



**SPECIAL STUDY REPORT  
ON  
LDA CITY HOUSING SCHEME  
LAHORE**

**HUD & PHE DEPARTMENT  
GOVERNMENT OF THE PUNJAB**

**AUDIT YEAR 2019-20**

**AUDITOR-GENERAL OF PAKISTAN**



## **PREFACE**

Articles 169 & 170 of the Constitution of Islamic Republic of Pakistan, 1973, read with Sections 10 and 13 of the Auditor-General's (Functions, Powers, and Terms and Conditions of Service) Ordinance, 2001, empower the Auditor-General of Pakistan to conduct special studies on the accounts of the Federation, Provinces and any authority or body established by the Federation or a Province. The Special Study on "LDA City Housing Scheme" in the Urban Development Wing of Lahore Development Authority, HUD & PHE Department, Government of the Punjab, was carried out accordingly.

The Director General Audit, Works (Provincial), Lahore conducted the special study of LDA City Housing Scheme w.e.f 15<sup>th</sup> June - 16<sup>th</sup> July, 2020 covering the period from 2011 to 2020 with a view to reporting significant findings to stakeholders. In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules and standard operating procedures in the planning, procurement of land, designing and development of LDA City Housing Scheme in LDA, UD-Wing under the HUD & PHE Department. Most of the observations included in this report have been finalized in the light of discussion in the SDAC meeting.

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

**-Sd-**

Islamabad  
Date: 12<sup>th</sup> November, 2021

**(Muhammad Ajmal Gondal)**  
Auditor-General of Pakistan



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## **ABBREVIATIONS & ACRONYMS**

BOQ	Bill of quantities
C&W	Communication and Works (Department)
Cft	Cubic feet
CMP	Chief Metropolitan Planning
CTP	Chief Town Planning
DLD	Director Land Development
DP	Development Partner
DPAC	District Price Assessment Committee
HUD & PHE	Housing, Urban Development and Public Health Engineering (Department)
LESCO	Lahore Electricity Supply Company
MRS	Market rates system
PC-I	Planning Commission (Document) – I
PDU	Planned Developed Unit
PST	Punjab sales tax
RCC	Reinforced cement concrete
RFP	Request for Proposals
TSE	Technically sanctioned estimate
WASA	Water and Sanitation Agency
WBM	Water bound macadam





## **EXECUTIVE SUMMARY**

Directorate General of Audit, Works (Provincial), Lahore conducted "Special Study on LDA City Housing Scheme, HUD & PHE Department, Government of the Punjab" w.e.f 15 June till 16 July 2020 covering the period from 2011 to 2020. Special study was planned on the basis of media visibility, general public grievances and involvement of huge public resources.

The Governing Body of Lahore Development Authority in its meeting dated 20.05.2011 approved to launch a Housing Scheme named "LDA City" measuring 58000 Kanals. It was decided to deal with the land owners on DHA Pattern i.e. exemption of land in the shape of developed plots through negotiation with the payment of development charges against the exempted plots.

One of the fundamental goals of Lahore Development Authority is the provision of low-cost housing. Therefore LDA plans and develops various housing schemes for the benefit of the general public. Hence, it is imperative for the Authority that record relating to land acquired by LDA and allotted to the general public is properly maintained, accounted for and monitored. This office, therefore, carried out this study to identify the shortcomings in the management of this valuable asset. The main objectives of the special study were to assess as following:

- i. The agreement with Development Partners was properly implemented and DPs were successful in procuring required land within the prescribed time period.

- ii. The decision of the Honorable Supreme Court of Pakistan regarding LDA City Housing Scheme was implemented in letter & spirit.
- iii. The provision of amenities, residential and commercial areas, roads and open spaces were provided in line with Housing Scheme Rules 2014.
- iv. The development works in the scheme were carried out adhering to applicable rules & regulations.
- v. To make proper recommendations for policy makers.

### **Findings**

During Special Study, it was observed that due care and resolve required to successfully implement the scheme were lacking in LDA as a result of which serious violation of rules & discrepancies were found in the approval of layout plan, procurement of land and infrastructure development of the scheme. A number of instances have been highlighted in this report where serious action to makeup the procurement of complete land and action against DPs as well as contractors was found missing. Moreover, the importance of procurement of land by DPs was not taken seriously by the management rendering it a high-risk area prone to failure of the housing scheme. It significantly hampered the implementation of the scheme and intensified the risk of non-fulfillment of commitments with the general public.

Audit observed that non-adherence to rules, negligence of the management and weak internal controls were the main reasons for the irregularities/deficiencies. The department failed to exercise vigilance to ensure timely procurement of complete land for the scheme and execution of development works at site. Following are the salient observations:

1. Revised layout plan for the scheme measuring 41000 kanal was not approved.

2. Layout plan for Development Area-I was approved in violation of planning standards which resulted in undue benefit to DPs - Rs 838.83 Million.
3. Planned developed units (PDUs) were irregularly converted into residential plots in violation of the decision of the Supreme Court of Pakistan and approved layout plan, which resulted in undue benefit to DPs - Rs 1,380.380 million
4. Failure of planning & designing consultant and cancellation of contract resulted in wasteful expenditure of Rs 89.250 million and non-recovery of balance mobilization advance from the consultant
5. The Development Partners failed to procure complete land for the housing scheme as per their contractual obligation and decision of the Supreme Court of Pakistan.
6. Original PC-I for development of infrastructure development was approved superfluously on engineer estimate instead of MRS notified by Finance Department. Further, emergency worked were awarded without tendering Rs.33.666 billion.

### **Recommendations**

On the basis of above findings, audit recommends that the management should take up the following steps:

1. A prompt approval of the revised layout plan for the scheme measuring 41000 kanal as decided by the August Supreme Court of Pakistan.
2. A thorough probe against the approval of layout plan for development area-I in violation of planning standards.

3. An inquiry be held against irregular conversion of PDUs into residential plots in violation of the Supreme Court's decision.
4. The balance recovery be made from the concerned consultant.
5. A fine be imposed on DPs for not fulfilling their contractual obligation of procuring complete land for housing scheme.
6. An inquiry be initiated to fix responsibility in award of emergency works without tendering.

## **1. INTRODUCTION**

### **1.1 Conception of LDA City Housing Scheme**

Lahore Development Authority (LDA) is an autonomous body established under LDA Act 1975 and works under the administrative control of the Ministry of Housing Urban Development & Public Health Engineering, Government of the Punjab. LDA is the Principal Planning and Development Agency for Lahore. The LDA Act envisages that the Authority may prepare, establish and develop housing and any other schemes, buildings, infrastructure services, commercial and semi-commercial projects or sites and for this purpose, it may enter into an agreement.

The Governing Body of LDA in its meeting held on 20.05.2011 approved to launch a new housing scheme i.e. “LDA City Housing Scheme” on Ferozpur Road Lahore for 45000 kanal area (approximately). Later on, Governing Body of LDA on 16.09.2014 approved extension in the scheme boundary and enhanced the area to 58234 kanal. The purpose of launching the housing scheme was to cope with the housing deficiency arising out of the humungous influx of migrants to Lahore and the rapid urbanization of the city.

### **1.2 Location of the Scheme**

The scheme is located between Ferozpur Road, Defense Road, Kahna Kacha Road and Lahore-Karachi railway line with its entrance along the Butcher khana distributary. The scheme is 15 kilometers from Gajju Matah Metro Bus Terminal at Ferozpur road.

### **1.3 Planning and Implementation Strategy**

As per the topographic survey and geotechnical investigation report, the area between Butcher Khana Distributary and Defence Road was declared as the most suitable for development of housing scheme. The land falling in Mouzas Halloki, Toor Wariach, Thay Panju, Sidher,

Rakh Jhedu, Katchha & Kahna of Lahore District was declared as the controlled area of LDA on 20.05.2011. Notification of sanction of a scheme under section 13 (3) of LDA Act, 1975 was published in Punjab Gazette on 27.10.2011. The additional area of the above Mouzas was also added in the scheme on 22.09.2014 enhancing the overall area of scheme to 58000 kanal. The Governing Body of LDA approved the layout plan of the scheme for 58234 kanal on 19.03.2018, wherein total 41610 plots of various categories i.e. 5 marla to 2 kanal were approved.

The LDA originally planned to acquire the land through direct land acquisition under Land Acquisition Act, 1894. The notification under Section 4 of the Land Acquisition Act, 1894 for compulsory land acquisition was issued on 24.11.2009 but LDA did not acquire land directly through compulsory acquisition. The governing body of LDA, in its meeting held on 16.03.2013, approved to formulate a mechanism of land acquisition on the pattern of DHA and to engage property dealers / investors from the market after enlistment with LDA. It was decided that property dealers / investors will negotiate with the land owners and offer them exemption in terms of developed plots or give the option of cash compensation in case owners are not ready to accept developed plots.

The Authority invited the applications for enlistment of investors through press on 13.07.2013. In response, six firms i.e. M/s Pak Estate, M/s Alfa Estate, M/s Millennium Land Development, M/s Maymar Housing Services, M/s Urban Developers and M/s Paragon City (Pvt.) Limited submitted applications for prequalification. LDA approved these firms as Development Partners (DPs) on 05.08.2013. The agreement between LDA and DPs setting terms & conditions for the procurement of land was signed on 28.09.2013 for a period of one year.

The consultancy contract for Planning & Designing of the Scheme was executed with M/s Osmani & Co on 24.05.2014 for Rs 150.00 million with a completion period of 120 days up to September 2014, later on extended upto June 2016. As per the contract, the scope of work/deliverables included project inception report, preliminary

layout/zoning plan, environment study/report, master plan of the scheme, landscape plan of the scheme, preliminary & detailed engineering design, engineering & cost estimate of the scheme, phasing & financial plan, tender documents including BOQ, three dimensional model of the scheme and contractor's prequalification report and tender evaluation reports etc.

#### **1.4 Mode of Land Acquisition**

For the first time in the history of LDA, the scheme was launched on Land Sharing Methodology between landowners and LDA through DPs to purchase land from the owners on behalf of LDA. Under this arrangement, the DPs were responsible for the procurement of land from land owners and get it mutated in favor of LDA. The detail of this mode of land procurement is given below.

#### **1.5 Procurement of land / Role of Development Partners (DPs)**

The DPs were responsible for procurement of land from landowners and mutation in favor of LDA. In lieu of land mutated in the name of LDA, the owners were entitled to get 30% developed plots after payment of 50% development charges. The DPs were entitled to get 1% of developed plots against their services rendered. The DPs were made responsible for booking and sale of plots to the general public both on lump sum and installments basis, and LDA was responsible for the allotment/transfer of plots as per the recommendation of the DPs.

As per contract with DPs following schedule/timeline for procurement of land was agreed:

- i. 10% land within three months.
- ii. 25% in another three months.
- iii. 65% land in remaining 06 months

Several extensions in the period of the contract were granted, last extension in time expired on 09.10.2017 but no further extension in the period of contract was available on record.

## **1.6 Supreme Court’s Decision**

Due to grievances of the general public about the role of DPs and some irregularities in the procurement of land, the matter was taken up by a suo motto notice of the August Supreme Court of Pakistan in December 2018. The Apex Court in its decision dated 24.01.2019 passed the following orders:

- LDA to revise the area of the scheme from 58000 kanal to 41000 kanal and also re-plan/redesign the LDA City project.
- The DPs shall complete the procurement of 14000 kanal land for Development Area-I (Jinnah Sector) of the scheme in a period of eight months i.e. upto September 2019.
- All Planned Developed Units (PDUs) of the scheme will be retained by LDA as security towards the interests of the file purchasers. The Final decision regarding the release/conversion of PDUs will be taken after the complete procurement of land in Development Area-I (Jinnah Sector).
- After complete procurement of land for the Development Area-1, LDA will continue with the procurement of the remaining land of the whole scheme as per priority. The timeline for procurement of the remaining land will be finalized after the complete procurement of Development Area-I.

## **1.7 Background of Study**

This office planned to conduct a special study of “LDA City Housing Scheme” based on media visibility, general public grievances and involvement of huge public resources. Accordingly, the Directorate General of Audit Works (Provincial), Lahore planned and conducted a special study during 2019-20 to examine and evaluate the planning of the scheme, procurement of land, role of DPs, implementation of Supreme Court decision and infrastructure development in the scheme.



## **2. STUDY OBJECTIVES**

The purpose of the report is to strengthen the public sector accountability by placing the findings of special study before the legislature and to provide guidance to the executive department to help improve its performance in the future. The report is based on the facts established from documentation provided and/or information obtained during the course of the study. The main objectives of the special study were to ascertain that:

- a. Procurement of land was being done as per rules & regulations and timelines specified in the agreement with the DPs and in light of the decision of the Honorable Supreme Court of Pakistan;
- b. Provision for amenities, residential and commercial areas, roads and open spaces were kept in line with the Housing Schemes Rules 2014 and LDA Act, 1975
- c. Adequate living standard and housing facility is provided to the general public at an affordable price in a fair and transparent manner.
- d. Expenditure on development works was incurred in accordance with PPRA rules, MRS and Rules & Procedures.
- e. To make proper recommendations for policy makers.

## **3. SCOPE AND METHODOLOGY**

The scope of the study included conception, design, development, LDA's engagement of DPs for land procurement, allotment of plots and infrastructure development of the scheme till date since the inception of LDA City Housing Scheme. The audit also examined the records pertaining to LDA City Housing Scheme maintained by Director LDA City, Director Finance, Chief Engineer LDA, Director C&I and Chief Metropolitan Planner besides scrutiny of randomly selected allotment files.

Methodology of the study included data collection and analysis, review of agreement executed with DPs, examination of land record files, audit of infrastructure development works executed at site and discussions with the management. Layout plan of the scheme was analyzed to point out any deviation such as plotting on public utilities etc. Audit also selected a sample of 60 allottees for public feedback through proforma.

### **3.1 Beneficiaries of Study**

This study is instrumental for all the stakeholders including the Town Planning and Metropolitan planning wings of all development authorities, HUD & PHE Department and Punjab Assembly for effective decision-making for strategic policy making and implementation.

## **4. FINDINGS**

During the study, it was observed that the mechanism adopted to acquire land for the scheme was not working properly and failed to achieve the desired results. Despite the elapse of more than 7 years since the hiring of DPs, only 19452 Kanal land was procured and mutated in favor of LDA against the requirement of 41000 Kanals. The development works could not be carried out in a continuous and consistent manner due to non-availability of land and non-approval of the revised layout plan. A number of instances have been reported in this report where the undue benefit to the DPs was provided by the management due to violation of planning standards, contractual obligations, non-implementation of Supreme Court's decision and serious violation of rules in infrastructure development was observed.

Audit observed that non-adherence to rules, procedures and weak internal controls were the main reasons for the irregularities / deficiencies. The department failed to exercise vigilance to ensure timely procurement of land, approval of layout plan for revised area of the scheme and achievement of deliverables by design & consultancy

contractor. This may significantly hamper the service delivery capabilities of LDA and successful implementation/completion of the housing scheme.

It may be pointed out that in many directorates, the record related to pre-qualification of development partners, consultants, contractors, Schedule B of the agreement with DPs that demarcated zones for land procurement assigned to respective DPs as well as verified data of booking of plots by the DPs was not made available to audit.

#### **4.1 Planning & Designing of the Scheme**

Good planning is fundamental to achieving public sector goals and delivering public sector services efficiently and effectively. During the study, it was observed that the Authority did not develop a proper strategy or plan to successfully implement the housing scheme. The consultancy contract for “Planning & Designing of LDA City Housing Scheme” had been executed with M/s Osmani & Co but despite lapse of more than 6 years up to June 2020 the consultant did not complete the scope of work as per contractual obligations. Due to the inefficient working of the consultant, the DG LDA had cancelled the consultancy contract during January 2020 and it was not clear how the scheme would be completely and successfully implemented. The main issues observed were as under:

##### **4.1.1 Non-approval of Layout plan for revised area of the scheme<sup>1</sup>**

The Governing Body of LDA on 19.03.2018 initially approved the layout plan of the scheme for 58234 kanal. The area of scheme was reduced from 58234 kanal to 41000 kanal as per orders of the Supreme Court of Pakistan during 2019. LDA did not approve the revised layout plan for land measuring 41000 kanal in violation of Rule 9, Chapter III of LDA (PHS) Rules, 2014. Due to reduction in the area of the scheme, the design parameters were also changed but comprehensive planning to complete and successfully implement the whole scheme was lacking,

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<sup>1</sup> Para No 09

which may result in failure of such a mega project.

#### **4.1.2 Non-observance of planning standards<sup>2</sup>**

Presently, only Development Area-1 (Jinnah Sector) measuring 13072.60 kanal of the scheme was under implementation. LDA approved the layout plan of the sector during May 2019 in violation of approved planning standards. The provision of open spaces for scheme was approved @ 6.06%, graveyard @ 1.7 % and public building @ 3.49 % instead of 7%, 2% and 4% respectively. Due to violation of planning standards and approval of defective layout plan, 222.53 kanal land reserved for utility services was converted into 131 Nos residential plots and exempted to DPs for sale to the general public. Violation of planning standards resulted in undue financial benefit of Rs 838.83 million to the DPs.

#### **4.1.3 Failure of Planning & Designing Consultant<sup>3</sup>**

The Chief Metropolitan Planning (CMP) LDA, Lahore during March 2014 awarded the contract for “Planning & Designing of LDA City” to M/S Osmani & Co (Pvt) Ltd for Rs 150 million. The scope of work/deliverable included project inception report, preliminary layout/zoning plan, Environment Study/Report, Master plan of the scheme, landscape plan of the scheme, preliminary & detailed engineering design, engineering & cost estimate of the scheme, phasing & financial plan etc. The performance of the consultant was not satisfactory and due to inefficient working, the DG LDA cancelled the contract of consultant during January, 2020 although payment up to 60 % of the agreed cost i.e. Rs 89.250 million was made. Moreover, the mobilization advance of Rs.6.75 million was also recoverable from the consultant.

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<sup>2</sup> Para No 01

<sup>3</sup> Para No 2, 3, 4

#### **4.1.4 Superfluous estimation for Infrastructure Development<sup>4</sup>**

The engineering wing of LDA on 10.07.2017 got approved PC-I for infrastructure development of the scheme for Rs 33.66 billion on engineer's estimate/market rates superfluously on the higher side instead of MRS by Finance Department, Government of Punjab. The engineer's estimate template is adopted for technically complex nature projects after the relaxation of financial rules by the competent authority i.e. Chief Minister Punjab. The Authority did not obtain approval of competent authority for relaxation of financial rules which resulted in an extra burden on financial resources of the Authority due to the mala fide intention of the engineering wing of LDA. The Authority approved revised PC-I of MRS rates by FD for Rs 49.540 billion during January 2021, which proved that the original PC-I was incorrectly approved.

## **4.2 Implementation**

Effective management is vital to any organization for achieving its objectives through successful implementation of policies along with understanding and managing the risk associated with service delivery. During the study serious violation of the Supreme Court of Pakistan's decision and weakness in procurement & contract management were observed in the implementation strategy of the Authority. The infrastructure development works for the available area of the scheme were hastily got approved and allotted to the contractor. The contractor executed the items of earthwork etc. Whereas, no asphalt pavement was carried-out over the work area, thus, leaving the site in disproportionately developed condition. The serious weaknesses and lacunas in implementation might hinder the successful implementation of the housing scheme.

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<sup>4</sup> Para No 27, 40

## **4.2.1 Violation of Supreme Court's decision**

### **4.2.1.1 Conversion of Planned Developed Units (PDUs) into residential plots<sup>5</sup>**

As per orders of the August Supreme Court of Pakistan dated 24.01.2019, all PDUs of the scheme were required to be retained by LDA as security towards the interests of the file purchasers. The Final decision regarding release/conversion of PDUs was required to be taken after the complete procurement of land in Development Area-1(Jinnah Sector). The LDA converted the area of PDUs into 382 developed residential plots and allotted the same to DPs in violation of the decision of the Supreme Court of Pakistan. Moreover, in the approved layout plan for Development Area-I (Jinnah Sector) no provision for PDUs was made. Irregular conversion of area of PDUs into residential plots resulted in undue financial benefit to the DPs for Rs 1,380.380 million.

### **4.2.1.2 Non procurement/mutation of complete land<sup>6</sup>**

The DPs engaged for procurement of land were directed by the Supreme Court to complete the procurement of 14000 kanal land for Development Area-I (Jinnah Sector) up to September 2019. In-violation of orders of Honorable Supreme Court of Pakistan, till January 2021 period of 16 months was lapsed against the target date but DPs mutated only 10065 kanal land against a target of 14000 kanal for Development Area-I and 19452 kanal against 41000 kanal land for the whole scheme. The DPs failure to procure complete land as per contractual obligation and orders of the Apex Court has created serious question marks on the future and successful implementation of the housing scheme.

The status of overall procurement of land and mutation in favor of LDA as on January 2021 was as below:

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<sup>5</sup> Para No 05

<sup>6</sup> Para No 06

<b>Area</b>	<b>Required</b>	<b>Land Presented</b>	<b>Mutated in favor of LDA</b>	<b>Balance</b>
Development Area-1	14000 Kanal	11888 Kanal	10065 kanal	3935 kanal
Overall scheme	41000 kanal	25500 Kanal	19452 kanal	21548 kanal

**DP wise status of procurement of land**

**i. Development Area-1**

<b>Sr. No.</b>	<b>DP</b>	<b>Land Presented(kanal)</b>	<b>Land Mutated in favor of LDA(kanal)</b>
1	Alpha Estate	2514	2294
2	Maymar Housing	2021	1514
3	Pak Estate	3191	2922
4	Paragon City	636	475
5	Urban Developers	2337	2105
6	Direct Owner by LDA	1186	753
	<b>Total</b>	<b>11888</b>	<b>10065</b>

**ii. Overall Scheme**

<b>Sr. No.</b>	<b>DP</b>	<b>Land Presented (kanals)</b>	<b>Land Mutated in favor of LDA(kanals)</b>
1	Alpha Estate	5508	4408
2	Maymar Housing	4703	3144
3	Pak Estate	5293	4722
4	Paragon City	4229	2673
5	Urban Developers	4305	3682
6	Direct Owner by LDA	1459	820
	<b>Total</b>	<b>25500</b>	<b>19452</b>

## **4.3 Procurement & Contract Management**

### **Contract management with DPs**

**4.3.1** The DPs procured Category-C land at the cheapest rates and in return get exemption of 31 % in the shape of costly developed plots. The Category-A land remained un-procured, which will be acquired by the LDA under LAC Act at higher rates. Besides, the Authority had also allowed 50 % concession on development charges instead of the recovery of 100 % development charges.<sup>7</sup>

**4.3.2** The Authority, for LDA City Housing Scheme allowed 30 % exemption to land owners in lieu of their land procured for scheme and 1 % exemption to DPs as service charges. The Authority extended undue benefit to the DPs by allowing an extra 1 % exemption. Whereas, in all other housing schemes of LDA i.e. M.A. Johar Town, Sabzazar Housing Scheme and Mustafa Town Housing Scheme only 30 % exemption was allowed to the owners. Besides, in some cases, the Authority allowed an extra 1 % exemption to a development partners as service charges in addition to 30 % for land which was either in the name of DP or their family members. Hence only 30 % exemption was admissible and an extra 1 % was not admissible.

**4.3.3** As per Clause-5 and 12-14 of the contract agreement between DPs and LDA, if the DPs failed to fulfill its contractual obligations, 5 % plots out of 1 % share exempted to the DP and performance guarantees of DPs shall be retained by the Authority till the fulfillment of the liabilities by the concerned DP. The DPs failed to procure the complete land as per their contractual obligations but the Authority neither forfeited the performance guarantees nor retained plots of the DPs against their entitlement and extended benefit to the DPs worth Rs 21.800 million.<sup>8</sup>

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<sup>7</sup> Para No. 10, 42, 53

<sup>8</sup> Para No 23, 36



**4.3.4** As per Clause-3 of the contract agreement (schedule-A), the DPs were only entitled to developed residential plots to the extent of 31% of land mutated in favor of the Authority. But the Authority allowed planned developed units / high rise commercial apartments @ 7% out of 31% in violation of the original contract agreement.<sup>9</sup>

**4.3.5** As per Clause-4(ii) of RFP for selection of investors/Development partners, the applicant must have a liquidity of Rs 50 million or the facility of credit line of an equivalent amount from a scheduled bank. But Authority did not obtain credit line facility of Rs 300.00 million from the DPs. The DPs failed to fulfill their contractual obligations regarding the procurement of land but the Authority did not have any tool to penalize the DPs.<sup>10</sup>

**4.3.6** According to exemption policies for the housing schemes i.e. M.A. Johar Town, Sabzazar Housing Scheme and Mustafa Town Housing Scheme, full development charges against 30% entitlement will be charged from the owner. LDA in contract agreement with DPs provided a clause (5) in contravention of previous policies and decisions of the Authority, according to which 50% development charges were waived off to development partners in lieu of 31 % plots exempted to them. Waiver of 50 % development charges resulted in undue financial benefit to the DPs and loss to the Government worth Rs 6,699.880 million.<sup>11</sup>

### **Contract Management (Other than DPs)**

**4.3.7** The Chief Metropolitan Planning LDA, Lahore executed an agreement for Planning & Designing of LDA City Housing Scheme with M/S Osmani & Co during March 2014 for Rs 150.00 million with a completion period of 9 months up to December 2014. The Authority did

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<sup>9</sup>Para No 47, 57

<sup>10</sup>Para No 24

<sup>11</sup>Para No 13

not obtain a performance guarantee @ 10 % of the contract amount i.e. Rs 15.00 million and extended undue financial benefit to the consultant in violation of a provision of Punjab Procurement Rules. Moreover, the Authority granted mobilization advance to the consultant but recovered only Rs 8.250 million up to March 2016. Since then recovery of the balance Rs 6.75 million was not made whereas, bank guarantee in lieu of advance had already expired on 24.06.2016. Due to the inefficient working of consultant, the DG LDA had cancelled the contract of consultant during January, 2020 with the direction to recover the mobilization advance. A period of more than one year had lapsed but no recovery was made from the consultant.

**4.3.8** As per TORs of contract “Planning & Designing of LDA City Housing Scheme”, with M/S Osmani & Co, detailed engineering design of the infrastructure was the responsibility of M/S Osmani & Co. Further as per Appendix A “Description of the Services to provide for the project” of contract agreement with M/S NESPAK, *the consultant should prepare detailed design for road works, overhead water tanks, storm water drains etc. and will be responsible for construction supervision of the work through qualified supervisory staff.* The Authority made payment of Rs 13.599 million upto June 2020, as Design Charges/ Fee to NESPAK whereas, as per agreement with M/S Osmani & Co, preparation of detailed engineering design, engineering & cost estimate of the scheme, phasing & financial plan, tender documents including BOQ was the responsibility of M/S Osmani & Co. Therefore, no payment for the detailed design of the scheme was due to M/S NESPAK besides detailed design prepared by both consultants were not produced to Audit for scrutiny and verification.<sup>12</sup>

#### **4.3.9 Procurement without competitive bidding & enhancement of contract**

**4.3.9.1** The Authority awarded the contract for “Technical Consultancy Services for Designing & Resident Supervision of Upcoming Projects of

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<sup>12</sup> Para No 28

Roads/Bridges/Flyovers & Underpasses by LDA (Time Based Contract” to NESPAK during July, 2016 for Rs 24.215 million. Later on, Authority also awarded the contract for “Engineering Consultancy Services for Detailed Design/Review and Construction Supervision of Establishment of Infrastructure in LDA City (Phase-1)” to NESPAK during February 2018 for Rs 415.129 million as sub contract of already executed contract without adopting any procurement process and competitive bidding. The consultancy services contract for LDA City had no relevance with already executed contract for consultancy service, therefore, the contract should be awarded after inviting open tenders through wide publicity, competitive bidding and procedure defined for a selection of consultant in Punjab Procurement Rules 2014. Further, no approval of competent authority/forum for allotment of consultancy contract has shown to audit despite repeated requests.<sup>13</sup>

**4.3.9.2** The Authority awarded the contract for “Development of Infrastructure in LDA City Housing Scheme (Phase-I Available Areas)” during October 2017 for Rs 867.658 million but upto 11<sup>th</sup>& running bill made payment of Rs 1,153.739 million i.e. Rs 286.081million above the original contract cost. Whereas, as per PPR 2014 contract could be enhanced upto 15 % of the original contract cost i.e. Rs 997.806 million but the Authority irregularly enhanced the contract to RS. 1153.239 million , which was 33 % above the original contract price i.e. Rs 155.433 million beyond the permissible limit.<sup>14</sup> Besides during execution of work, the Authority executed and paid several non-BOQ items through variation orders relating to water supply, sewerage and overhead water tanks without any provision in TSE and contract agreement

## **4.4 Financial Management**

### **Assessment of structure, compensation**

**4.4.1** The Chief Engineer LDA assessed the value of the

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<sup>13</sup>Para No 8

<sup>14</sup>Para No 31

property/textile mill for Rs 136.347 million by taking the age of the structure as 14 years and applied plinth area rates notified by Chief Engineer C&W Department from Rs 1,837 per sft to Rs 2,366 per sft. Whereas, as per judgment of the LDA Tribunal, the textile mill was constructed during 1992 and the actual age of the building was 24 years on the assessment date i.e. 6.10.2017. Resultantly, the Authority assessed the value of the property on the higher side for Rs 54.879 million.<sup>15</sup>

**4.4.2** As per information provided by the Director Finance, LDA, the Authority made payment of Rs 385.216 million to land owner/development partners on account of reimbursement of mutation charges for the period from December 2017 to June 2020. However, record/detail provided by the Director, LDA City, LDA disclosed that for the period from October 2014 to March 2020 reimbursement/refund claims of Rs 257.622 million were approved. This showed that Director Finance had made an extra payment of Rs 109.594 million without any justification. Besides, no authentic backup/detail of total claims submitted by the land owner/development partners, claims approved by the Director LDA City and actual amount paid by the Director Finance was made available to audit for scrutiny and verification of facts.<sup>16</sup>

## **4.5 Infrastructure Development Works of the Scheme**

The LDA planned to develop the scheme in two phases and initially took up Phase-I comprising about 31,000 kanal for development falling in mouza Sidher. The Governing Body of LDA approved PC-I for infrastructure development on 10.07.2017 for Rs 33.66 billion. The original PC-I cost was based on the engineer's estimate/market rates instead of MRS by the Finance Department, Government of Punjab. The Governing Body approved revised PC-I for Rs 49.540 billion during January 2021 based on MRS rates by FD. The Chief Engineer, UD-Wing LDA, Lahore awarded the work "Development of infrastructure in LDA City housing scheme (Available areas)" to a contractor on

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<sup>15</sup>Para No 12, 15,39

<sup>16</sup>Para No 46, 60

5.10.2017 for Rs 867.658 million and made a payment of Rs 1,153.739 million. Following issues were observed:

- i) PC-I was prepared and got approved based on the engineer estimate/market rates without the approval of CM Punjab. The T.S estimate of the work was approved without the inclusion of integral elements of infrastructure development of housing scheme e.g sewerage and water supply etc. Hence, the award and execution of road work without keeping the essential components of works proved defective estimation subsequently led to the defective award of contract.
- ii) The original agreement cost was enhanced upto 33% against the permissible limit of 15% in violation of PPR-2014.
- iii) An expenditure of Rs 1153.739 million was incurred for infrastructure development on a piece of land which was not mutated in favor of LDA.<sup>17</sup> It was further added that the original area of 58000 kanal of the scheme was reduced by the Supreme Court of Pakistan to 41000 kanal and it was not clear whether said area will be included in the lay out plan for the revised area otherwise expenditure may be wasted.
- iv) The contract was also closed for incomplete work and no approval of the competent authority for the closing of work was available on record. After the close of contract, no joint measurements were taken neither completion certificate was issued by the Engineer-in-charge. The contractor had mainly executed items of earthwork, sub-base and base course, etc. without any asphalt pavement and the balance scope of work for Rs 373.735 million for road works was incomplete. It was further added that original area of 58000 kanal of scheme was reduced by the Supreme Court of Pakistan to 41000 kanal and it was not clear whether said area will be included in the lay out

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<sup>17</sup> Para No. 44

plan for the revised area otherwise expenditure may be wasted.<sup>18</sup>

- v) A fact finding inquiry was ordered by the D.G LDA for unauthorized approval of PC-I and enhancement of work. The Additional Director General, LDA in its inquiry report during July 2018 concluded that responsibility for unauthorized approval of PC-I and enhancement of work rest with the staff of the engineering wing and consultant M/s Osmani & Co. However, a period of more than 2 years was elapsed but no action on the recommendations of the inquiry report was taken. Instead of taking action against the delinquents another inquiry committee was constituted on 17.12.2020 with the direction to submit a report on the matter within 60 days. However, no inquiry was finalized till the finalization of this report.<sup>19</sup>
- vi) The Authority approved PC-I for infrastructure development on the MRS for 1<sup>st</sup> Bi-annual January to June 2017. But in T.S estimates applied MRS rates for 1<sup>st</sup> Bi-annual January to June 2019 and 1<sup>st</sup> Bi-annual January to June 2020 in violation of FD's direction, which resulted in the loss of Rs 528.009 million.<sup>20</sup>
- vii) The contractors utilized the earth for embankment from the areas of plots and scheme resulting in loss to the Authority.<sup>21</sup>

## **5. PUBLIC FEEDBACK**

During the execution of Special Study of LDA City Housing Scheme, the audit team received feedback from the persons allotted plots in the scheme in the form of a questionnaire.

According to the feedback most of the allottees (60%) came to know about LDA City through print media while 56 out of the 60

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<sup>18</sup> Para No. 20

<sup>19</sup> Para No. 58a

<sup>20</sup> Para 37 & 26

<sup>21</sup> Para 50

respondents believed that information regarding the scheme was easily available. 73% of the allottees chosen for feedback were satisfied with the price of the plot while 80% showed their satisfaction about the transparency in the balloting process. When asked about their future expectations from LDA City Housing Scheme, 23% of the allottees shared that they had good future expectation while an alarming 77% are pessimists about the future prospects. 70% of the respondents are satisfied with the dealing of the development partner while 30% are not satisfied. 77% allottees want to live there while 23% want to sell the plots.

## **6 MONITORING AND EVALUATION<sup>22</sup>**

As per Clause 7 Schedule C of contract agreement condition No. 3 of NOC issued to the development partners, the DPs shall provide verified data of booking of plots both on lump sum and installments fortnightly to LDA. The DPs were also required to submit on every Saturday to LDA the data of sale of files in LDA office every Saturday under intimation to NAB alongwith certificate that no file has been sold beyond entitlement issued against the mutated land.

Audit observed that these internal controls were not being implemented in letter and spirit by the Department as no record/data regarding booking of plots and sale of files by the DPs was available in Director LDA City, LDA.

## **7 RECOMMENDATIONS**

### **7.1 For Department:**

On the basis of above findings, audit recommends that the management should take up the following steps:

7. A prompt approval of the revised layout plan for the scheme measuring 41000 kanal.

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<sup>22</sup>Para 7

8. A thorough probe against the approval of layout plan for development area-I in violation of planning standards.
9. An inquiry be held against irregular conversion of PDUs into residential plots in violation of the Supreme Court's decision.
10. The balance recovery be made from the concerned consultant.
11. A fine be imposed on DPs for not fulfilling their contractual obligation of procuring complete land for housing schemes.
12. Ensure procurement of land by DPs at the earliest as per Supreme Court Decision dated 28.09.2020. As well as, timely acquisition of 25% land directly by LDA.

## **7.2 For the policy makers**

1. The land in possession of LDA should be shared with Property Developers/Builders on public private partnership mode through joint venture for construction of mega Malls/Plazas, residential high rise apartments and housing societies on BOT basis for the period of 25 or 30 years through concessionaire agreements. This will shift the financial burden from public exchequer to private sector and after the end of concessionaire period the assets will become the property of the LDA.
2. In future the land acquisition and procurement of land for LDA Housing Schemes the compulsory acquisition under LAC Act 1894 should also be started alongwith land procurement through Development Partners to avoid un-necessary delays likewise in LDA City.
3. LDA should not bar the other Developer Partners/investors in the process of procurement of land and parallel exemption to lands owners directly should also be allowed at ab-initio.



4. LDA should allowed 25% exemption of land to DPs and land owners and 100 percent development charges should also be recovered from the allottees of plots just like in other public organization i.e. DHA.



**Sr. No. 01**

**Non approval of revised lay out plan for 41000 kanal of LDA City Housing Scheme**

As per Rule 9 Chapter III “Planning and Planning Standards” of Lahore Development Authority Private Housing Schemes Rules 2014, The Authority shall ensure Lay out plan of housing scheme is prepared and sanctioned in accordance with the following technical requirements i.e, size and dimension of each plot are given, plots numbers in the scheme are fixed, size and dimension of public buildings and open spaces ,right of way of roads, area statement and percentage of residential plots, commercial use, open space, roads and graveyard etc..

The Governing Body of LDA on 19.03.2018 approved the layout plan of the scheme for 58234 kanal falling in Mouzas Halloki, ToorWarriach, They Panju, Sidher, Rakhb Jhedu, Katcha&Kahna District Lahore. However, due to some irregularities in procurement of land and grievances of general public, the matter was taken up by Supreme Court of Pakistan. The Apex Court of Pakistan, in its decision dated 24.01.2019 ordered the LDA to revise the area of scheme from 58000 kanal to 41000 kanal (excluding the mouza Toor Warriach due to its long outstanding consolidation litigation) and also re-plan/redesign the LDA City project. Audit observed that the Authority had approved layout plan measuring 13072.60 kanal for Development Area-01 during May 2019. But till June 2020, layout plan for whole scheme measuring 41000 kanal was not prepared and got approved from the competent authority.

Violation of rules and decision of Supreme Court of Pakistan resulted in non-approval of revised layout plan and redesigning of scheme.

Audit pointed out lapse in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that revised layout plan for Development Area-1 was got approved in authority meeting held on 22.04.2019 as per court orders of the Supreme Court dated 19.01.2019. Audit informed the Committee that as per orders of the August Supreme Court the overall area of scheme was curtailed to 41,000 kanals for which no revised layout plan was got approved from the competent authority. The Committee directed the Authority to submit the approved revised layout plan for whole scheme. Compliance of SDAC's directive was not reported till finalization of the report.

Audit recommends early approval of layout plan of complete scheme without further delay besides action against responsible.

(Para No. 09)

**Sr. No. 02**

**Undue financial benefit to the development partners due to incorrect approval of layout plan – Rs 838.83 million**

As per Rule 9 Chapter III "Planning and Planning Standards" of Lahore Development Authority Private Housing Schemes Rules 2014, The Authority shall ensure that a housing scheme is planned and approved with open space 7%, graveyard area 2% and public buildings 4%.

Examination of approved layout plan of LDA City Housing Scheme, Lahore revealed that Development Area-01 measuring 13072.60 kanal was approved for phase-1 (Jinnah Sector) of the scheme during May 2019. Audit observed that Authority approved area of open spaces for scheme as 6.06%, graveyard 1.7% and public building 3.49% instead of 7%, 2% and 4% respectively. Due to approval of incorrect/deficient layout plan, 222.53 kanal land reserved for utility services was irregularly converted into 131 Nos residential plots of various categories and exempted to Development Partners just to

provide financial benefit.

Violation of rules resulted in undue financial benefit of Rs 838.83 million.

Audit pointed out undue financial benefit in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that complete layout plan of LDA City comprising of 58,234 kanals was got approved as per planning standards and layout plan of Jinnah Sector should not be dealt with as a separate entity. Audit informed the Committee that as per orders of Supreme Court the overall area of scheme was reduced to 41,000 kanals instead of 58,234 kanals and revised layout plan for whole scheme was not got approved from the competent authority. Due to incorrect approval of layout plan for Jinnah Sector undue financial benefit was provided to the DPs. The Committee directed the Authority to get the re-verification of overall plan from audit. Compliance of SDAC's directive was not reported till finalization of the report.

Audit recommends compliance of SDAC directives besides disciplinary proceedings against the person(s) concerned.

(Para No.01)

### **Sr. No. 03**

#### **Loss due to wasteful expenditure for planning & designing of LDA City Housing Scheme– Rs 89.250 million**

As per agreement for Planning & Designing of LDA City scope of work/deliverable included project inception report, preliminary layout/zoning plan, Environment Study/Report, Master plan of the scheme, landscape plan of the scheme, preliminary & detailed engineering design, engineering & cost estimate of the scheme, phasing & financial plan, tender documents including BOQ, three dimensional

model of the scheme and contractor's prequalification report and tender evaluation reports etc.

Chief Metropolitan Planning LDA, Lahore awarded contract for planning & Designing of LDA City on 05.03.2014 for Rs 150.00 million with completion period of 120 days extended upto June 2016 and till March 2016 made payment of Rs 89.250 million. It was noticed that despite elapse of period of more than 5 years up to June 2020, the consultant did not complete the scope of work as per agreement. Due to unsatisfactory performance of the consultant, the Director Metropolitan planner- IV MP Wing, LDA vide No.LDA/DMP/-IV/309 dated 08.06.2020. The payment made to the consultant was wasted and resulted in loss to government due to negligence on the part of management. Moreover, department did not obtain performance guarantee for Rs 15.00 million and mobilization advance of Rs 6.75 million was also recoverable from the consultant at the time of cancellation of contract.

Violation of contract resulted in loss due to wasteful expenditure of Rs 89.250 million.

Audit pointed out loss in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that the consultant had done all his assignments and demanding his claim as per agreement but same was not paid to him by LDA. Audit informed the Committee that due to inefficient working of consultant the DG LDA had canceled the contract of consultant during January, 2020. Besides, no documentary evidence showing work done by the consultant and approved by the competent authority shown to audit for verification. The Committee directed the Director General LDA to submit report on the matter within 15 days. Further, on the issue of outstanding mobilization advance directed to conduct inquiry by the ADG Headquarter and fix responsibility within 15 days. Compliance of SDAC's directive was not reported till finalization of the report.

Audit recommends compliance of SDAC directives besides disciplinary proceedings against the person(s) concerned.

(Para No.2, 3 & 4)

**Sr. No. 04**

**4.1 Mis-use of Authority- approval of higher rates viz-a-viz MRSrates -Rs 33.666 billion**

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

Chief Engineer, LDA prepared PC-I for infrastructure development of the scheme for Rs 33.66 billion on engineering estimate, which was approved by the Authority in its meeting held on 10.07.2017. It was noticed that engineer's estimate template was always adopted for technically complex nature projects after the approval of the competent authority for relaxation of financial rules. But no approval of competent authority for relaxation of financial rules was obtained and amount of PC-I was approved on higher side as compared to MRS by FD.

Violation of FD's instructions resulted in Mis-use of Authority-approval of higher rates for Rs33.666 billion.

Audit pointed out lapse in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that revised PC-I of balance works was approved by LDA Authority during its meeting dated 28.09.2020. Audit informed the Committee that original PC-I on engineer estimate was got approved without the approval of competent authority just to

provide benefit to the contractors. Besides, as per fact finding inquiry by the Additional Director General LDA during November, 2018 responsibility for unauthorized approval of PC-I on higher rates was fixed on the staff of engineering wing and consultant M/s Osmani & Co. The DG LDA vide office order dated 17.12.2020 constituted another inquiry committee to submit report on the matter within 60 days. The Committee directed to Authority for completion of inquiry by DG LDA within 01 month..

Audit recommends investigation at higher level for finding out factual position along with action under PEEDA Act against responsible under intimation to Audit.

(Para No.27)

#### **4.2 Overpayment due to allowing inadmissible short carriage in item of granular sub-base and base course Rs 13.422 million**

As per provisions of approved PC-I by Authority, the Authority was required to adopt MRS, based on 1<sup>st</sup> Bi Annual 2017, district Lahore, according to which the composite rates for carriage of stone aggregate for sub-base and base course (item No. 1 under Chapter 01 (Carriage) of MRS), include loading and unloading of material from the conveyance and stacking as directed and cost of dumper/trucks were included in the composite rates.

Chief Engineer LDA UD-Wing Lahore got approved the rate analysis of item “*Granular sub-base course etc*” and “*base course etc*” in estimate of the work “Development of infrastructure in LDA City housing scheme (Available areas). Audit observed that the Department applied MRS composite rate of carriage 180 km lead which is at site rate (includes cost of all types of transportation carted through dumpers/trucks etc) and additionally added the cost of dumper trucks and front end loaders. Therefore, the Department allowed double cost of carriage once from quarry to site of work and then from dumping site to site of work.



Violation of FD's instructions resulted in overpayment of Rs 13.422 million due to allowing double cost of carriage as under:

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that payment to contractor was made as per his quoted rates for each item of work. Audit informed that Authority allowed Carriage rates of MRS which were inclusive of carriage through Dumper/Trucks but Authority in addition to that included cost of dumper truck and front end load. The Committee directed the department to get the record re-verified from Audit. Compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early recovery from the contractor under intimation to audit.

(Para No. 40)

**Sr. No. 05**

**Undue financial benefit to the development partners due to unauthorized conversion of PDUs in residential plots- Rs 1,380.38 million**

The August Supreme Court of Pakistan decreed in its order dated 24.01.20 that currently all Planned Developed Units (PDUs) of LDA City Housing Scheme would be retained by LDA as security towards the interests of the file purchasers. Final decision regarding release/conversion of PDUs will be taken after the complete procurement of land in Development Area-1(Jinnah Sector).

The Director LDA City Housing Scheme, LDA Lahore till June 2020, allowed 10712 developed plot files of various categories to the DPs. Audit observed that in 10712 plots, 382 developed plot files of various categories were allotted to Development Partners by irregularly converting the area of PDUs into residential plots. Whereas, as per

contract agreement with DPs neither any PDUs were admissible to the Development Partners nor PDUs were approved in Jinnah Sector. Audit was of the view that this was done just to provide undue financial benefit to the Development Partners.

Violation of contract and decision of the Supreme Court of Pakistan resulted in undue financial benefit to the Development Partners Rs 1380.38 million

Audit pointed out lapse in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that releasing and adjustment of PDUs against residential plots was in the benefit of the Authority. The Committee directed the Director General LDA to submit report within 15 days explaining the reasons why decision of Supreme Court was not implemented. Compliance of SDAC's directive was not reported till finalization of the report.

Audit recommends compliance of SDAC directives besides disciplinary proceedings against the person(s) concerned.

(Para No.5)

#### **Sr. No.06**

#### **Non-procurement/mutation of complete land for LDA City Housing Scheme in violation of decision of Supreme Court.**

As per orders of Supreme Court of Pakistan dated 24.01.2019, the four Development Partners engaged for procurement of land for LDA City Housing Scheme shall complete the procurement of remaining land for Phase-I (Jinnah Sector) in favour of LDA in a period of eight months i.e. upto September 2019. After complete procurement of land for the Development Area-1, LDA will continue with the procurement of the remaining land of whole project as per priority.

Due to some irregularities and complaints/grievances of general public, the Supreme Court of Pakistan took 'So moto Notice' about the scheme during 2018 and in its decision dated 24.01.2019 ordered that LDA will develop scheme in phases and should complete the procurement of remaining 4496 kanal out of 13000 kanal land for Development Area-I upto September 2019 to. Till June 2020, period of nine months was lapsed against the target date the DPs only procured 2294 kanal land and balance 1794 kanal land was not supplied by the DPs. Further, against 41000 kanal land required for whole scheme, the DPs mutated only 18600 kanal land in favour of LDA leaving balance of 22400 kanal.

Violation of Supreme Court's decision resulted in non-initiation of criminal proceedings against Development Partners.

Audit pointed out lapse in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that in the judgment of Supreme Court, a Committee was constituted to monitor the overall performance and execution of process of procurement of land. Audit informed the Committee that up to 20.01.2020 the DPs had mutated 10,065 kanal land for Development Area-I and 19,452 against the provision of 41,000 kanals for whole scheme. Besides, agreement with DPs had already been expired during October, 2017 and no further extension was granted to the DPs. The Committee directed the Director General LDA to submit report on the matter within 15 days. Compliance of SDAC's directive was not reported till finalization of the report.

Audit recommends early initiating criminal proceedings against Development Partners and early procurement of land to complete the scheme.

(Para No.6)

**Sr. No.07**

**7.1 Undue financial benefit to the development partners for granting exemption of plots against procurement of category-C land**

As per para 2 of 1<sup>st</sup>/2014 Authority Minutes of meeting held on 24.03.2014, in order to ensure transparency in procurement of land for evaluation of market rates of land falls in controlled area of LDA City case may be forwarded to District Price Assessment Committee.

The DPs purchased the Category-C land or the cheapest land from land owners through General Power of Attorney approximately average of Rs 5 million per acre and against this agriculture/category-c land obtained 31% developed residential plots the value of which were more than Rs 15 million. The development partners earned huge profit once from exemption of plots, then selling of residential plots to general public in contravention of criteria *ibid*.

This resulted in undue financial benefit to the Development Partners for Rs 3192.37 million.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that market land/acre in notified area of the scheme was more than Rs 10 million and against these 31% plots were exempted. The DPs invested huge money and in return get plots files as per Agreement. Audit informed the Committee that DPs procured category-C land on cheapest rates and in return got exemption of developed plots. The category-A land was not procured by the DPs in violation of Agreement. The Committee directed the Authority to submit fact finding report on the matter within 15 days.

Audit recommends for early investigation of the matter under intimation to audit.

(Paras 10 & 42)

## **7.2 Irregular allotment of plots to development partners and loss due to non-receipt of government dues - Rs 2.300 million**

As per LDA City intimation for entitlement of plots vide letter No. 748/A dated 15.11.2019 the 31% are exempted plots were transferred in the name of Mrs. Salma Humayun.

During the scrutiny of record of Director LDA City, Lahore it was found that an owner Mrs. Salma Humayun wife of Humayun Faiz Rasool was the owner of land in mauza RakhJ aydukhasra No. 353, 361 with total land of 195 kanals 10 marlas. The Authority granted exemption of 31% and allotted plots in her name but later on the Directorate of LDA City, out of these plots, unauthorizely issued exemption letter to Mr. Nauman Ahmad son of Aftaab Ahmad (paragon city) on behalf of Mr. Shahid Shafique development partner of M/s Maymar Housing Services for 02 plots of 01 kanal, 06 plots of 10 marlas and 08 plots of 05 marlas. Further, if the land owners had transferred the land after exemption, then CVT/Stamp Duty would have been deposited in government treasury.

Due to grant of exemption to unauthorized development partner resulted a loss of Rs 2,300,000.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that if the exemption process for the land offered through DPs and directly by the land owner is dealt on different parameters, it will not only hinder land procurement process but also lead to unending litigation. Audit informed the Committee that plots were allotted to Mr. Shahid Shafique/DP irregularly instead of the real land owner. The Committee directed the Director General LDA to submit report on the matter within 15 days. Compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends early recovery of government dues and get the matter regularized competent forum (governing body).

(Para No. 53)

**Sr. No. 08**

**Non-forfeiture of guarantee/ of defaulter development partners – Rs 21.800 million**

As per Clause 12, 13 and 14 of Contract Agreement between Development Partners and LDA, If the development partner(s) fails to perform this agreement or any part thereof LDA will have exclusive right to cancel/terminate the agreement. Failure on the part of this agreement shall be applicable upon such non-performing/defaulting development partner. Besides other steps on account of non-performance, this agreement will be the part of the performance guarantee of Rs 5 million.

Chief Metropolitan Planning LDA, Lahore on 28.09.2013 awarded contract to six enlisted investors / development partners /to purchase land from the owners on behalf of LDA and get it mutated in favor of LDA. During the scrutiny of record of Director LDA City, Lahore. Audit observed that two DPs i.e M/s Millennium and M/s Paragon City did not perform the duties as obligated and assigned under agreement for procurement of land. Due to non-performance of duties the performance guarantees were required to be forfeited in the favor of LDA, but LDA management did not took any action against the defaulting DPs and provided undue favor in shape of non-forfeiture of performance guarantees.

Violation of contract clauses resulted in non-forfeiture of performance guarantee for Rs 21.800 million.

Audit pointed out lapse in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority did not reply nor submitted working papers during meeting. The Committee directed the Authority to submit detail reply and get the record verify from Audit within 15 days.

Audit recommends action against responsible and recovery from sources at fault along with blacklisting of defaulter.

(Para No.23, 36)

**Sr. No. 9**

**9.1 Undue financial benefit to DPs due to allowing 7% PDUS in the form of high rise apartments - Rs 418.335million**

As per clause-3 of the contract agreement signed on 28.09.2013 (schedule-A) The development partners shall procure the and from the land owners and get it registered / mutated in favor of LDA in lieu of which, developed residential plots to the extent of 31% of the transferred land shall be given to the Land owners and Development Partners, through whom the land has been transferred in the name of LDA as per this agreement. 30% shall be deemed as the share of the land owner(s) and 1% share will be of the development partner against the services rendered by him.

Examination of record maintained in the office of Director LDA City, Lahore revealed that as per original agreement between LDA and DPs, the development partners were only entitled for residential plots @ 31% of land mutated in favor of LDA. But later on LDA allowed planned development units / high rise commercial apartments @ 7% out of 31% quota in violation of agreement.

Violation of contractual obligations resulted in undue benefit to the DPs Rs 418,335,000.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that the share of the Development partners as PDUs was provided in shape of residential plots as per terms and conditions of agreement. The same was also approved by the Governing body/authority of LDA in its meeting. Audit informed the Committee that as per original agreement, LDA was required to allocate 31% residential plots only to the development partners. Therefore, issuance of 7% commercial apartments against residential plots was not justified. The Committee directed the Director General LDA to submit

report on the matter within 15 days. Compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends for early conversions of 7% PDUs into residential plots and further terms of the Agreement be implemented and followed in true letter and spirit in future.

(Para No. 57)

## **9.2 Irregular signing of Schedule C & D of agreement by irrelevant person**

As per 5<sup>th</sup> Authority's Meeting held on 12.09.2013, the land owners / occupants of LDA City agitated the launching of scheme by demonstration and refused to give land for LDA City. The Authority, in its meeting held on 16.03.2013, after detailed deliberation approved to formulate a friendly mechanism of land acquisition on the pattern of DHA and to engage property dealers / investors after proper enlistment and ensure transparency. The committee in its meeting held on 11.07.2013 discussed the rating evaluated by sub-committee and observed that as per RFP, applicants were required to provide the credit line facility / liquidity along with other requirements. However, most of them were unable to provide credit line facility and liquidity rather provided the balance sheet.

During the scrutiny of record of Director LDA City, Lahore it was found that Maymar Construction Company was basically Karachi based company and as per original Agreement Mr. Abdul Rasheed as CEO of the Company and signed the agreement Schedule-A. But later in the entire addendum Agreements, Schedule C & D were signed by unauthorized per Mr. Shahid Shafique the copartner of Nadeem Zia CEO of Paragon City signed the agreement on behalf of Maymar Construction Company which was irregular. Further, as per conveyance Deed issued by LDA City Directorate there was name of Mr. Shahid Shafique on behalf of Maymar Construction Company, which proved doubtful in sanctity of record and process of exemption of 31% land.



Due to violation of instructions of PC-I the undue benefit was extended to DPs resulted in irregular execution of agreement.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that DP M/s Maymar (Abdul Rasheed) residing at Karachi authorized Mr. ShahidShafeeq for dealing in all types of business activity. Audit informed that Mr. ShahidShafeeq is co-partner of Paragon City; hence, there was duplicity of DPs role in LDA City business which was in contravention of Agreement conditions. The Committee directed the DG LDA to submit report within 10 days. Compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends for probe into the matter at the earliest.

(Para No. 47)

#### **Sr. No. 10**

#### **Non-obtaining of equity/credit line facility from development partners Rs 300.00 million**

As per clause 4(ii) of Request for Proposals for selection of investors/Development partners, the applicant must have a liquidity of Rs 50.00 million or the facility of credit line of equivalent amount from a scheduled bank.

Chief Metropolitan Planning LDA, Lahore on 28.09.2013 awarded contract to six enlisted investors / development partners to purchase land from the owners on behalf of LDA and get it mutated in favor of LDA. Audit observed that six investors/Development Partners were selected after pre-qualification. But, as per Request for Proposals no documentary proof showing financial strength of applicants i.e. documents / bank statements / proof of credit line facility Rs 300.00 million was available on the record nor made available to audit for verification. It was also added that despite repeated written as well as verbal request the management did not produce record pertaining to prequalification of Development Partners to Audit.

Violation of RFP resulted in non-maintenance of equity/credit line facility Rs 300.00 million.

Audit pointed out lapse in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that record was in the custody of NAB. The Committee pended the para till the return of record from NAB.

Audit recommends investigation at higher level for finding out factual position along with action against responsible.

(Para No.24)

#### **Sr. No. 11**

##### **Less recovery of development charges from the allottees Rs 6,699.880 million**

As per 16<sup>th</sup> /2011 authority meeting held on 31.10.2011, LDA approved the proposal to deal the lands owners of LDA City on DHA Pattern i.e. exemption of land in the shape of 25% developed plots through negotiation with the payment of development charges against the exempted plots. Further as per DHA pattern 100 percent development charges were recovered from the allottees. Further according to Authority's Minutes held on 22.04.2019 read with letter of ADG Urban Planning LDA vide No.188, Dated: 23.07.2019, clarification regarding levy of infrastructure development cost on exempted files of LDA City and development charges has been approved @ Rs 2.5 million per kanal and 50% of which comes to Rs 1250000 per kanal.

The Director LDA City Lahore had been recovering 50% development charges from the allottees/exemptee of plots in all

categories of plots 5 Marls, 10 Marlas, 1 kanals and 2 kanals. Audit further observed that after balloting 1881 plots of one kanal category were allotted to different allottees and the department had been recovering development charges of Rs 1,150,000 instead of actual proposed by ADG Urban Planning LDA for Rs 1,250,000. Hence the authority had been recovering less charges of Rs 100,000 per kanal in violation of Authority's decision *ibid*. Further, the Mega project allowance 4.16% was already allowed to civil works contractors executed by the Chief Engineer LDA in Infrastructure work in LDA City in available area and balance work awarded to the Contractor M/s Alam Khan & Brothers, M/s Babar Electric and Khalid Rauf & Co, therefore, the same were required to be included in the cost of total development charges recoverable from allottees of plots. Further, the calculation of development charges was made on the basis of MRS 1<sup>st</sup> Bi-annual 2017 but later the civil works were awarded on the basis of MRS 1<sup>st</sup> Bi-annual 2019 and 2020 for District Lahore to different contractor, which had huge impact of more than 20% on the total cost.

Violation of decision of the Authority and DHA model resulted in loss of Rs. 6,699.880 million to the government.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority did not reply nor submitted working papers during meeting. Audit informed the Committee that LDA extended undue benefit to DPs by allowing waiver of 50% development Charges, contrary to model adopted by other Government Agency like DHA. The Committee directed the Authority to submit detailed reply and get the record verified from Audit within 15 days. Compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends for early recovery from the allottees under intimation to Audit.

(Para No. 13)

**Sr. No. 12**

**Un-justified payment for design charges-Rs 13.599 million**

As per Appendix A “Description of the Services to be provide for the project” of contract agreement M/S NESPAK, the consultant should prepare detailed design for road works, overhead water tanks, storm water drains etc. and will be responsible for construction supervision of the work through qualified supervisory staff. Similarly, as per TOR of contract “Planning & Designing of LDA City Housing Scheme”, with M/S Osmani & Co, detailed engineering design of the infrastructure was the responsibility of M/S Osmani & Co.

The Chief Engineer LDA, Lahore made payment of Rs 13.599 million upto June 2020, as Design Charges/ Fee to NESPAK. It was noticed that contract for “Planning & Designing of LDA City Housing Scheme” was already executed with M/S Osmani & Co during April 2014 for Rs 150.00 million As per agreement with M/S Osmani & Co, preparation of detailed engineering design, engineering & cost estimate of the scheme, phasing & financial plan, tender documents including BOQ was the responsibility ov M/S Osmani & Co. Therefore, no payment for detailed design of the scheme was due to M/S NESPAK besides detailed design prepared by both consultant were not produced to Audit for scrutiny and verification.

Violation of contract with original consultant resulted in unjustified payment of Rs 13.599 million.

Audit pointed out lapse in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021.The Authority explained that contract of M/s Osmani Y Co was terminated by the competent authority and no payment of design charges were made to him. Audit informed the Committee that as per

original contract designing of the scheme was the responsibility of M/s Osmani & Co and he had also received payment of Rs 89 million under the contract. Besides, no documentary evidence in support of department contention was shown to audit. The Committee directed the Authority to get the report from D.G LDA and get it verified from Audit. Compliance of SDAC's directive was not reported till finalization of the report.

Audit recommends compliance of SDAC directives besides disciplinary proceedings against the person(s) concerned.

(Para No.28)

### **Sr. No. 13**

#### **Irregular award of engineering consultancy services contract without any bidding in violation of PPR-2014-Rs 415.129 million**

As per Rule 4, 22 & 40 of Punjab Procurement Rules 2014, a procuring agency, while making any procurement, shall ensure that the procurement is made in a fair and transparent manner, the procurement process is efficient and economical. The procuring agencies shall use open competitive bidding. The selection of consultant, shall be made by Consultant Selection Committee, which shall consist of the (a)head of the procuring agency who shall be its chairperson (b) a nominee of the Planning and Development Department, a nominee of the Finance Department.

LDA awarded contract for "Engineering Consultancy Services for Detailed Design/Review and Construction Supervision of Establishment of Infrastructure in LDA City (Phase-1)" during February 2018 for Rs 415.129 million. Audit observed that contract was awarded to NESPAK without adopting any procurement process and competitive bidding, as sub contract of an already executed contract "Technical Consultancy Services for Designing & Resident Supervision of Upcoming Projects of Roads/Bridges/Flyovers & Underpasses by LDA (Time Based Contract" awarded to NESPAK during July,2016 for

Rs 24.215 million.

Violation of Punjab Procurement Rules resulted in irregular award of contract Rs 415.129 million.

Audit pointed out irregular award of contract in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that contract was awarded to NESPAK on 19.07.2017 as a sub contract under the main contract. Audit informed the Committee that original consultancy contract to NESPAK was awarded for Rs 24.215 million but consultancy contract for LDA city was awarded for 415.129 million without any bidding in violation of PPR. Besides, the consultancy services contract for LDA City had no relevance with already executed contract . The Committee directed the Director General LDA to submit report on the matter within 15 days. Compliance of SDAC's directive was not reported till finalization of the report.

Audit recommends compliance of SDAC directives besides condonation from competent authority/recovery.

(Para No.8)

#### **Sr. No. 14**

#### **Irregular enhancement of contract due to defective estimation and violation of PPRA 2014 - Rs 155.433 million**

As per Finance Department's letter No. FD (D-II) 10(3)90 dated 30.06.1991, no change in specification / scope of work during execution of work can be made without prior approval of the competent authority that accorded administrative approval and sanctioned technical estimate. As per Punjab Procurement Rules 2014, repeat order/enhancement of contract should not exceed 15% of the original work.

The Chief Engineer, LDA, Lahore allotted the work during

October, 2017 for Rs 867.658 million and up to 11<sup>th</sup> & running bill made payment of Rs 1153.739 million i.e Rs 286.081 million above the original contract cost. Whereas, as per PPR 2014 contract could be enhanced upto 15 % of original contract cost i.e Rs 997.806 million but the Authority irregularly enhanced the contract to Rs 1153.239 million, which was 33 % above the original contract price i.e Rs 155.433 million beyond permissible limit. Besides during execution of work, the Authority executed and paid several non-BOQ items through variation orders relating to water supply, sewerage and overhead water tanks without any provision in TSE and contract agreement.

Violation of PPR 2014 resulted in irregular enhancement of contract for Rs 155.433 million.

Audit pointed out irregular enhancement in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that contract was enhanced as per clause 42 of agreement. Audit informed the Committee that that original TSE was defective and incorrectly approved without providing essential components of water supply, sewerage etc. This showed malafide of the management because these components were deliberately omitted in original TSE and work was allotted only for construction of roads. Later on management enhanced the scope of work without any provision in TSE and contract just to provide benefit to the contractor, which also resulted in irregular enhancement of contract in violation of PPR 2014. The Committee directed the Director General LDA to submit report on the matter within 15 days.

Audit recommends investigating the matter with reference to allotment of work without components of water supply, sewerage and overhead water tank, increase in scope of work through variation orders, actual quantum of work executed at site and irregular enhancement of contract alongwith action against responsible.

(Para No.31)

## **Sr. No. 15**

### **15.1 Irregular sale and purchase of state land by Development partners after publication of Gazette notification – Rs 36.900 million**

As per Sections 5, 6 and 9 of LAC Act 1894, where land is to be acquired for a public purpose, the Provincial Government is satisfied, after considering the result of the survey and thereafter no sale or purchase of land was allowed by the general public after Gazette Notification.

Examination of record of Director LDA City, Lahore revealed that Land Acquisition Collector issued Notification under Section 4 of LAC 1894 for acquisition of 1120 kanals land in MozaSidher. The Gazette notification U/s 5&6 was published on 14.03.2016 and 27.04.2016 respectively. Audit observed that after gazette notification the land owner Mr. Muhammad Arshad S/o Muhammad Ali as per Affidavit/Agreement dated: 02.07.2016 sold 50 kanals 19 marlas to Development Partner Mr. Shahid Shafique (General Power of Attorney). Further, the said land was also transferred by Revenue Department through General Power of Attorney on 23.11.2016 in violation of Act *ibid*.

Weak managerial controls resulted in irregular sale/purchase of state land after Gazette notification valuing Rs. 36.900 million.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that ultimately the land was to be transferred / mutated in the name of LDA and after the process of sale and purchase by the development partners, the land was taken over by LDA free of cost without payment of land and structure charges existing thereupon through land acquisition collector. Audit informed that after Notification under Section 5&6 there was ban on sale and purchase of land, therefore, irregularity be condoned from Board of Revenue. The Committee directed that matter be probed by ADG Housing LDA and



report be submitted within 10 days. Compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends for disciplinary action under PEEDA Act against the ADLR, Revenue Staff and LAC LDA under intimation to Audit.

(Para No. 12)

## **15.2 Overpayment due to allowing higher compensation than announced in Award - Rs 68.157 million**

As per section 12 of LAC ACT 1894, LAC had no power to review the award. Further under section 9(1) of the Act was published on 17.05.2016 and time for appearing and submitting the objection is 19.05.2016 which is against the mandatory provisions of the Section 9(2) which is described the time within 15 days from the notification under Section 9(1).

During the scrutiny of record of Director LDA City, Lahore it was LAC LDA announced the award no.12/2016 dated 11.11.2016 wherein the amount of shifting and disturbance allowance was Rs 88642000 to Mr. Attique-ur-Rehman the owner of Factory A-Tex Pvt ltd in MozaSidher. LAC certified the award announced and as per DPAC the price of land and structure assessment by Technical experts of Engineering LDA were correct and further Mr. Attique-ur-Rehman had offered no objections during the award nor applied in the court of law. Therefore, he received the structure compensation as full and final for Rs 88642000. But later on LAC made another payment of same compensation vide Voucher NO.1112, Dated: 22.01.2018 for Rs 68,157,199 in excess of award announced, which is in violation of Act *ibid*.

This resulted in overpayment of Rs. 68,157,199 to the affectee.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that the industry owner challenged

the compensation of structure assessment in the civil court. The court ordered for review of structure assessment and accordingly land acquisition collector LDA requested for re assessment of structure. The Directorate of Engineering made re-assessment after site visits at factory. Accordingly, the re-assessed payment was issued by the land acquisition collector, LDA city. Enhancement of the structure does not pertain to LAC or Directorate of LDA city. Audit informed that no amount of compensation could be enhanced without approval of Commissioner as per LAC Act 1896. The Committee directed that matter be probed from ADG Housing LDA and submit report within 10 days. Compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends for early recovery from the person(s) responsible under intimation to Audit.

(Para No. 15)

### **15.3 Un-justified structure assessment and payment of structure constructed after issuance of Notification under Section 4 of LAC Act 1894 – Rs 6.219 million**

As per Gazette Notification published on 16.09.2011, the owners, occupiers or any other person in the controlled area of LDA City shall not be allowed to sub-divide the land, construct or reconstruct any structure and further nobody shall be allowed to excavate any earth and cutting of trees acquired under Section 4 of LAC Act 1894.

During the scrutiny of record of Director LDA City, Lahore it was found that DG LDA Lahore sanctioned a scheme "LDA City" about 45000 kanal in Moza Halloki, ToorWarraich, They Punju, Sidher, RakhJhedu, Kacha and Kahna located at Ferozepur road Lahore on 16.09.2011. Further as per gazette notification ibid that no land owner or person can construct any building and commercial activity after Section 4 dated 16.09.2011. The Chief Engineer LDA made assessment of structure/ building which was constructed after the Gazette Notification under Section 4 in Moza Sidher (Mr. Murtaza Rasool S/o

Ghulam Rasool). The land owner constructed the building during 2014 as evident from Electricity Connection. Therefore, the building was constructed after the notification.

This resulted in undue financial benefit to land owner for Rs 6,219,200 due to allowing payment of inadmissible structure.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that neither assessment of structure / building was made injudiciously nor any undue benefit has been given to the owner. Audit informed the Committee that as per Sales Tax Registration no. 3520115408743 the ReveChem was registered as Industry on 26.10.2005, therefore structure was constructed since, then, but Engineering wing calculated the life of building from 2011 instead of actual construction date from 2005, resulting in excess compensation of structure. The Committee directed the department for probe the matter through ADG Housing LDA and LAC within 10 days. Compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends for early recovery from the concerned person (affectee).

(Para No. 39)

#### **Sr. No. 16**

#### **16.1 Unjustified/unauthentic payment for reimbursement of mutation /conveyance deed charges Rs 109.954 million**

As per Clause 6 of contract, the land owner(s)/Development Partner will purchase the stamp paper for registration of sale deed and will pay the other charges, fee, tax etc, out of their own pocket, to get the land registered and mutated in favour of LDA. The land owner(s) / development partner(s) will submit claim of refund of such expenses in detail after mutation/completion of each piece(s) of land. Once the sale deed is duly executed / land mutated / attested and the possession taken by the LDA then the transaction shall be considered / acknowledged as

completed and then amount paid by the Development Partner against such claim shall be refunded within a period 20 days.

The Director, Finance, LDA made payment of Rs 385.216 million to land owner/development partners on account of reimbursement of mutation charges for the period from December, 2017 to June 2020. It was noticed that as per record/detail provided by the Director, LDA City, LDA for the period from October, 2014 to March 2020 reimbursement/refund claims of Rs 257.622 million were approved. This shows that Director, Finance made extra payment of Rs 109.594 million without any justification.

Violation of contract resulted in unjustified/un-authentic payment of Rs 109.594 million.

Audit pointed out irregular enhancement in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that reimbursement was paid after verification and pre audit by the Directorate of Audit, LDA and all the refunds were reconciled properly by Directorate of LDA City and Directorate of Finance LDA. Audit informed the Committee that no authentic backup/detail of total claims submitted by the land owner/development partners, claims approved by the Director LDA City and actual amount paid by the Director Finance was made available to audit for scrutiny and verification of facts. The Committee directed the Authority for re-verification of record.

Audit recommends investigating the matter and production of reconciled record for verification

(Para No.46)

## **16.2 Irregular transfer/mutation of Government land in the name of private owner resulting in loss of Rs 64.750 million**

As per Section 14 and 17 of the Punjab Undesirable Cooperative Societies (Dissolution) Act, 1993, no court shall have jurisdiction in respect of any matter which a Cooperatives Board and the Cooperatives Judge are empowered by or under this Act to determine and no injunction or process or order shall be granted by any court or authority in respect of any action taken or to be taken in exercise of any power conferred by or under this Act.

During scrutiny of record of LDA City Lahore it was found that the development partner M/s Paragon City vide application No.024000005 Dated 2.12.2013 presented 54 kanals land for the scheme, which was in the name of Mr. Mehar Din S/o NabiBakhsh of MozaSidher. Audit observed that as per Computerized Fard-e-Malkiat dated 4.6.2014 the land was in the name of Mr. Mehar Din S/o Nabi Baksh measuring 74 kanal 4 Marla. Audit observed that actually the land was in the name of Punjab Co-operative Board for Liquidation as per Register Haqdaranzameen (MisilHaqeeqat) 2004-05 in khewat no.64, khatooni 128 and same khasra the land 74 kanal 9 marals was in the name of National Industrial Co-operative Society/Liquidation Board. But the then Additional Deputy Commissioner (MrsAmmara) on 08.10.2013, transferred the ownership of State land in the name of private persons without orders of Co-operative Judges.

Weak managerial controls resulted in mutation and transfer of Punjab Government land to the private person valuing Rs 64,750,000 and loss to public exchequer.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority did not submit working paper. Audit informed the Committee that the land was in the name of Punjab Co-operative Board for Liquidation as per Register Haqdaranzameen (Misil Haqeeqat) 2004-05 in khewatNo.64, khatooni 128 and same khasra the land 74 kanal 9 marals was in the name of National Industrial

Co-operative Society/Liquidation Board. But the then Additional Deputy Commissioner (Mrs Ammara) on 08.10.2013 transferred the ownership of state land in the name of private person. The Committee directed the Authority to submit detail reply and get the record verify from Audit within 15 days. Compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends for early disciplinary action and recommends for inquiry by Anti-Corruption against ADC Model Town Lahore, staff of ADLR/Revenue Staff of Model Town Lahore who issued bogus fard-e-Malkiat to private person of Estate Land and land be confiscated from un-authorized person as well.

(Para No. 60)

**Sr. No. 17**

**Irregular expenditure for development works without mutation of land in favor of LDA Rs 1302.721 million**

As per Rule 2.85 of B&R Code, no work shall be commenced on land which has not been dully made over by the responsible civil officer.

The Chief Engineer, LDA Lahore incurred expenditure of Rs 1302.721 million for infrastructure development on land, which was not mutated in favor of LDA.

Violation of rules resulted in irregular expenditure of Rs 1302.721 million.

Audit pointed out irregular expenditure in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that procurement of land was in process and same will be mutated in favor of LDA. Audit informed the Committee that huge expenditure was incurred on land which was not mutated in the name of LDA. The Committee directed to Authority for completion of inquiry by DG LDA within 01 month.

Audit recommends early completion of inquiry and sharing the same with Audit besides action against responsible

(ParaNo.44)

**Sr. No.18**

**Loss due to allowing extra share of 1% and exemption on  
CVT/Stamp duties - Rs 724.583 million**

As per clause 3 and 4 of contract agreement, the DPs shall procure the land from the land owners and get it registered / mutated in favour of LDA in lieu of which, developed residential plots 30% shall be deemed as the share of the land owner(s) and 1% share will be of the DPs against the services rendered by him. Further, the DPs shall be bound to get NOC from LDA prior to advertisement for sale of files / plots. The NOC shall be issued only for the files exempted against the land mutated in favour of LDA. The DPs shall submit the date of sale of files to LDA and also upload on their respective websites. Further, as per PC-1 objectives, it was decided to extend and accommodate more than 50000 families of Lahore City.

During the scrutiny of record of Director LDA City, Lahore it was found that the DP (M/s Pak Estate Agency Mr. Imran Ali Bhatti) was already owned land and got exemption 31% of land in shape of files. Afterwards he transferred the plots in the name of his family members. The DP thus saved the 5% Stamp Duties/CVT etc on first transfer and further deprived 315 families. Whereas the DP was required to sale out the plots to general public and after open balloting by LDA the plots were to be allotted to allottees to public. Further, in other LDA schemes M.A. Johar town, Sabzazar and Mustafa Town 30% exemption was granted against land owned by landlords but in LDA city extra 1% was granted to extend undue benefit to DPs.

Due to violation of contractual obligations and objectives of PC-I the undue benefit was extended to DP and loss in shape of stamp duties/Cvt valuing Rs 724,583,000 at public exchequer.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that as per model and pattern of agreement, the development partners were granted files of plots in lieu

of their 31% share against the land mutated in favor of LDA. It is pertinent to mention that neither the agreement between LDA and development partners hinders transfer of file in the name of development partners nor it is unlawful. Audit informed that DP (Pak Estate Agency) get the 31% exemption of land and LDA allotted the plots in the name of his family members. The DP was entitled for 1% exemption as a commission on account of services but in addition to that DP directly get exemption and obtain plots for 31% exemption. The Committee upheld the view point of Audit and directed to recover the cost or retrieve 1% extra plots from DP. Compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends for early recovery and responsibility be fixed against the delinquents under intimation to Audit.

(Para No. 16, 42 & 20)

#### **Sr. No. 19**

#### **Allotment of land for “Naya Pakistan project” without approval from Provincial Cabinet**

As per New Pakistan Housing Authority Act 2020 5 (2) (1) plan approved and execute mergers and amalgamations with other housing schemes or cooperative housing societies subject to the approval of the competent authorities of those housing schemes or housing societies for such merger or amalgamations. Further, 16(2) for the purpose of the Federal Land Bank, the Federal Government, Provincial Government, Local Government and all other public departments, authorities, agencies and all cooperation's and entities falling there under shall cooperate with the authority to collect information of the immovable property owned or possessed by them and to furnish the same in the manner as prescribed.

During scrutiny of record of Director LDA City it was found that the Engineering Wing of LDA signed an agreement with Bank of Punjab for Rs 10 Billion for 4000 apartments on 800 kanals land of LDA city project. The project Naya-Pakistan was started and executed on the land



of LDA City. Further, as per objectives of PC-1 of LDA city the project was for residential plots of 50000 families with state of the art living standard facilities. Therefore, execution of Naya-Pakistan project was in violation of PC-1 objectives and without approval from Provincial Cabinet.

Weak managerial controls resulted in irregular execution of Federal Government project Naya Pakistan in the jurisdiction of Punjab Government project of LDA City without approval from Provincial Cabinet.

The matter was discussed in SDAC meeting held on 22.01.2021. Audit informed the Committee that LDA City was the project of Punjab Government but LDA Started the mega Scheme of Federal Government “NAYA Pakistan” for construction of flats/ apartments in LDA City which is violation of Agreement and LDA act 2013. The Authority did not submit reply not working papers. The Committee directed the Authority to submit detail reply and get the record verify from Audit within 15 days.

Audit recommends for early regularization of the matter from the Competent Forum besides fixing responsibility against the delinquents.

(Para No. 58)

**Sr. No.20**

**Loss due to application of higher MRS than approved in PC-I and administrative approval Rs 528.009 million**

As per FD No. RO (TECH)/FD/2-6/98 dated: 21.10.2006, approved scheme shall be technically sanction at the rates on which scheme was administratively approved, irrespective of any change in market rates at the time of technical sanction.

Chief Engineer, UD-Wing LDA, Lahore awarded the different infrastructure works in LDA City housing schemes to various contractors. Audit observed that the Chief Engineer got approved the TS estimate by applying MRS 1<sup>st</sup> Bi-annual 2020 instead of admissible.

MRS rates based on 1<sup>st</sup> Bi-annual 2017 for District Lahore as the Administrative Approval was granted by the Authority on 09.08.2017. Therefore, due to application of higher MRS rates resulted in loss to the Government as under:

Weak managerial controls resulted in loss of Rs 528.009 million due to sanction of higher rates than MRS and payment to the contractor.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that revised PC-I on MRS notified by FD has already got approved from the competent authority. Audit informed the Committee that incorrect / higher market rates were approved in original PC-I / TSE in violation of directions of FD. The Committee directed the Authority to regularize the matter from FD. Compliance of the SDAC's directive was not reported till finalization of the report.

Audit recommends for early recovery.

(Para No. 26, 37)

#### **Sr. No. 21**

#### **Overpayment due to excavation of soil from open plots and notified area of LDA City - Rs 579.774 million**

As per Note-I under rule 7.28 of Department Financial Rules read with PAC directives dated 05.12.1994 and 16.04.2007, the contractor would be paid for the item of work at the rate, agreed with the department at the time of award of work and lead cannot be changed after the sanction of estimate.

Scrutiny of the accounts record revealed that Chief Engineer, UD-Wing LDA, Lahore awarded the various works of Development of infrastructure in LDA City housing scheme to the different contractors and made payment for item "Making embankment borrow pit area with compaction 95 to 100% with lead and lift of 10 km etc" @ Rs 10971.46

per thousand cft. Audit observed that the contractors illegally excavated site in the notified area of the LDA city and from open plots of general public as enunciated by director metropolitan planner LDA through various letters. Hence the contractor used earth from site areas and 10 km lead was not admissible to them. Hence the authority paid excess rate of Rs 5938 per thousand cft on account of lead of earth work which resulted in overpayment to the contractors as under

<b>Name of Contractor and work</b>	<b>Rate paid</b>	<b>Rate to be paid</b>	<b>Difference</b>	<b>Qty paid</b>	<b>Over payment</b>
Mian Baber Const. Co. Development infrastructure in LDA City package-2	12419 P.% cft	5033	7386	7906121	58,394,610
M/s Alam Khan Brothers Development of infrastructure in LDA City (Balance work for available area)	10971.46	5033	5938.46	7038094	41,795,440
M/s Alam Khan Brothers Development of infrastructure in LDA City (available area)	14050	5033	9017	53186639	479,583,923
<b>Total</b>					<b>579,773,973</b>

Weak managerial and supervisory controls resulted in overpayment of Rs 579,773,973 to the contractor due to allowing inadmissible rate.

Audit pointed out the overpayment during February 2021. The Authority replied that the lead of 10 Km for borrow earth material was incorporated in the PC-I of LDA City by M/s Osmani & Co. with consideration that borrow pits shall be located outside the notified area of scheme. If department uses lesser lead as pointed out by audit, then contractors will look for borrow pits inside notified area of scheme which is not allowed. Hence, defective estimation on part of department may lead to terrible situation. As a preventive measure, the consultant M/s NESPAK has taken levels of all plot areas adjacent to road in the

areas under development. These levels are taken before commencement of earthwork by contractor. The contractor is bound to maintain these levels of plots till the finalization of work. Hence, all the preventive measures have already been taken by department to avoid such mischievous acts by any sub-contractor of main contractor. Audit argued that contractors were using soil from notified area of the LDA City Housing Scheme as pointed out by the Directorate Metropolitan planning wing LDA. Therefore, recovery of extra lead and cost of soil needs to be recovered from the contractors.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that preventive measures have already been taken and the work will be finalized as per levels taken by the consultant. The contractor is bound to maintain these levels of plots till the finalization of work. Audit informed the Committee that as per record contractors are using the soil of plots for development works. The Committee directed for a probe by the Chief Engineer LDA within 15 days.

Audit recommends early recovery.

(Para No. 50)

## **Sr. No. 22**

### **Non-maintenance of record regarding verified data of booking of plots by the Development Partners.**

As per clause 7 Schedule C of contract agreement with development partners (DPs), the DPs shall provide verified data of booking of plots both on lump sum and installments fortnightly. Further as per condition No 3 of NOC issued to the development partners, the DPs were required to weekly submit data of sale of files in LDA office on every Saturday under intimation to NAB alongwith certificate that no file has been sold beyond entitlement issued against the mutated land.

The Director LDA City Housing Scheme, LDA Lahore exempted 10712 plot files (Jinnah Sector) of various categories to the DPs for sale to general public. Audit observed that in Directorate of LDA City, LDA no proper mechanism was in place to monitor the performance of DPs as well as booking of plots by the DPs to safeguard the interest of general public. The management did not obtain verified data of booking of plots from the development partners in violation of provision of contract agreement

Violation of contract resulted in non-obtaining of verified record of booking of plots.

Audit pointed out lapse in July 2020. The Authority did not reply.

The matter was also discussed in SDAC meeting held on 22.01.2021. The Authority explained that balloting of Phase-I was conducted and plots were allotted to all the file purchasers and nothing was outstanding. Audit informed the Committee that verified data of booking of plots and total files sold by the DPs to general public were not been provided to audit. The Committee directed the Authority to get the facts verify from audit. Compliance of SDAC's directive was not reported till finalization of the report.

Audit recommends action against responsible besides devising mechanism to monitor the performance of the Development Partners and safe guard the interest of general public.

(Para No.7)