul-Quran Trust (TQT) @ 2/1,000 is required to be made on the total value of the bid allotted.

Contrary to above, the EEAP, PMIU-SKFD did not deduct Education Cess and TQT from the payments made to the consulting firms which resulted into loss of Rs.8, 429,117to state as detailed at Annex-IX.

ERRA vide its letter dated 14.06.2012 also clarified and instructed to deduct Education Cess and TQT. However, despite clear instructions, deduction and recovery was not affected from the consulting firms.

The matter was pointed out on 21.10.2014. ERRA replied that the said taxes are related to AJK Government and not applicable on Federal/ERRA level payments of NESPAk. PMIU, SKFD replied that the Consultants were directed to deposit the taxes. EEAP replied that as per order of ERRA, while making the payment of pending liabilities of consultants, Education Cess and TQT have been deducted and deposited into Treasury. Some payments to the consultants could not be released due to shortage of GOP funds. The remaining deduction of TQT & Education Cess will be made on the further release of GOP funds by ERRA.

The reply of the management is not satisfactory as deduction of taxes is still pending and no record in support of the reply was produced.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that Para stands till verification of deduction of local taxes from M/s EA, M/s ECIL, M/s AEC, M/s The Architect and M/s ACE Arts. However, with regard to NESPAk payment, Audit view point alongwith NESPAk view point will be sent to Law & Justice Division for clarification. Fate will be decided accordingly.

No further progress was intimated till finalization of this report.

Audit recommends that the taxes may be deducted in respect of M/s EA, M/s ECIL, M/s AEC, M/s The Architect and M/s ACE Arts and produced to audit for verification. Further, the matter for seeking clarification from Law & Justice Division with regards to deduction of local taxes from NESPAk may be taken up and pursued actively to proceed further in the matter.

(Para No. 2, EEAP-AJK, No. 45, PMIU, SKFD-Muzaffarabad and No. 73, NESPAk)

Financial Management

1.2.18 Advance payment without bank guarantee – Rs. 50 million

As per clause 6.4 (a) of the consultancy contract the client shall cause to be paid to the consultant an advance payment after furnishing by the consultants to the client of a bank guarantee by any scheduled bank of

Pakistan which will remain effective until the advance payment has been fully set off. The advance payment will be set off by the client in proportionate installments against the monthly statement of the consultants.

Contrary to above, an amount of Rs. 50,000,000 was paid to M/s NESPak, but record in support to this payment was not provided for audit scrutiny.

Audit holds that the amount so released without obtaining guarantee is irregular and tantamount to undue favor.

The matter was pointed out to the management on 21.10.2014. The department replied that Advance Payment to NESPak was made after obtaining Bank Guarantee No. 0018/BAH/53/2006 dated 29.04.2006 with expiry date of 28.04.2008 and it has been adjusted in the bill No. 2 to 29.

The reply is without any documentary evidence. The PAO was requested to convene DAC meeting vide letter No. Audit Plan/Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that the disciplinary action may be initiated against the person(s) responsible.

(Para No. 80, NESPak)

1.2.19 Unauthorized payment to the consultant- Rs. 25.820 million

According to Clause 1(i) of appendix E to the contract, the contract price for consultancy services for the purpose of the agreement is 2.7% of total project cost. Further, Appendix E 1 (ii) stipulates that as per the estimated cost of the project, the 2.7% consultancy fee comes to Rs. 85,142,921. However, this is a tentative figure and would be revised at the time of completion of the project and would be worked out on the basis of final project cost and the construction supervision fee comes to Rs. 42,571,460.

Audit observed that payment fixed for the design phase was Rs. 42.571 million which was completely paid through IPC no 1 to 04. An

amount of Rs. 25.820 million was additionally paid for design phase vide invoice no. 528 as detailed below:

Name of the consultant	Scheme	Invoices	Actual payment made	Payment to be made as per contract before completion of project	Excess
The Architect	AJK Uni, Cahlttar class Campus GPGC, Mzd	1,2,3,4 & 1,2,3	42,571,460	42,571,460	-
		528	25,820,059	-	25,820,059
	Total		68,391,519	42,571,460	25,820,059

Audit holds that additional payment of 25.820 million was not admissible to the consultant at this stage as he has already claimed full amount fixed for design phase. However, in light of contractual provision, any additional payment was required to be worked out at the stage of completion of work on the basis of final cost of the civil work project proportionately. Hence, additional payment of Rs. 25,820,059 to the consultant before the completion of the project is violation of the contractual provisions. Further, the contract was also terminated later on vide letter No. ERR/14-8/2012(SPC) dated 24-03-2014.

The matter was pointed out on 21.10.2014. Management replied that contract price at the time of consultancy agreement is indicative and now the consultant total remuneration shall be calculated as per awarded contract prices. The planning & design evaluation phase has been completed by the consultant and as per contract the consultant is entitled to receive 50% of the aforesaid new contract price Rs. 77.546 million. The work on both sites is in progress and project completion cost shall be ascertained after completion of these projects i.e. in 2015. There has been substantial increase in the indicative contract price and awarded contract price. Therefore, in the light of consultancy agreement remaining design fee was recommended for payment to donor SFD and the donor SFD also agreed and paid accordingly.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that paid amount may be reconciled and the adjustment may be intimated to Audit.

During the verification of record dated 11.07.2018, the department produced record in support of its reply. As per the clauses of the contract, the right of the consultant for payment of design fee @ 1.35% of estimated project cost comes to Rs. 42,571,460. Audit holds that the right to receive payment over and above Rs. 42,571,460 did not accrue until the project was completed under his supervision. Hence, the payment of Rs. 25,820,059 vide invoice No. 528 was unauthorized.

Audit recommends that the matter may be inquired and the responsibility for processing such payment before time may be fixed on the person(s) responsible.

(Para No. 47, PMIU, SKFD-Muzaffarabad)

1.2.20 Loss to government due to non-deposit of sale proceeds of tender documents –Rs. 38.947million

As per Para-26 of ERRRA Accounting Procedure, the receipts if any generated by ERRRA shall be treated as government receipt and deposited into federal treasury.

NESPak received an amount of Rs. 38,947,196 as sale proceeds of tender documents under the Credit of Tender Documents (as depicted in IPC 64). The amount so received was required to be credited to government treasury but contrary to above the amount was credited to NESPak.

The matter was pointed out to the management on 21.10.2014. The management replied that NESPak is claiming the charges of its services through monthly bills dully verified by DG concerned. Such claims are processed after necessary adjustment of such nature of receipts etc. It is further clarified that such adjustments were made part of ERRRA fund and in the light of Para 7.2 of said rules there was no need for further deposit of same into Government treasury.

The reply is irrelevant as the expenditure and receipts are not allowed to be net off.

In the DAC meeting held on 3rd to 5th July, 2018 it was decided that Para stands till final decision regarding Para 26 of ERRRA Accounting Procedure with respect to receipts.

Audit recommends that the receipt of tender documents be recovered from NESPAk and deposited into Treasury.

(Para No. 81, NESPAk)

1.2.21 Creation of huge liability of NESPAk against government exchequer—Rs. 1,280.698 million

Para 105 of GFR- Volume-I provides that money indisputably payable should not, as far as possible, be left unpaid and that money paid should, under no circumstances, be kept out of accounts a day longer than is absolutely necessary. It is no economy to postpone inevitable payments and it is very important to ascertain, provide for in the budget estimates, liquidate and record the payment of all actual obligations at the earlier possible date. Besides, the Principal Accounting Officer shall make prompt payments to suppliers and contractors against their invoices or running bills within the time given in the conditions of the contract which shall not exceed thirty (30) days, as stipulated in rule 43 of Public Procurement Rules (PPR), 2004 issued by the Finance Division vide SRO 432(1)/2004 dated 8th June, 2004.

It was observed that a substantial amount was outstanding against ERRA pertaining to NESPAk as detailed below:

S. No.	IPC	Amount (Rs.)
1	Upto IPC-64	656,609,173
2	Fourth Amendment upto June, 2014	624,088,952
Total		1,280,698,125

It was further noted that the payments were made to NESPAk on provisional basis on the advice of finance wing of ERRA. Further, the specific reasons of outstanding /delayed amounts are also not indicated against each invoice.

Audit holds that the reasons of outstanding amounts, pending for long time along with the basis of provisional payments may be indicated.

The matter was pointed out to the management on 21.10.2014 but no reply was received.

The PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report

despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that the matter of delay of outstanding liabilities and basis of making partial/ provisional payments needs to be probed. ERRRA may devise an efficient financial management system to avoid such liabilities in future and to clear present liability at the earliest, before extending the contract of NESPAK for the leftover over work.

(Para No. 91, NESPAK)

1.2.22 Unauthorized payment after expiry of contract duration - Rs 3.422 million

Appendix-E of the contract agreement stipulates that contract price for consultancy services is Rs.30,416,448 @ 2.38% of estimated cost of the project, out of which Rs. 18,249,869 was for construction supervision phase. However, this is a tentative figure and would be revised at the time of completion of project and would be worked out on the basis of final project cost.

Audit observed that a consultancy contract for detailed design and construction supervision was awarded to M/s ACE Architectural and town planning Services (Pvt) Ltd. Lahore on 08.12.2007. The contract was a fixed lump sum contract at a contract price of fixed fee of 2.38 % of the total completion cost. The contract for construction supervision phase was for a period of 24 months from the date of commencement of work by the contractor. Following payments were made to the consultant for construction supervision phase:

Description	Amount	Remarks
Payment made for supervision phase for 24 months (01-10-2010 to 30-09-2012) (760411*24)	18,249,864	Complete payment fixed for supervision phase on initial project cost
Payment for supervision after expiry of 24 month 760411*9 (01-10-12 to 30-06-13)	3,421,850	Consultant submitted bill of Rs.6,843,699, the employer retained 50% and accepted 50% for payment

Audit holds that payment of Rs.3.422 million after expiry of the contract in contravention of contractual provision is un-authorized. The consultant had already claimed complete fixed amount for supervision

phase, hence no payment was due at this stage. However, at completion stage of project, department was required to work out whether cost of the civil work is increased from initial cost. If civil work cost increased then consultancy fee was also required to be worked out and paid on differential cost at the rate of 2.38%.

The matter was pointed out on 21.10.2014. The department replied that remuneration of consultants for extended period shall be calculated and paid @1.5% of remaining costs of the projects. The Consultant submitted the request for EOT for extended period with additional cost impact which was taken up with donor for concurrence. In parallel payments of Rs.3.42 million @ 50% of previously decided monthly installment as a provisional payment was recommended and paid which is much less than the reimbursable cost to be paid to Consultant @ 1.5%.

The reply of the department is not convincing.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that the department may initiate a process of recovery by issuing notice to the consultant indicating excess payment vis a vis worked done. Any payable amount may be retained as a security for enforcing recovery.

No further progress was intimated till finalization of this report.

Audit recommends that the amount may be recovered under intimation to audit.

(Para No. 43, PMIU, SKFD-Muzaffarabad)

1.2.23 Undue favor due to non-deduction of retention money – Rs. 1.181 million

According to clause 6.3.4 of the special conditions of the contract, the client will deduct 10% of the payment from all installments of construction supervision fee and this deduction would be released after the completion of work.

Audit observed that the department did not deduct 10% of the retention money from the following payment made to different consultants:

Name of consultant	IPC#	IPC amount	Retention money to be deducted @ 10%
ACE Arts	IPC-27-35 (01-10-12 to 30-06-13)	3421850	342185
The Architect	533	4,001,717	400,171
Allied Engineering	548, 566	4,386,420	438,642
Total		11,809,987	1,180,998

Audit holds that non-deduction of retention money is contrary to the contractual provision which not only resulted into undue favor but also provide excess liquidity to the consultant on the cost of the employer.

The matter was pointed out on 21.10.2014. The department replied that total amount of Rs. 6,843,699 against IPC 27 to 35 was payable to M/s ACE-Arts of which 50% amount of Rs.3,421,850 was withheld and balance amount paid. However, the Payment and deduction of retention money of M/s the Architect is being reconciled and will be recovered if found recoverable. In case of M/s Allied Engineering IPCs forwarded under Withdrawal Applications Nos. 548 & 566 pertain to field facilities. Deduction of retention money on field facilities is not applicable.

The reply is not convincing as 50% amount withheld from M/s ACE-Arts was not payable to him. Retention money was required to be withheld from payment made to the contractor.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that paid amount may be reconciled and the adjustment may be intimated to Audit.

No further progress was intimated till finalization of this report.

Audit recommends the implementation of DAC decision.

(Para No. 49, PMIU, SKFD-Muzaffarabad)

1.2.24 Irregular monthly payment of consultancy fee to M/s Allied Engineering– Rs. 4.844 million

Pakistan Engineering Council Conduct and Practice of Consulting Engineers, Bye-laws, 1986 provides a method of Percentage of Construction Cost to work out the design and supervision fee of the consultant. Fixed percentage fee is also paid to the consulting engineer for this phase of the work, subject to limitations clearly fixed for the duration

of the contract and the man month requirements with categories of the supervisory, staff of the consulting engineer.

According to Appendix-E III c of the contract, the consultant is to be paid 50% each for design & supervision phase, of 1.84% of total project cost. The supervision fee of construction phase will be paid in ten equal installments against each achievement level of 10% progress.

It was observed that the first invoice of the contractor was paid against the actual level of physical progress. Subsequently, from invoice 2 onwards, the consultant was paid a fixed installment on provisional basis irrespective of the level of physical progress. The physical / financial progress of the projects against the consultancy fee paid to the consultant M/s Allied Engineering is detailed at Annex-X.

Audit holds that the de-linking of supervision fee from physical progress in the supervision phase is a violation of PEC guidelines and contractual provision. This tantamount to undue financial favor to the consultant and absolve him from the responsibility of pushing the progress to the targets.

The matter was pointed out on 21.10.2014. The department replied that the payment was made to M/s AEC against 30% & 40% physical progress on provisional basis as both the projects under the supervision of M/s ACE were behind the construction schedule because of defaults of contractors, and later on both the contracts were terminated. The provisional payment was made to facilitate consultant and the payment will be adjusted against approved additional payment of M/s AEC by amicable settlement committee.

The reply of the management is not convincing. The extra payment made on provisional basis was over and above the physical progress.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that Para stands till verification of record of physical progress and payment made accordingly.

No further progress was intimated till finalization of this report.

Audit recommends that overpayment made to the consultant beyond the physical progress may be recovered.

(Para No. 51, PMIU, SKFD-Muzaffarabad)

1.2.25 Irregular adjustment –Rs. 775,000

As per Para-26 of ERRRA Accounting Procedure, the receipts generated by ERRRA shall be treated as government receipt and deposited into federal treasury.

An amount of Rs. 775,000 was received by NESPAk (as depicted IPC 52) as insurance claim against the lost vehicle which was purchased out of ERRRA funds.

Audit holds that the amount received was adjusted against the claim of NESPAk with ERRRA and residual amount was claimed from ERRRA vide IPC 52, instead of depositing into treasury.

Initial audit observation was issued on 21.10.2014. The management replied that an amount of Rs.775, 000 realized by NESPAk as insurance claim against the lost vehicle has been adjusted against NESPAk on monthly bill No.52 as ERRRA fund. It is further clarified that such adjustment made part of ERRRA fund and in the light of Para 7.2 of the said Financial Rules there is no need for further deposit the same into Govt. treasury.

The reply is not convincing as the expenditure and receipt are not allowed to be net off. The receipts were required to be recovered from NESPAk and deposited into Treasury.

In the DAC meeting held on 3rd to 5th July, 2018 it was decided that Para stands till final decision regarding Para 26 of ERRRA Accounting Procedure with respect to receipts.

Audit recommends that the receipt of insurance claim against the assets of ERRRA, be recovered from NESPAk and deposited into Treasury.

(Para No. 82, NESPAk)

1.2.26 Loss to the government due to less deposit of deducted taxes -Rs.1.488 million

According to Section 160 of Income Tax Ordinance 2001, any tax that has been collected or purported to be collected or deducted or purported to be deducted shall be paid to the Commissioner by the person making the collection or deduction within the prescribed time and manner. Section 161 (1) (b), provides where a person having collected tax or

deducted tax fails to pay the tax to the Commissioner as required under section 160, the person shall be personally liable to pay the amount of tax to the Commissioner. Section 161 (1)(b) further, provides that where at the time of recovery of tax under sub-section (1) it is established that the tax that was to be deducted from the payment made to a person or collected from a person has meanwhile been paid by that person, no recovery shall be made from the person who had failed to collect or deduct the tax but the said person shall be liable to pay 10[default surcharge] at the rate of 11[—twelve] per cent per annum from the date he failed to collect or deduct the tax to the date the tax was paid.]

Audit observed that the department has deducted Rs. 3.845million on account of income tax and GST from the payment of consultants. Out of which an amount of Rs. 2.357million was deposited in treasury leaving a balance of Rs. 1.488 million which was not deposited. The detail is as under:

Consultant	Income Tax deducted	1/5th of GST withheld	Tax deposited	Difference
M/s The Architect	2,407,443		1881261	526,182
M/s AEC	305,540	24,753	72686	257607
M/s Ace Arts	1,013,218	120,907	403325	703,800
Total	3,726,201	145,660	2,357,272	1,487,589

Audit holds that the amount was required to be deposited in the prescribed time. The amount may immediately be deposited in the govt. treasury.

The matter was pointed out on 21.10.2014. The department replied that the deducted amount on account of Income Tax is required to be paid from GOP funds. But due to shortage of funds in GoP, taxes could not be deposited. However, we are trying our level best for the availability of GOP fund through ERRRA. The remaining amount of all the taxes will be deposited on receiving of funds from GOP.

In the DAC meeting held on 3rd to 5th July, 2018 it was decided that Para stands till verification of deposit of Tax amount.

No further progress was intimated till finalization of this report.

Audit recommends that deducted amount of income tax lying with the department be deposited into Government Treasury.

(Para No. 55, PMIU, SKFD-Muzaffarabad)

1.2.27 Irregular and doubtful payment on account of rent of site office, operational cost, communication expenses, office utilities buildings- Rs. 16.497million

Section 7 (1 & 2) of Pakistan Engineering Council Conduct and Practice of Consulting Engineers, Bye-laws, 1986, provides that percentage of construction cost contracts includes professional charge for the consulting engineer (including the Salary Costs, the Overheads, the Fee and the Direct Non-Salary Costs) is used for assignments comprising mainly the design of various works, Preparation of drawings, specifications and other contract documents. In supervision contracts, provision of a liaison office to be maintained at headquarters of the employer is to be clearly indicated and either to be absorbed in the overhead or to be separately compensated at the wish of the employer. This is applicable in the resident type of supervision. Further, Appendix-A 3(b), provides that the consultant shall maintain a site office at his own cost throughout the construction period.

According to clause 6.4(b) of general conditions of contract mode of billing and payment, as soon as practicable and not later than fifteen days after the end of each calendar month during the period of the services, the consultant shall submit to the client, in duplicate, itemized statements, accompanied by copies of receipted invoices, vouchers and other appropriate supporting materials, of the amounts payable pursuant to clauses GC 6.3 and GC 6.4 for such month.

Three different consultancy contract were awarded to M/s Engineering Associates vide package no.2,3 and 4 for construction of buildings in district Kohistan, construction of roads and bridges in District Shangla and District Kohistan respectively. It has been observed that an amount of Rs. 16,497,000 was paid to the consultant on account of rent of site office, operational costs and office utilities as detailed at Annex-XI.

Audit holds that:

- i. The provision of such facilities and payment thereof is against the contractual provisions mentioned above. The percentage remuneration of the consultants already include overheads, salary and non-salary cost. Signing of amendment and provision of facilities after the lapse of many years from the date of contract tantamount to undue favor to consultant.
- ii. The payments are made on computer generated claims without any supporting voucher/invoice such as rent agreements copy of CNIC, copy of cheque and acknowledgment receipt. Payment without appropriate supporting material is fictitious which shows melafide intention on the part of approving authority and renders it unverifiable.
- iii. Rent assessment was conducted neither by the PWD nor by any other committee of employer or consultant. Due to non-assessment, rent of buildings was fixed and may have been higher than the normal rent. Further, number of staff and space required was not assessed. Moreover, the income tax on rent was also not deducted on the payment to employer of site office.

The matter was pointed out to the management on 21.10.2014 but no reply was received.

The PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that besides initiating the recovery, inquiry may be conducted to fix the responsibility against the person(s) as to how the payments in contravention of contractual clause were approved/sanctioned merely on computer generated sheets by the consultants without supporting documents.

(Para No. 56, PMIU, SFD-Abbottabad)

1.2.28 Unauthorized payment for additional design–Rs. 3.747 million

According to appendix E Clause 1(i) to the contract, the contract price for consultancy services for the purpose of the agreement is 2.7% of total project cost. Further, Appendix E 1 (ii) stipulates that as per the estimated cost of the project, the 2.7% consultancy fee comes to Rs. 18,785,250 out of which supervision fee comes to Rs. 9,392,625. However, this is a tentative figure and would be revised at the time of completion of the project and would be worked out on the basis of final project cost.

Audit observed that/theArchitect claimed an amount of Rs. 10.845 million vide invoice-10 for the additional design and drawing. The consultant however, did not support its claim with any evidence of work done. The claim of the consultant is reduced to Rs. 3.747 million by PMIU, SKFD, despite putting reservations on the claim of the consultant, the same has been forwarded to SPC wing of ERRA vide withdrawal application No. SFD-00235 and additional payment Rs. 3.747million was made to the consultant.

Audit holds that:

- i. The development of additional design and drawing without prior approval of the client is beyond the contractual clauses. The processing of such payment in absence of prior approval and evidence in support of original work is unauthorized. Further, the consultant was terminated vide letter No. ERRA/14-8/2012(SPC) dated 24-03-2014.
- ii. Further the payment fixed for design phase had already been paid completely and no additional payment was due at this stage. The additional payment if any was required to be worked out at completion stage of civil work if civil work cost increased from initially fixed cost.

The matter was pointed out to the management on 21.10.2014 but no reply was received.

The PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated

18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that the matter may be inquired to fix the responsibility on the person(s) responsible, besides recovery of the same under intimation to audit.

(Para No. 60, PMIU, SFD-Abbottabad)

1.2.29 Double payment of 3rd installment on account of supervision fee- Rs. 0.939 million

According to appendix E Clause 1(i) to the contract, the contract price for consultancy services for the purpose of the agreement is 2.7% of total project cost. Further, Appendix E 1 (ii) stipulates that as per the estimated cost of the project, the 2.7% consultancy fee comes to Rs. 18,785,250 out of which the construction supervision fee comes to Rs. 9,392,625. However, this is a tentative figure and would be revised at the time of completion of the project and would be worked out on the basis of final project cost. Appendix-E (II), further stipulates that Rs. 9,392,625 will be paid for supervision phase in nine installments (excluding mobilization advance).

It has been observed that M/sTheArchitect has been paid Rs. 2,817,787 on account of 1 to 3rd installment of supervision fee. Later, the consultant claimed 3rd and fourth installments vide invoice numbered 7 Rs. 1,878,525. This led to the double payment of the 3rd installment as detailed below.

Consultant	Invoice No.	Progress	Installment of Supervision phase	Payment due	Amount paid	Excess/ duplicate payment
The Architect (P-5)	5 & 6	30%	1-3	2,817,787	2,817,787	-
	7	40%	3-4	939,262	1,878,525	939,262
Total				3,757,049	4,696,312	939,262

Audit holds that payment of third installment twice tantamount to undue favor to consultant and resulted in excess payment which needs recovery.

The matter was pointed out on 21.10.2014 but no reply was received.

The PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that double payment may be recovered besides taking the disciplinary action against the person(s) responsible under intimation to audit.

(Para No. 61, PMIU, SFD-Abbottabad)

1.2.30 Doubtful payment for site office never occupied – Rs.0.172 million

Section 7 (1 & 2) of Pakistan Engineering Council Conduct and Practice of Consulting Engineers, Bye-laws, 1986, provides that percentage of construction cost contracts includes professional charge for the consulting engineer (including the Salary Costs, the Overheads, the Fee and the Direct Non-Salary Costs) is used for assignments comprising mainly the design of various works, Preparation of drawings, specifications and other contract documents. In supervision contracts, provision of a liaison office to be maintained at headquarters of the employer is to be clearly indicated and either to be absorbed in the overhead or to be separately compensated at the wish of the employer. This is applicable in the resident type of supervision. Further, Appendix-A 3(b), provides that the consultant shall maintain a site office at his own cost throughout the construction period.

Audit observed that the department paid Rs. 172,200 to M/s The Architect on account of rent of site office for 14 months. The employer in its letter no. 1061/ Dir. Coord/ Office dated 04.11.2013 informed to GM of The Architect that the site office has never been occupied by their staff and remained locked. The same is also located away from the field facilities. The employer along with contractor is facing problems for

handing over important documents at site office. The Resident Director also insisted on delivering the mails at his residence.

Audit holds that the payment for rent of office is contrary to the contractual clauses mentioned above hence stands un-authorized. Further in the above mentioned state of affairs where site office has never been occupied by staff and remains locked, claim of consultant for rent of office is fictitious.

The matter was pointed out to the management on 21.10.2014 but no reply was received.

The PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that the amount paid for establishment of site office may be recovered immediately under intimation to audit.

(Para No. 62, PMIU, SFD-Abbottabad)

1.2.31 Irregular monthly payment of consultancy fee to M/s PEPAC –Rs. 6.281 million

Pakistan Engineering Council Conduct and Practice of Consulting Engineers, Bye-laws, 1986 provides Percentage of Construction Cost method to work out the design and supervision fee of consultant. Fixed percentage fee is also paid to the consulting engineer for this phase of the work, subject to limitations clearly fixed for the duration of the contract and the man month requirements with categories of the supervisory, staff of the consulting engineer.

According to Appendix-E-III-C of the contract, the consultant is to be paid 50% each for design & supervision phase, of 2.7% of total project cost. The supervision fee of construction phase will be paid in thirty equal installments. However, this is a tentative figure and would be revised at the time of completion of project and would be worked out on the basis of final project cost.

It has been observed that the consultant has been paid 30 installments in full as agreed in the contract. The progress of the projects was less than 100 per cent. The Variation order of the project with additional cost of Rs. 11.401 million and extension of further 18 months was prepared. However, without obtaining the approval of VO, which is awaited till to date, provisional payment of 50% was made. The physical / financial progress of the projects against the consultancy fee paid to the consultant is detailed at Annex-XII.

The physical progress in December, 2012 was below target i.e 100%. The variation order amounting to Rs. 11.401 million was prepared with the extension of 18 months. The progress of the four projects was still less than 100% despite lapse of extended period.

Audit holds that:

- i. The 100% payment of supervision fee against the physical progress below 100% is violation of PEC guidelines. This tantamount to financial favor to the consultant and relieving the consultant of its part and responsibility in pushing the progress to the targets.
- ii. Additional payment of Rs.6.281 million in contravention of contractual provision is un-authorized. The consultant had already claimed complete fixed amount for supervision phase, hence no payment was due at this stage. However, at completion stage of project, department was required to work out whether cost of the civil work is increased from initial cost. If civil work cost increased then consultancy fee was also required to be worked out and paid on differential cost.
- iii. Further extra payment without approval of VO on provisional basis over and above the physical progress is also un-authorized.

The matter was pointed out to the management on 21.10.2014 but no reply was received.

The PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated

18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that the matter may be inquired as to how the 100 per cent payment (30 installments) was made against incomplete projects. Further, the matter of provisional payments and extension of 18 months against draftvariation order may also be inquired besides initiating recovery.

(Para No. 65, PMIU, SFD-Abbottabad)

Performance

1.2.32 Excess payment to the consultant beyond the contractual ceiling – Rs. 323.958 million

According to clause 4.4 of general conditions of contract, subject to the prior approval of the client in accordance with clause GC 3.7 (a), the consultant may make adjustment in the periods of time indicated in appendix C, as may be appropriate to ensure the efficient performance of the services and provided that such adjustments will not cause payments made under the contract to exceed the maximum amount payable as specified in clause GC 6.1.

A consultancy contract for detailed design and construction supervision in transport sector EEAP was awarded to M/s ECIL on 23.04.2007 at a cost of Rs. 257.951 million. Initially the contract was for a period of 27 months i.e. upto 30.06.2009. The consultant time frame was extended as the physical work of the contractors was not completed in given time frame. Further, on 31.05.2013, upon the closure of EEAP project the consultant M/s ECIL was laid off. The Physical progress of EEAP transport and communication sector was below 100% at that time.

Contrary to above, the required adjustments in the man months were not made according to physical work time frame due to which ceiling fixed in the agreement was exceeded, which resulted into excess payment as detailed at Annex-XIII.

Audit holds that the consultant was required to adjust its man months in accordance with the physical progress and needs of the project, so that the complete supervision of the project is carried out within stipulated time. The excess payment made, over and above the ceiling fixed in the agreement is unauthorized and violation of contractual clauses.

The matter was pointed out on 21.10.2014. The management replied that before proceeding further to accomplish the development task at sites, all extensions were requested by the consultant in time which was subsequently approved by the client for the period 01.07.2009 to 30.06.2013 (07 extensions). All man months were adjusted according to the actual need of contract through modification / Variation order # 06 and 07 as per GCC clause 2.6 (b) read with SCC and the same is incorporated in the revised PC-1.

The reply of the management is not relevant as the same does not justify the adjustments in man months.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that a Technical Committee may be constituted to evaluate the change in scope of work within four weeks. Fate of the Para will be decided accordingly.

No further progress was intimated till finalization of this report.

Audit recommends that the excess payment made, over and above the ceiling fixed in the agreement may be recovered from the pending claims of the consultant under intimation to audit.

(Para No. 6, EEAP-AJK)

1.2.33 Unauthorized payment of escalation to cooks, watchmen and drivers' pay – Rs. 3.892 million

According to clause 6.2(a)(b), remuneration paid in local currency pursuant to the rates set forth in appendix E shall be adjusted every 12th months for escalation. Thus, escalation is only allowed on the remuneration of the personnel set forth in appendix-E. Escalation on the pay of the support staff like cooks, watchmen, and drivers was not admissible in appendix-E as it was being met out from provisional sum.

Contrary to above, the consultant claimed escalation on the pay of cooks, watchmen and drivers as detailed below:

S. No	Description	Amount
1	Escalation on cooks/ watchmen's remuneration	1,566,898
2	Escalation on driver's remuneration	2,325,072
Total		3,891,970

Audit holds that the violation of the contractual obligations led to the overpayment on account of escalation to the consultant's personnel.

The matter was pointed out on 21.10.2014. The department replied that all the cooks and watchman are the part of support staff as per approved agreement. The staff was hired on the basis of man month. Hence the payment of price escalation made to the consultant is legitimate

The reply of the management is not relevant, as the escalation is only admissible on the remuneration of the personnel set forth in appendix-E, which excludes cooks, watchmen and drivers.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that payment of escalation on cooks, watchmen and driver's pay may be worked out and got recovered from the consultant.

No further progress was intimated till finalization of this report.

Audit recommends that the payment on account of escalation may be got recovered from the consultant.

(Para No. 9, EEAP-AJK)

1.2.34 Non-completion of work as per agreement and non-inclusion of liquidity damages clause in the contract document

According to general consultancy agreement signed between ERRA and NESPAK, the completion time frame was 36 months (i.e. upto 25.09.2008) at a cost of Rs. 508,694,840. The completion time was extended up to 24.04.2011 and 30.06.2014 vide amendment No. 2 and 4 respectively.

An amount of Rs. 3,533.074 was paid to NESPAK for design and supervision work of ERRA projects. The project was incomplete till the date of audit. According to contract agreement, the consultant was

required to provide their services for designing and construction supervision of ERRA Projects as general consultant.

It was observed that there was neither any clause for performance guarantee nor for liquidity damages for such a huge contract.

Audit holds that the task assigned to the NESpak was not completed in the prescribed time despite extensions. The non-inclusion of Liquidity Damages and performance guarantee to safeguard the interest of the employer resulted into failure of planning and undue favor to the consultant.

The matter was pointed out on 21.10.2014. The management replied that the payment of consultancy charges is being made on work done basis duly verified by concerned DG. Clause 3.4 of the contract provides that “the Consultants are liable for the consequence of errors and omissions on his part or on the part of his employees in so far as the design of the project is concerned to the extent and with the limitations that if the client suffers any losses or damages as a result of proven faults, error or omissions in the design of the project, the Consultants shall make good such losses or damages, subject to the conditions that the maximum liability as aforesaid shall not exceed twice the total remuneration of the Consultants for design phase. The case of any risk and failure on the part of Consultant has been protected as per provision of the contract and the extension in time has been covered through amendments as per Contract provision.

The reply of the management is not convincing, as the same reduced the leverage of the employer/ options available to the employer, in the event of passive supervision/ delays. This rendered weak control of the employer over consultants.

The PAO was requested to convene DAC meeting vide letter No. Audit Plan/ Audit of Consultancy Services/2013-14/2129 dated 18.10.2014. No DAC meeting was convened till finalization of this report despite issuance of numerous reminders (dated 03.12.2014, 22.05.2015, 02.07.2015, 21.08.2015, 12.05.2016, 31.01.2018, 31.03.2018, 03.05.2018 and 18.09.2018).

Audit recommends that before further extending the contract of NESPAK, ERRA must quantify the actual needs of the services of NESPAK and inclusion of liquidity charges and performance guarantee clause in future contract agreements.

(Para No. 76, NESPAK)

1.2.35 Non-obtaining of professional liability insurance from M/s ECIL for designing of bridges

As per Pakistan Engineering Council (Conduct and Practice of Consulting Engineers) Bye-laws, 1986, contractors /consultants are required to be registered with Pakistan Engineering Council for the work / services they have been hired. Further, as per the clause 5 (7), the consulting engineer has no liability whatsoever for any part of the project not designed by him or under his responsibility.

The consultancy contract for detail designing & construction supervision of roads and bridges in AJK was assigned to M/s ECIL during year 2007. It was revealed from EEAP letter dated 09.03.2010 that Pakistan Engineering Council (PEC) excluded bridges from the certificate of consultancy issued to M/s ECIL. In a similar case, PEC clarified CDA to either check their design of the project prepared by M/s ECIL in house or get them vet through the appointment of independent consultant.

Audit observed that the bridges designed by M/s ECIL in EEAP project, were neither vetted by any independent consultant nor did the client satisfy himself in house. Even the design prepare by M/s ECIL has not been verified by the employer. Further, as per record, design insurance has also not been obtained from the consultant.

Audit holds that the matter of designing the bridges from the consultant who was not capable to provide the services and non-obtaining of design insurance required to be justified.

The matter was pointed out on 21.10.2014. The department replied that the designs of all bridges and roads were prepared by the consultant in line with the instructions of donor i. e Asian Development Bank (ADB). The insurance of design was the responsibility of contractors of bridges and roads. The consultant properly gave instructions to contractors for the design insurance.

Audit holds that matter may be inquired in detail to find out the factual position and professional liability insurance for designing of bridges may also be obtained from M/s ECIL.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that Technical committee may be formed to evaluate the case. Audit insisted that no such consultancy firm should be hired in future as a policy.

No further progress was intimated till finalization of this report.

Audit recommends that the matter may be inquired in detail to find out the factual position and professional liability insurance for designing of bridges may also be obtained from M/s ECIL.

(Para No. 18, EEAP-AJK)

1.2.36 Unauthorized payment to the consultant for hiring of additional support staff – Rs. 689,453

A consultancy contract for detailed design and construction supervision in transport sector EEAP was awarded to M/s ECIL on 23-04-2007 at a cost of Rs 257.951 million. As per the decision of Contract Negotiation Committee meeting held on 16-17 April 2007 “consultant provided the breakup of the provisional sum and explained that the salary of support staff not mentioned in the financial proposal shall be met out of company’s overhead”.

It was observed that the additional support staff was hired by the consultant in addition to the staff laid down in contract agreement and contrary to the above charged to provision sum instead of company overhead as detailed at Annex-XIV.

Audit holds that the payment of Rs. 689,453 to consultant for additional support staff is unauthorized.

The matter was pointed out to the management on 21.10.2014. The department replied that all the changes were incorporated in the revised PC-I.

The reply of the department is not relevant as the payment was made in violation to the contract agreement.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that a Technical Committee may be constituted to evaluate the negotiate committee decisions with in four weeks. Fate of the Para will be deiced accordingly.

No further progress was intimated till finalization of this report.

Audit recommends that the findings of the technical committee be shared. Besides, unauthorized payment from the consultant be recovered and deposited into Government Treasury under intimation to audit.

(Para No. 23, EEAP-AJK)

1.2.37 Unauthorized increase in pay of drivers and support staff and overpayment –Rs. 4.016 million

According to clause 6.2 (b) of the General conditions of contract, payment for the personnel shall be determined on the basis of time actually spent by such personnel in the performance of the services at the rates referred to in clause SC6.2 (b) and subject to price adjustment, if any, specified in clause SC 6.2 (a) and according to clause 6.2 b of Special conditions of the contract, “the rates for national personnel are set forth in appendix-E”. Increase in pay in addition to price adjustment is not allowed.

In contravention of the contractual clauses, M/s ECIL increased the salaries of the drivers and support staff in addition to increase due to price adjustment. Due to increase in pay/rate as set forth in appendix-E overpayment was made as detailed at Annex-XV.

Audit holds that increase in remuneration over and above the increase due to price adjustment is unauthorized and violation of contractual agreement.

The matter was pointed out on 21.10.2014. The management replied that all cost of remuneration against each residency of consultancy location was regularized after complete checking and due deliberation and approval was accorded by the employer as per GCC 2.6 (a and b) of the agreement. The price adjustment was also approved in the said VO’s as per given clause of the contract. All changes in cost and scope of work

were incorporated in revised PC-I amounting to Rs. 682 million. All the VO's and the expenditure were regularized by the competent forum.

The reply is not satisfactory as the payments are made in violation to the contractual clauses.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that ERRRA may deliberate with the consultant regarding the overpayment made to the drivers & support staff. In the absence of any valid justification, the amount may be recovered from the consultant.

No further progress was intimated till finalization of this report.

Audit recommends that the over payment made to drivers and support staff may be recovered from the consultant under intimation to audit.

(Para No. 24, EEAP-AJK)

1.2.38 Irregular award of consultancy contract of ChotaGalla University Campus to M/s The Architect – Rs. 31.437 million

As per clause D (i)b of the Procurement of consultancy regulation 2010, repeat orders will be issued as provided under sub-clause (iv) of clause (c) of rule 42 of PPRA rules, 2004, which provides that the contract or contracts do not exceed three years in duration; (iv) repeat orders not exceeding fifteen per cent of the original procurement.

M/s the Architect was awarded the design and supervision contract of AJK University, Chattar class campus amounting to Rs. 85.143 million. Subsequently, in February, 2010 work of Rs. 31. 437 million for the design and supervision of AJK University, ChotaGalla campus Rawalakot was also awarded to the same consultant without observing the tendering/competition formalities as specified in PPRA rules 2004 and Procurement of consultancy regulation, 2010.

Audit holds that the award of work is sufficiently more than 15% of the work already awarded to the consultant. Hence award of work through repeat order tantamount to undue favor to the consultant in violation of rules.

The matter was pointed out on 21.10.2014. The department replied that as per exemptions granted by PPRA vide letter no.1(2) Rules Legal (PPRA)/04 dated 19th June 2006, scope of work for any existing ERRA contract can be enhance by 50% of the existing terms. In this particular case, ERRA has an agreement with the consultant (M/s The Architects) for a total cost of PKR 85.143 million and the enhancement amounting to PKR 31.437 was well within this limit. Further in terms of clause 2.5 and 6.6 of the existing contract, there was no requirement of any new contract and only an addendum was required to be signed between ERRA and M/s The Architect giving the title and scope of additional services.

The reply is not convincing as it did not involve enhancement of scope rather a new contract for a new facility was awarded. The award of work in violation of PPRA rules discourages the spirit of completion.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that Clarification regarding applicability of time frame may be sought from PPRA.

No further progress was intimated till finalization of this report.

Audit recommends that clarification may be sought from PPRA, failing which the matter needs to be inquired as how the work was awarded, especially in the scenario where the work supervised by the same consultant of Main Campus of the university was not upto the mark.

(Para No. 37, PMIU, SKFD-Muzaffarabad)

1.2.39 Un-justified provision of field facilities – Rs. 22.827 million

Section 7 (1 & 2) of Pakistan Engineering Council Conduct and Practice of Consulting Engineers, By-laws, 1986, provides that percentage of construction cost contracts includes professional charge for the consulting engineer (including the Salary Costs, the Overheads, the Fee and the Direct Non-Salary Costs). Further, special provisions Appendix-F of contract provides that services and facilities to be provided to consultant only includes free and unhindered access to site work.

GFR 19 provides that the terms of a contract must be precise and definite and there must be no room or ambiguity or misconstruction therein. The terms of a contract once entered into should not be materially

varied without the previous consent of the authority competent to enter into-the contract as so varied. No payments to contractors by way of compensation, or otherwise, outside the strict terms of the contract or in excess of the contract rates may be authorized without the previous approval of the Ministry of Finance.

Audit observed that the Chief Engineer SKFD AJK made consultancy contracts on lump sum/ percentage basis and no field facilities were extended to the consultant. Later on field facilities were extended to consultants through amendment in the contract, after lapse of considerable time from commencement of contracts as detailed at Annex-XVI.

Audit holds that:

- i. the percentage of construction cost contracts includes professional charge for the consulting engineer (including the Salary Costs, the Overheads, the Fee and the Direct Non-Salary Costs in the percentages fixed), hence provision of field facilities separately is un-authorized.
- ii. Further the variation/amendment in initial contract for new item/ provision of field facilities to the consultant involves huge payment of 22.827 million. This questions the transparency of tendering and award process as the provision of field facilities was not known to other contenders at that time.

The matter was pointed out on 21.10.2014. The department replied that as per PEC guidelines and standard Construction Procedure, the field facilities for consultant has to be included in the contract agreement of the contractor. Keeping in view the dire need of Projects, Field Facilities were provided to Consultants after fulfillment of procedures and with the approval of the donor vide letter No. 7-5/09-SF/ERRA/SPC dated 18-02-2011. Initially the rates quoted by the consultant did not include the provision of field facilities and it is not mentioned in the contract that the field facilities like vehicle, office equipment's, office furniture will be responsibility of the consultant.

The reply is not satisfactory as the same was neither covered by the initial agreement nor under PEC guidelines.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that a fact finding committee may be constituted and report may be prepared within a week. Para may not be pressed further on the basis of justification provided by the department if found plausible.

No further progress was intimated till finalization of this report.

Audit recommends that the amount spent on provision of field facilities may be recovered from the consultants, as the percentage remuneration of the consultants already include overheads, salary and non-salary cost.

(Para No. 38, PMIU, SKFD-Muzaffarabad)

1.2.40 Irregular award of contract – Rs. 158.574 million

Section 7 (1 & 2) of Pakistan Engineering Council Conduct and Practice of Consulting Engineers, Bye-laws, 1986, provides that percentage of construction cost contracts includes professional charge for the consulting engineer (including the Salary Costs, the Overheads, the Fee and the Direct Non-Salary Costs). Further, provision of a liaison office to be maintained at headquarters of the employer is to be clearly indicated and either to be absorbed in the overhead or to be separately compensated at the wish of the employer. Moreover, Appendix-A 3(b), provides that the consultant shall maintain a site office at his own cost throughout the construction period.

It has been observed that the following consultant was awarded percentage of construction cost type contracts. But later on, PMIU SFD through amendment in the contract extended, field facilities and establishment of site office and its maintenance at the cost of the employer as detailed at Annex-XVII.

Audit holds that:

- i. the original percentage fee of the consultant is inclusive of all the expenses/ charges/ fees. Field facilities were provided to the consultants after a considerable lapse of time from the award of the contract.
- ii. the percentage fee of the consultant was required to be proportionately reduced upon provision of field facilities,

which was not done. This tantamount to an undue favor given to the consultants.

- iii. This also renders the hiring process of consultants non-transparent and uncompetitive. The contract price should have been proportionally reduced, if a separate amendment for the provision of field facilities and site office had to be signed.

The matter was pointed out on 21.10.2014, but no reply was received from PMIU, SFD Abbottabad. The PMIU, SKFD Muzaffarabad replied that the original Consultancy agreement of Consultants did not include provision of Field Facilities and Field Facilities could be provided through Consultants or by separately identifying in the Consultancy agreement. The quoted percentage rate did not include the provision of Field Facilities. The amendments were made keeping in view the dire need of projects and are not contrary to PEC guidelines and PPRA.

The reply of the department substantiates the view point of audit.

In the DAC meeting held on 3rd to 5th July, 2018 it was decided regarding consultants hired by PMIU, SKFD Muzaffarabad that a fact finding committee may be constituted and report may be prepared within a week. Para may not be pressed further on the basis of justification provided by the department if found plausible. The PAO could not convene DAC despite many requests to discuss the observation regarding PMIU, SFD Abbottabad.

Audit recommends that the amount spend on account of field facilities may be recovered from the consultant under intimation to audit.

(Para No. 40, PMIU, SKFD-Muzaffarabad and No. 59, PMIU, SFD-Abbottabad)

1.2.41 Non-provision of professional liability insurance – Rs.280.447million

The clause 5 of the Pakistan Engineering Council (Conduct and Practice of Consulting Engineers) Bye-laws,1986 stipulates that the consulting engineer is liable for the consequence of errors and omissions on his part or on the part of his employees in so far as the design of a project. If the employer suffers any losses or damages as a result of proven faults, errors or omissions in the design of a project, the consulting

engineer shall make good such losses or damages, subject to the condition that the maximum liability as aforesaid shall not exceed twice the total remuneration of the consulting engineer for the design phase in accordance with the terms of the agreement between the consulting engineer and the employer.

During the course of audit, no proof of professional indemnity/ liability insurance of the following consultants were produced to audit despite several requests.

S No	Consultants	Contract Amount (Rs in million)	Clause of contract
1	M/s NESPAK	212.520	3.5
2	M/s Ace Arts	15.480	G-7 (b)-ii
3	M/s EA Consultants	52.497	G-7 b(ii)
Total		280.497	

Audit holds that the insurance premium on yearly basis necessary for safeguarding against the possible damages/ losses to the employer as a result of proven faults, errors or omissions in the design of a project, should be worked out and recovered from the consultant, under intimation to audit.

The matter was pointed out on 21.10.2014. The management replied that all the projects are successfully completed. As far as the insurance cover is concerned, no burden of payment is on the employer. All designs of the projects were got insured by the contractors.

The reply of the management is irrelevant. Audit holds that obtaining insurance documents from the consultant /contractor is the first step to start any contract/project. The employer was required to insist to the consultant for insurance coverage and should have insured the project against the possible errors/ faults in design, by recovering the amount of insurance premium from the remuneration of the consultant. Employer should not approve any payment of the consultant before obtaining insurance policy. In the absence of above, employer extended the monetary (equal to insurance cost) favor to the consultant.

In DAC meeting held on 3rd to 5th July, 2018 it was decided to provide a certificate that design failure will be charged to the consultant as per PEC byelaw 5.

No further progress was intimated till finalization of this report.

Audit recommends that in the absence of provision of certificate, the insurance premium on yearly basis necessary for safeguarding against the possible damages/ losses in the design of a project, should be worked out and recovered from the consultant, under intimation to audit.

(Para No. 13, EEAP-AJK)

**1.2.42 Irregular payment of per diem to the executive/ staff of the consultants
- Rs. 3.906 million**

According to contract agreement, the incurrence of the expenditure under the head per diem requires prior approval of the client.

Contrary to above the staff/ executive of the consultants have expended the following amount under the head per diem/TADA without prior approval of EEAP, AJK. Further, the claim was without any supporting documents i.e. approved tour program of the officials on visit, bill of the hotel/guest house used for the residences and purpose of the journey etc.

S. No.	Consultants	Sector	Per diem
1	M/s ECIL	Transport and Communication	2,672,814
2	M/s Ace Arts	Health	19,944
3	M/s EA Consultants	Health	1,213,000
Total			3,905,758

Audit holds that payment in contravention of contractual clause is un-authorized. Furthermore, accepting the claim and making payment without supporting documents held it fictitious and shows malafide intention of the approving/sanctioning authority.

The matter was pointed out on 21.10.2014. The department replied that the payment of per diem was made to consultant as per provision of contracts. All documents were approved by the competent authority for the payments of per diem/TA/DA which are available in original invoices.

The reply of the management is not satisfactory as not addressing the core issue raised by audit.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that Para stands till verification of complete record of TA/DA.

Audit recommends that the matter may be inquired to fix the responsibility against the persons(s) at fault.

(Para No. 19, EEAP-AJK)

Asset Management

1.2.43 Mis-procurement of assets –Rs. 370.229 million

According to clause GC 5.4, the client shall make available to the consultants and the personnel, for the purpose of the services and free of any charge, the services, facilities and property, provided that if such services facilities and property shall not be made available to the consultants as and when so specified, the parties shall agree on: (i) any time extension that it may be appropriate to grant to the consultants for the performance of the services; (ii) the manner in which the consultants shall procure any such services, facilities and property from other sources; and (iii) the additional payments, if any, to be made to the consultants as a result thereof.

The consultant M/sNESPak purchased different fixed assets including vehicles, furniture, equipment, office supplies and stationary etc. at a total cost of Rs. 370.229 million as detailed below.

Sr. no	Head of Account	Amount (Rs.)
1	Office equipment's	26,324,744
2	Transport including vehicle rent, running and maintenance	332,712,185
3	Office supply and stationary. Software and literature	11,191,736
Total		370,228,665

Audit observed that contrary to above, no prior approval of the client for procurement of assets and their rates was obtained. Further, purchases were made from the single seller without obtaining competitive rates. The assets were purchased in the name of consultant, whereas registration documents and the whereabouts of the assets, assets registers were not got verified from audit despite several requests.

Audit holds that the procurement of assets led to the violation of PPRA rules 2004.

The matter was pointed out to the management on 21.10.2014. The management replied that the general consultancy agreement between ERRA and NESPAK and all of its amendment was finalized after detailed deliberations. Therefore, only those items were covered under the head of direct cost, which ERRA was not in a position to provide at its own. Services and facilities covered under Appendix – F of the agreement were therefore required to be purchased through ERRA funds by the consultants on need basis without requiring prior approval. Further, as per General Consultancy Agreement and Amendments thereto, prior approval from the client is only required, in respect of billing to client, under Note - 4 of Appendix E3. All purchases were made in accordance with NESPAK procurement rules and regulations and as per rule 22 of Accounting Procedure 2006.

The reply of the management is not satisfactory and also without supporting documents.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that Para stands till verification of assets / stock register and current physical custody / appearance within one week.

No further progress was intimated till finalization of this report.

Audit recommends that record pertaining to assets may be produced without further delay. In the absence of which, the matter may be inquired as to why the asset procured were not accounted for and were not handed over to ERRA.

(Para No. 77, NESPAK)

1.2.44 Unauthorized retention of vehicles, assets and equipment by NESPAK after amendment No. 4

Section 7 (1 & 2) of Pakistan Engineering Council Conduct and Practice of Consulting Engineers, Bye-laws, 1986 provides one of the method of calculation of remuneration of any consultant is percentage of construction cost contracts which includes professional charges for the consulting engineer (including the Salary Costs, the Overheads, the Fee and the Direct Non-Salary Costs).

The amendment no. 4 to the contract was made between ERRA and NESPAk on 11.07.2011. After this amendment contract was shifted from the method of cost plus contract to percentage of construction cost contract method. As per the amendment the following percentages/rates were agreed for the tasks/ projects of ERRA undertaken by NESPAk.

S. No.	Projects	Percentage Rates of payment of project cost
1	GDSP	4.5%
2	Kuwait Funded colleges	4.5%
3	Design and price negotiation services	2%
4	Design vetting for city development works	1.5%
5	Design vetting for sponsors/ donors/ outsource consultants	0.75%

Audit observed that certain facilities including assets, equipment, accommodation etc were extended to NESPAk. The facilities/ assets continued to be extended to NESPAk after the amendment no. 4 regarding of remuneration on percentage basis.

Audit holds that as per the provisions laid down above, such facilities are already included in the price of the percentage projects hence required to be returned to ERRA.

The matter was pointed out on 21.10.2014. The management replied that the original contract and amendment thereto up to amendment No. 3, was on the basis of cost plus contract, after that amendment No. 4 signed on percentage basis which further extend time period up to June 30, 2014. It is pertinent to note that the switch over plan from cost plus to percentage basis was agreed after very long deliberations spanning over more than six months. As aforesaid that very detailed negotiation between the parties were made and both were agreed on the extension of certain facilities to NESPAk under amendment No. 4 for smooth running of the project activities. During negotiation the percentage of NESPAk fee was discussed in detail and fee was agreed subject to the facilities extended by ERRA.

The reply is not plausible as it is the violation of Pakistan Engineering Council Conduct and Practice of Consulting Engineers, Bye-laws, 1986.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that para is subject to finalization of amendment No. 07 having following provision:

- i. Assets in use with NESPAK will be valued at the year on which contract was amended from Cost plus to percentage basis.
- ii. On completion of the contracts, the Assets will be returned to ERRA in good working condition.

No further progress was intimated till finalization of this report.

Audit recommends that the exact amount and number of assets/facilities be worked out and recovered from consultant in cash and kind under intimation to audit.

(Para No. 85, NESPAK)

1.2.45 Improper maintenance of assets by NESPAK

As per GC 3.9 of the contract, equipment and materials made available to the consultants by the client or purchased by the consultants with funds provided by the client, shall be the property of the client and shall be marked accordingly. Further, Appendix-F2 provides that the office furniture, appliances, equipment and vehicles provided by the client shall be listed out and retained by the consultants till completion of the services under this contract. Further, consultants will be required to return the office furniture, appliances, equipment and vehicles provided by the client at the end of the contract period to the client in working condition.

ERRA was requested time and again to produce the record of assets of ERRA held by NESPAK. But despite several requests the asset record including the list of assets and equipment, the insurance record, the procurement record etc was not provided.

The matter was pointed out on 21.10.2014. The management replied that NESPAK submitted monthly running invoice along with photocopies of all supporting vouchers. Besides, NESPAK regularly shared detail of assets / asset registers to the relevant quarters of ERRA. Audit may obtain such detail and photocopies of vouchers from the client.

The reply is not convincing. Audit holds that non-maintenance of the record of asset and equipment provided to the consultant is a serious lapse and mismanagement and malafideintentional the part of management cannot be ruled out.

In DAC meeting held on 3rd to 5th July, 2018 it was decided that Para stands till reconciliation of value of Assets between ERRA & NESPak. Final decision / outcome will be intimated to Audit.

No further progress was intimated till finalization of this report.

Audit recommends that matter of non-recording of assets procured by NESPak may be inquired and responsibility be fixed on the person(s) responsible.

(Para No. 87, NESPak)

2. CONCLUSION

The overall performance of consultancy services in ERRA related projects is not satisfactory, though it has a very crucial role to play in reconstruction projects. The findings clearly indicate that ill financial and administrative management, lack of skill and unprofessional attitude of ERRA as well as below par performance of consultants caused the delay in the projects and non-achievement of KPIs.

ERRA may need to revisit its financial management system. Huge liabilities of the consultants are outstanding, which raises serious question on the financial management practices. Further, the delayed payments to the consultants caused the penalty to the employer in the form of financing charges as an extra financial burden. Moreover, the delay in taking requisite penal action against the consultants and non-inclusion of penal clauses such as LD etc. added to the loose control over the consultants. The payments to the consultants were made on provisional basis, without supporting reasoning/ documents.

In addition the following issues were observed:

1. Serious violation of tax laws, planning commission guidelines, PPRA Rules, 2004 and Pakistan Engineering Council Bye-laws, 1986 were observed.
2. The payments were made and facilities were extended to staff of the consultants beyond the contractual ceilings and payment methods prescribed in Pakistan Engineering Council Bye-laws, 1986.
3. In percentage contracts, significant differences in financial and physical progress were observed during the life cycle of the contracts, which demonstrates undue favor extended to the consultants.
4. The consultancy agreements required in some cases to hire/ outsource services to experts/ IMAs. Substantial amounts were paid in this regards, in some cases double payments were observed (which was not justified to audit). However, no report/ study submitted in this connection by the experts/ IMAs was produced to audit.

Annexes

Annex-I (MfDAC)

S. #	Para/ PDP No.	AY	Name of Entity	Subject
1.	1	2014-15	EEAP, AJK	Irregular payment of consultancy contracts without PC-I- Rs. 105.562 million
2.	4	2014-15	EEAP, AJK	Non recovery of surcharge/ flood tax – Rs. 430,355
3.	10	2014-15	EEAP, AJK	Mis-procurement of assets – Rs. 32.34 million
4.	14	2014-15	EEAP, AJK	Undue favor to consultant by taking out professional liability insurance at the cost of government – Rs. 8.241 million
5.	20	2014-15	EEAP, AJK	Unauthorized payment to consultant M/s Engineering Associates on account of additional staff hired – Rs. 1.078 million
6.	26	2014-15	EEAP, AJK	Double payment for single work – Rs. 600,000
7.	27	2014-15	EEAP, AJK	Doubtful expenditure without requisite reports to be submitted by independent monitoring agency – Rs. 2.4 million
8.	28	2014-15	EEAP, AJK	Loss due to non-deduction of income tax from the payment made to house owners- Rs. 1.983 million
9.	29	2014-15	EEAP, AJK	Irregular hiring of residential/ official building and payment – Rs. 19.660 million
10.	30	2014-15	EEAP, AJK	Unjustified payment to specialists/ experts – Rs. 28.734 million
11.	39	2014-15	PMIU, SKFD-Muzaffarabad	Unjustified provision/ payment of site office to consultants-Rs. 3.508 million
12.	46	2014-15	PMIU, SKFD-Muzaffarabad	Non-recovery of surcharge / flood tax
13.	48	2014-15	PMIU, SKFD-Muzaffarabad	Non-deduction of income tax-Rs. 250,311
14.	63	2014-15	PMIU, SFD-Abbottabad	In-adequate provision of key staff for supervision phase
15.	64	2014-15	NESPak	Non-maintenance/ taking out of insurance of assets and equipment
16.	66	2014-15	PMIU, SFD-Abbottabad	Double payment to same personnel/ staff hired for two projects by M/s PEPAC- Rs. 5.345 million
17.	79	2014-15	NESPak	Unjustified payment of residential accommodation - Rs. 106.934 million

Annex-II (List of Consultants)

Consolidated list of consultants (ERRA)							
Sr. #	Name of Consultancy Firm	Subject/Nature of account	Amount of Contract (Rs.in Million)	No. of Facilities	Original Contract Period	Extended Contract Period	Name of Sector
List of Consultants of SPC, ERRA Projects							
1	The Architect - SFD Package-1	Planning, Designing and Construction Supervision	94.922	1 University & 1 College	15.11.2007 to 30.11.2013	-	Education
2	M/S Allied Engineering-SFD- Package-2		30.753	1 Dist Complex & 1 college	15.01.2008 to	-	Education Governance
3	M/S ACE Art-SFD Package-3		40.689	1 Dist Complex & 1 college	08.12.2007 to 30.11.2012	-	Education Governance
4	M/S PEPAC-SFD Package-4		38.957	14 BHU & RHC & 1 Teaching Hospital	08.12.2007 to 30.10.2012	-	Education, Health
5	M/S The Architect SFD- Package-5		20.685	Repair- 2 College & AMI	15.11.2007 to 30.09.2013	-	Education, Health
6	M/S PEPAC-IDB Package-1		60.332	4 BHU & 2 School & 2 College & 1 Dist Complex	25.02.2009 to 31.10.2012	01.11.2012 to 31.03.2015	Education, Health, Gov
7	M/S EA Consulting IDB- Package-2		83.927	40 x Hotels & 1 RHC & 2 Dist Complex	20.02.2009 to 19.02.2012	20.02.2012 to 31.12.2014	Education, Health, Gov
8	M/S EA Consulting IDB- Package-3		110.435	10 x Roads	20.02.2009 to 19.02.2012	20.02.2012 to 31.12.2014	Transport
9	M/S EA Consulting IDB- Package-4		95.303	4 x Roads	20.02.2009 to 19.02.2012	20.02.2012 to 31.12.2014	Transport
10	M/S The Architect KF Project		31.436	1 University	9-Jul	13-Sep	Education
11	M/S NESPAK, KF 30 College			4.5% of work done by contractor 30 x Colleges	11-Jul	-	Education

14	M/S NESPAK	For General Consultancy to ERRA for Reconstruction and Rehabilitation of Earthquake affected areas	4,833.784		26.04.2006 to 25.04.2009	(1) Extended from 14.05.2009 to 17.03.2011 (2) Extended from 18.03.2011 to 10.07.2011 (3). Extended from 11.07.2011 to 30.06.2014	DG (A&P), (Procurement Wing)
15	Audio Visual System Consortium (AVS)	AVS Consortium (Livelihood)	23.855		24.Mar.2006 to 15 July.2006	-	DG (P-I) Livelihood
16	NADRA	Consultancy Services Between ERRA & NADRA (Housing Projects)	104.522		20.Apr.2006 to 31.May.2011	-	DG (P-III) Livelihood
	NADRA	Consultancy Services Between ERRA & NADRA (Livelihood Support Cash Grant)	77.988		24.Mar.2006 to 31.May.2011	-	DG (P-I) Livelihood
17	Audio Visual System Consortium	AVS Consortium (Housing)	33.700		29.Apr.2006 to 29.Nov.2006	-	DG (P-III) Housing
18	M/S BURAQ Integrated Solution	For Urban Housing Damage Assessment Proformas	3.413		11.Sep.2006 to 10.Sep 2007	From 11.Sep.2007 to 31.Dec.2008	DG (P-III) Housing
19	Hameed Khan & Co.	Financial Audit Livelihood Support Cash Grant	2.180		22.oct.2007 to 5.Dec.2007	-	DG (P-I)
20	M/S Visual Soft	For Targeted Vulnerability Survey (TVS), ERRA	14.875		14.Feb.2008 to 14.Jul.2008	-	Director General (A&P) Procurement Wing

21	M/S BSR Marketing International (Pvt) Ltd.	Study on Economic Opportunities for Women in Earthquake Affected Areas	0.400		10.Jan.2009 to 10.Feb.2009	-	DG (planning-I)
	UNIFEM						
22	M/S Sadaat Ali	Hiring of Consultant for conducting Third Party Validation for Environmental Assessment of Rural Housing Reconstruction.	0.800		14.May.2010 to 30.June.2010	-	DG(P-I) Environment
23	Das Pakistan (PVT.) Ltd	Award of Quality Management (QMS) i.e ISO 9001-	0.068		18.March.2011 to 18.March.2014	-	Director (Admin II)
24	Cons Tech	ISO Certification 9001 :2008	0.675		10.Jan.2011 to 10.Apr.2011	-	HR Wing
Consultants hired by Planning Wing-II of ERRA							
25	M/S SS&A	design	20.710	384			Education
26	M/S SAMPAK	design	8.010	128			Education
27	M/S PEPAC	design	8.995	153			Education
List of Consultants of EEAP AJK (ADB)							
28	M/S ECIL	Grant 0029	495.000	29	22.04.2007 to 21.04.2009	22.04.2009 to 31.05.2013	T&C EEAP
		GoP	123.000				
29	M/s NESPak	Grant 0029 and 0037	409.591	309	21.09.2007 to 20.12.2009	21.12.2009 to 31.03.2011	Education Sector
30	M/S Engineering Associates (EA)	Grant	76.190	31	09.10.2008 to 08.10.2009	09.10.2009 to 31.03.2011	Health Sector
		GOP	11.000			01.07.2011 to 30.04.2012	
31	M/S ACE (Arts)	Grant	21.343	2	01.07.2010 to 30.06.2011	01.07.2011 to 31.08.2011	Health Sector
		GoP	6.335			01.09.2011 to 30.04.2012	

Annex-III to XVII (Related to Paras)

Annex-III (Para No. 92)

S. No.	Description of Record
1.	Supporting vouchers with each invoice/ bill of NESPAk.
2.	Commencement date/ NTP to NESPAk project wise (separate dates may be provided for commencement of work for both phase i.e. design and supervision).
3.	Insurance obtained by consultant such as insurance of assets & equipment, life insurance and professional indemnity insurance.
4.	Detail of staff deployed by the consultant for supervision and original record of attendance of supervision staff in respect of each project.
5.	Supporting vouchers/ record for payments made on account of reimbursable expenditure.
6.	Rent agreements for site office/ office accommodation and deduction of taxes from the payment to owner of accommodation.
7.	Detail of salary record/ payroll, enumerating payments and deductions made to/ from employees of the NESPAk. The copy of cheque or acknowledgment receipt may also be produced for the aforesaid salary payments.
8.	List of assets and equipment provided to/ purchased by the consultant. Asset and stock register may also be produced. Further, the handing /taking of assets & equipment may also be produced, in the event the consultant has completed the assigned task.
9.	Deposit challan/ cheque of withheld taxes and taxes deposited by the NESPAk. Details of retention money (deducted and released) and mobilization advance (deducted and released) may be produced. The Bank guarantee obtained against mobilization may also be provided.
10.	TOC of completed projects and completion report by the consultant.
11.	Consultant's ledger.
12.	Monthly & quarterly progress reports for all the projects.
13.	Certificate/ testing reports by the consultant for the material brought at site by the contractor.
14.	Design vetting report by the NESPAk for design prepared by other consultants.
15.	Details of escalation/ price adjustment paid to employees of NESPAk.
16.	Details of payments made to employees of NESPAk on account of project also may also be arranged/ provided.
17.	The record pertaining to process of hiring NESPAk as general consultant may be provided. Further, the PC-I of general consultancy the same may also be produced to audit.
18.	It is observed during the scrutiny of process of hiring of consultants for KF Funded colleges, that a list of consultants were pre-qualified and short-listed. The record pertaining to award of the task to NESPAk is not provided to audit. Despite request, it was not explained with supporting record that what caused ERRA to assign the task of consultancy of KF colleges to NESPAk, instead of shortlisted consultants, in the later stage of recruitment process.
19.	Supporting vouchers with each invoice/ bill of NESPAk are not provided. The payment process was not explained to audit despite request, as to how such payments are processed/ pre-audited without the same by SERRA/ PERRA

	and ERRA.
20.	Clause 6.2 (b) of the General consultancy contract provides that the remuneration shall also include factors for i) overheads based on the report of commercial auditors of the consultant recorded expenditures of previous year ii) fee as determined on the basis of latest years' financial statements. However, the commercial auditor's report regarding the same is not produced to audit for relevant years. It was not explained that what caused ERRA to fix the fee and overheads. The commercial auditors' report was also not provided for scrutiny despite request.
21.	An advance payment of Rs. 50 million has been paid to NESPAk. Neither the IPC is made available nor the bank guarantee (against which the payment was required to be made).
22.	A large number of assets & equipment have been purchased out of ERRA fund for the purpose of general consultancy by NESPAk. The record pertaining to process of procurement of assets, physical verification (showing whereabouts of the assets and physical condition and actual number of assets and equipment), insurance obtained to safeguard the assets may be provided to audit for verification.
23.	No record pertaining to professional indemnity insurance for Kuwait Funded colleges to safeguard against any possible design errors has been produced.
24.	Detail of staff deployed by the consultant for supervision and original record of attendance of supervision staff in respect of each project may be provided. Further, the record pertaining to approval of client (ERRA) for appointment of NESPAk staff and their change as required from time to time may also be produced.
25.	The local taxes of Khyber Pakhtunkhwa & AJK are not deducted from the claims of NESPAk. An exemption certificate explicitly showing the exemption from local taxes as applicable in Khyber Pakhtunkhwa & AJK was not provided.
26.	Supporting vouchers/ record for payments made on account of reimbursable expenditure including the pay of daily wages staff may be provided (along with the deduction of taxes in case of pay).
27.	The remuneration of the consultant is also comprised of the component of social cost. The break-up/ constituents of the social cost may be provided besides defining the social cost.
28.	The NESPAk circular dated 28.06.2009 as mentioned in amendment-II clause 6.4 (d) may be provided for scrutiny.

Annex-IV (Para No. 68)

Package-III						
Contract date	Commencement date of supervision	Amount paid		Amount Due (Rs.)	Excess Amount (Rs.)	Remarks
		Cutoff Date	Amount (Rs.)			
20 Feb, 2009	Sep, 2010	Sep, 2010 to Feb, 2011	5026885	4569895.455	456989.5455	No increase was admissible
		Mar, 2011 to Aug, 2011	10047198	8303469.421	1743728.579	No increase was admissible
		Sep 2011 to Feb, 2012	10809717	9827015.455	982701.5455	10% increase

						was admissible
		Mar, 2012 to Aug, 2012	106453 38	9677580	967758	10% increase was admissible
		Sep, 2012 to Feb, 2013	367401 2	3340010.9 09	334001.0909	20% increase was admissible
		Mar, 2013 to Aug, 2013	389494 5	3218962.8 1	675982.1901	20% increase was admissible
		Sep, 2013 to Nov, 2013	202575 9	1674180.9 92	351578.0083	30% increase was admissible
Sub-total					5,512,739	
Package-II						
Contract date	Commencement date of supervision	Amount paid		Amount Due (Rs.)	Excess Amount (Rs.)	Remarks
		Date	Amount (Rs.)			
20 Feb, 2009	Aug, 2010	Aug, 2010 to Feb, 2011	3691545	3355950	335595	No increase was admissible
		Mar, 2011 to Jul, 2011	4797650	3965000	832650	No increase was admissible
		Aug, 2011 to Feb, 2012	7194390	6540354.5 45	654035 .4545	10% increase was admissible
		Mar, 2012 to Jul, 2012	6052327	5502115.4 55	550211 .5455	10% increase was admissible
		Aug, 2012 to Feb, 2013	2885129	2622844.5 45	262284 .4545	20% increase was admissible
		Mar, 2013 to Jul, 2013	3695189	3053875.2 07	641313 .7934	20% increase was admissible
		Aug, 2013 to Nov, 2013	3300057	3000051.8 18	300005 .1818	30% increase was admissible
Sub-total					3,576,095	
Package-IV						
Contract date	Commencement date of supervision	Amount paid		Amount Due (Rs.)	Excess Amount (Rs.)	Remarks
		Date	Amount (Rs.)			
20 Feb, 2009	Sep, 2010	Sep, 2010 to Feb, 2011	3291750	2992500	299250	No increase was

						admissible
		Mar, 2011 to Aug, 2011	7207026	5956219.835	1250806.165	No increase was admissible
		Sep 2011 to Feb, 2012	9306800	8460727.273	846072.7273	10% increase was admissible
		Mar, 2012 to Aug, 2012	9567228	7906800	1660428	10% increase was admissible
		Sep, 2012 to Feb, 2013	4040916	3673560	367356	20% increase was admissible
		Mar, 2013 to Aug, 2013	2827482	2336761.983	490720.0165	20% increase was admissible
		Sep, 2013 to Nov, 2013	2450171	2227428.182	222742.8182	30% increase was admissible
Sub-total					5,137,376	
Grand Total					14,226,210	

Annex-V(Para No. 57)

Engineering Associates Package-III (IDB), Khyber Pakhtunkhwa							
Sr. No	Description	Men months in agreement	Men month claimed upto Nov, 13	Difference	actual amount claimed upto Nov,13 (Rs.)	provision in agreement (Rs.)	Excess than ceiling (Rs.)
1	ARE	29	38.5	9.5	7,466,085	4,350,000	3,116,085
2	Lab technician	55	57.01	2.01	4,667,306	3,575,000	1,092,306
3	quantity surveyor	30	33.73	3.73	4,348,553	3,000,000	1,348,553
4	Surveyor	60	73.72	13.72	6,287,384	4,200,000	2,087,384
5	computer operator	30	30.73	0.73	2,009,277	1,500,000	509,277
6	helper/peon	30	34.48	4.48	806,628	540,000	266,628
total package -03							8,420,233

Annex-VI(Para No.58)

Name of Consultant	Date of contract	Contract cost as Percentage of total work	Amount (Rs. in million)	Date of amendment	Amount of Site office establishment and maintenance through amendment (Rs. in million)	Amount of field facilities through amendment (Rs. in million)	Expenditure (Rs. in million)
The Architect	15-11-2007	2.7%	18.785	30-08-2011	0.500	1.008	1.121
PEPAC	Nov, 2007	2.7%	34.275	31-05-2011	0.500	4.200	4.175
Total					1.000	5.208	5.296

Annex-VII (Para No.15)

	Contracts	Provision of procurement		Amount Allocated for Procurement of vehicle & motorcycle	Amount spent on rented vehicles	Remarks
		1000 cc vehicle	Motorcycle			
EA Consultant	10 BHU and 1 RU, Rawlakot	1	1	900,000+75,000	662,500	Upto Bill No. 12 (partial / incomplete payment record was produced to audit)
	DHQ, Athmuqam	1	1	900,000+75,000	646,007	
	8 BHUs including RUs, 1 RU of CMH, ADHO/DHO, Rawlakot	1	1	900,000+75,000	637,750	
	1 RHC and 8 BHUs including RUs, Rawlakot	1	1	900,000+75,000	2,302,105	
	Total	4	4	3,900,000	4,248,362	

Annex-VIII (Para No.42)

Payment as per contract for supervision (1.428% OF estimated construction cost)	Payment made to ACE ARTS as on 29-07-12 (Rs. in million)	Project	Physical progress as on 30-06-2012	Payment due as per progress (Rs. in million)	Excess payment made beyond physical progress (Rs. in million)	Consultancy fee as % of fee as per contract
18.416	21.671	District complex, Rawlakot	38%	8.287	13.384	117%
		Government Boys degree college, Hajira	52%			

Annex-IX (Para No.2, 45, 73)

S. No.	Department	Name of Consultant	Description	Total Amount Paid (Rs.)	Income Tax @6% (Rs.)	Educational Cess 5% of I. Tax (Rs.)	Tajweedul Quran Trust 2/1000 (Rs.)	Total (Rs.)
1.	EEAP	M/s ECIL	Payment upto October, 2011(IP C-68)	487,880,776	29,272,847	1,463,642	975,762	2,439,404
2.	EEAP	M/s EA		138,664,222	6,267,673	277,328.4	415992.7	693,321
3.	EEAP	M/s Ace Arts		25,090,389	228892	75,271	50,181	125,452
4.	EEAP	M/s NESPAK	G-37 and G-39	381,864,162	22,911,850	1,145,592	763,728	1,909,320
5.	ERRA	M/s NESPAK		508,694,840	30,521,690	1,526,085	1,017,390	2,543,474
6.	PMIU, SKFD	M/s The Architect		82,695,528	4,961,731	165,391	248,087	413,478
7.	PMIU, SKFD	M/s AEC		22,558,014	1,105,090	45,116	67,674	112,790
8.	PMIU, SKFD	M/s Ace Arts		38,375,622	1816211.98	76,751	115,127	191878
	Total			1,685,823,553	97,085,985	4,775,176	3,653,941	8,429,117

Annex-X (Para No.51)

Invoice	Date	Date of withdrawal	Payment as per contract for supervision (1.428% of estimated	Project	Actual Physical progress	Target physical progress	Actual financial progress of consultant
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			construction cost) (Rs. in million)				
1	15-02-2011	16-04-11	1.211	DC, Bagh	21%	10%	10%
				GCEW, Bagh	27%	10%	10%
2	19-05-2011	17-06-11	1.211	DC, Bagh		20%	20%
				GCEW, Bagh		20%	20%
3 & 4	17-08-2011	06-07-12	2.422	DC, Bagh	23%	40%	40%
				GCEW, Bagh	33%	40%	40%

Annex-XI (Para No.56)

S . No	Package No	Consultant	Description	Rent of site office (Rs.)	Operational Cost (Rs.)	Office utilities (Rs.)	Communication Exp (Rs.)	Total (Rs.)
1	IDB package-2	Engineering Associates	construction of buildings in district Kohistan	2,145,000	1,975,000	975,000	570,000	5,665,000
2	IDB package-3	Engineering Associates	construction of roads and bridges in District Shangla	1,699,000	1,924,000	862,000	562,000	5,047,000
3	IDB package-4	Engineering Associates	construction of roads and bridges in District Kohistan	2,275,000	1,950,000	975,000	585,000	5,785,000
	Total			6,119,000	5,849,000	2,812,000	1,717,000	16,497,000

Annex-XII (Para No. 65)

Invoice/ withdrawal application no.	Payment made as per contract for supervision (2.7% of estimated construction cost) on 30-09-2012	Project	Physical progress on Dec, 2012 (only progress report available for the year)	Target physical progress	Over-payment	Actual Physical progress latest on May, 2014	Provisional payments made by withholding 50% of each invoice (Rs. in million)
Inv 31-51/ SFD-00244 & SFD-00267	17,128,881	DHQ Mansehra	55.7%	100%	44.3%	75%	6.281
		DHQ Shangla	92%	100%	8%	100%	
		RHC ChowkishaukatabadMansehra	77.5%	100%		95%	
		RHC Kawai Balakot	85.5%	100%		94%	
		RHCDarbandOghi	43%	100%		90%	
		RHCChattar Plain	93%	100%		100%	
		RHC Nawaz Abad DevliJaberrMansehra	97%	100%		100%	
		RHCKaghanBalakot	88%	100%		100%	
		RHCShinkiariMansehra	98%	100%		100%	
		BHUDevliJaberMansehra	95%	100%		100%	
		BHUIaboriMansehra	81%	100%		100%	
		BHUSachanKalan	98%	100%		100%	
		BHUIalGaliChiranMansehra	96%	100%		100%	
		BHUIabarDevli, Mansehra	95%	100%		100%	
BHUIDurMera-Kala	98%	100%		100%			

	Dhaka				
	BHUMeraMadaKhail Kala Dhaka	59.5%	100%		82%

Annex-XIII (Para No. 6)

Description	Ceiling/provision in Agreement (Rs.)	Expenditure paid (Rs.)	Pending liabilities (Rs.)	Total expenditure (Rs.)	Excess payments (Rs.)
Remuneration	134,038,668	301814330	21625713	323440043	189,401,375
out of pocket expenses	7,198,240	16108501	3119561	19228062	12,029,822
Provisional sum	87,603,970	108816545	8225973	117042518	29,438,548
Escalation (actual exp upto 30-06-09)	9,822,533	80190265	22720344	102910609	93,088,076
Total	238,663,411	506,929,641	55,691,591	562,621,232	323,957,821

Annex-XIV (Para No.23)

Description	As per Agreement	Actual as per IPC-74	Excess	Excess paid (Rs.)
CRE residency	1cook+ 1 watchman	1 cook+2 watchmen(IPC-74)	1 watchman	30,000
		2 no of cooks (ipc-74)	1 cook	75,000
		2 no of watchmen(ipc-74)	1 watchman	75,000
Residency -1 Mzd	1cook+ 1 watchman	1 cook+2 watchmen(IPC-74)	1 watchman	30,000
		2 no of cooks (ipc-74)	1 cook	60,000
		2 no of watchmen(ipc-74)	1 watchman	53,250
Residency -3 Neelum	1cook+ 1 watchman	1 cook+2 watchmen(IPC-74)	1 watchman	30,000
Residency-4 Poonch	1cook+ 1 watchman	1 cook+2 watchmen(IPC-74)	1 watchman	30,000
		2 no of cooks (ipc-74)	1 cook	60,000
		2 no of watchmen(ipc-74)	1 watchman	60,000
Sub-total				503,250
Add 37% escalation paid on above				186,203
Total				689,453

Annex-XV (Para No.24)

Designation	Monthly rate as per agreement (Rs.)	Monthly rate actual payment (Rs.)	No of months	Actual payment made (Rs.)	Payment due (Rs.)	Over payment (Rs.)
Drivers(upto IPC-61)	11000	13000-15000	541.8956	7,044,644	5,960,852	1,083,792
Drivers(IPC-74)	11000	13000-15000	119.533	1,691,995	1,314,863	377,132
CRE residency						-
Cook + Watchman	15000	30000	43.544	1,305,620	653,160	652,460

(IPC_61)						
1 cook+2 watchmen(IPC-74)	22500	30000	3	90,000	67,500	22,500
2 no of cooks (ipc-74)	15000	30000	5	150,000	75,000	75,000
2 no of watchmen(ipc-74)	15000	30000	5	150,000	75,000	75,000
Residency-2 Bagh						-
Cook + Watchman(ipc-61)	15000	30000	34.284	1,028,505	514,260	514,245
Residency-3 Neelum						-
Cook + Watchman(IPC-61)	15000	30000	32.747	982,418	491,205	491,213
1 cook+2 watchmen(IPC-74)	22500	30000	3	90,000	67,500	22,500
Residency-4 Poonch						-
Cook + Watchman(IPC-61)	15000	30000	37.284	1,118,519	559,260	559,259
1 cook+2 watchmen(IPC-74)	22500	30000	3	90,000	67,500	22,500
2 no of cooks(ipc-74)	15000	30000	4	120000	60,000	60,000
2 no of watchmen(ipc-74)	15000	30000	4	120000	60,000	60,000
Total						4,015,601

Annex-XVI (Para No. 38)

Name of Consultant	Date of contract	Percentage of total work	Amount (Rs. in million)	Date of amendment	Amount of field facilities through amendment (Rs. in million)	Expenditure incurred so far (Rs. in million)
The Architect	Oct, 2007	2.7%	85.143	31-05-2011	9.780	-
ACE Arts	08-12-2007	2.38%	30.417	31-05-2011	7.660	3.321
Allied Engineering	15-01-2008	1.84%	24.229	31-05-2011	5.387	4.029
Total					22.827	7.35

Annex-XVII (Para No. 40 and 59)

Name of Consultant	Employer	Date of contract	Percentage of total work	Contract Amount (Rs. in million)	Date of amendment	Amount of field facilities through amendment (Rs. in million)	Expenditure incurred so far (Rs. in million)
The Architect	PMIU SKFD , Muza ffarabad	Oct, 2007	2.7%	85.143	31-05-2011	9.780	
	PMIU SFD Abbotabad	15 Nov, 2007	2.7%	18.785	31-05-2011	0.500 1.400	0.172 0.950
ACE Arts	PMIU SKFD , Muza ffarabad	08-12-2007	2.38%	30.417	31-05-2011	10.273	3.321
Allied Engineering	PMIU SKFD , Muza ffarabad	15-01-2008	1.84%	24.229	31-05-2011	6.525	4.383
	Total			158.574		28.478	8.826