



**PROJECT AUDIT REPORT**

**ON**

**CONSTRUCTION OF SIGNAL FREE  
CORRIDORS JAIL ROAD & MAIN  
BOULEVARD GULBERG PROJECT  
LAHORE**

**HUD & PHE DEPARTMENT**

**GOVERNMENT OF THE PUNJAB**

**AUDIT YEAR 2018-19**

**AUDITOR-GENERAL OF PAKISTAN**



## PREFACE

The Auditor-General of Pakistan conducts audit under Articles 169 and 170 of the Constitution of Islamic Republic of Pakistan 1973, read with sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The project audit on "Construction of Signal Free Corridors Jail Road & Main Boulevard Gulberg Lahore" executed by Lahore Development Authority, HUD & PHE Department, Government of the Punjab was carried out accordingly.

The Directorate General of Audit Works (Provincial) Lahore conducted audit of the project "Construction of Signal Free Corridors Jail Road & Main Boulevard Gulberg Lahore" w.e.f 27.05.2019 to 01.07.2019 for the period February 2015 to February 2016 with a view to reporting significant findings to the stakeholders. Audit examined the economy, efficiency and effectiveness aspects of the project. In addition, Audit also assessed, on test check basis whether the management complied with applicable laws, rules, and regulations in managing the project. The Audit Report has been finalized in light of the discussion with management in Special Departmental Accounts Committee (SDAC) meeting held on February 14, 2020 and the results have been duly incorporated in this report.

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

Islamabad  
Dated: 23<sup>rd</sup> December, 2021

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



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## **ABBREVIATIONS & ACRONYMS**

AASHTO	American Association of State highways & Transport Officials
ABC	Asphaltic Base Course
AWC	Asphaltic Wearing Course
B&R	Building & Roads
BOQ	Bill of Quantities
cft	Cubic Feet
DFR	Departmental Financial Rules
EPA	Environment Protection Agency
FD	Finance Department
GST	General Sales Tax
HUD&PHE	Housing Urban Development and Public Health Engineering Department
ISSAI	International Standards of Supreme Audit Institutions
Km	Kilometer
m <sup>2</sup>	Square Meter
m <sup>3</sup>	Cubic Meter
MB	Measurement Book
MRS	Market Rates System
LDA	Lahore Development Authority
NRL	National Refinery Limited
PD	Project Director
P&D	Planning & Development
PC-I	Planning Commission-I
PFR	Punjab Financial Rules
PSI	Per Square Inch
RCC	Reinforced Cement Concrete
RM	Running Meter
SDAC	Special Developmental Accounts Committee
TEPA	Traffic Engineering & Transport Planning Agency
TSE	Technically Sanctioned Estimate



## **EXECUTIVE SUMMARY**

The Director General Audit Works (Provincial), Lahore conducted project audit of “Construction of Signal Free Corridors Jail Road & Main Boulevard Gulberg Lahore” w.e.f 27.05.2019 to 01.07.2019 to evaluate the financial performance, achievement of the project objectives as envisaged in PC-I, to assess allocation of resources and to review compliance with applicable rules, regulations and procedures. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs).

Lahore Development Authority (LDA), Lahore launched this project during 2014-15. The PC-I of the project was approved in December 2014 with a cost of Rs 1,520.363 million and project completion period of four months. The scope of work was enhanced and revised PC-I was approved for Rs 2,395.318 million in October 2015. The scope of work was further enhanced and 2<sup>nd</sup> PC-I was approved for Rs 2,749.814 million in March 2016. The whole project was executed by LDA and TEPA. The overall objective of the project was to facilitate the commuters to avoid long queues and traffic jams at junctions/crossings and reduce travelling time.

Effective implementation of the system of internal controls as laid down in the departmental codes/instructions was found lacking. Therefore, lapses in financial management, contract management, construction & works and deviation from the agreement clauses/specification/templates were observed.

The report has been prepared after discussing the observations in the SDAC meeting.

### **Key audit findings**

Audit findings, categorized into major issues, e.g. Financial Management, Procurement & Contract Management, Construction & Works and Asset Management are as under:

- i. Irregular enhancement of work in violation of PPRA rules without calling tenders -Rs 785.937 million<sup>1</sup>.
- ii. Overpayment due to sanction of higher rates - Rs179.954million<sup>2</sup>.
- iii. Undue financial benefit due to non-obtaining/revalidation of performance security - Rs 102.430 million<sup>3</sup>.
- iv. Irregular grant of secured advance on bitumen -Rs 62.977 million<sup>4</sup>.
- v. Non-collection of sales tax invoices of steel – Rs 48.301 million<sup>5</sup>.
- vi. Overpayment due to the excessive measurement of AWC- Rs 39.522 million<sup>6</sup>.
- vii. Non-recovery of price de-escalation on diesel, bitumen and steel - Rs 28.893 million<sup>7</sup>.
- viii. Overpayment due to incorrect calculations- Rs 17.651 million<sup>8</sup>.

## **Recommendations**

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

- i. The department needs to observe PPRA Rules and fulfill all the codal requirements.
- ii. Adherence to MRS rates as notified by Finance Department be ensured in letter and spirit.

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<sup>1</sup>4.3.1

<sup>2</sup> 4.2.1, 4.3.9, 4.4.4, 4.4.5

<sup>3</sup>4.3.3

<sup>4</sup>4.3.4

<sup>5</sup>4.3.5

<sup>6</sup>4.4.3

<sup>7</sup>4.3.7

<sup>8</sup>4.2.2

- iii. Systemic issues ensuing ineffective contract management need to be addressed.
- iv. Regularization/condonation of the matter from the Finance Department be sought.
- v. Procurement of material from sales tax registered firms needs to be adhered to in order to ensure deposit of sales tax into Government account.
- vi. Excess amount paid to the contractor due to excess measurement be recovered.
- vii. Recovery of de-escalation amount be made.
- viii. Pre-audit system of the Authority needs to be strengthen to avoid recurrence of arthematically mistake.



## 1. INTRODUCTION

1.1 Lahore Development Authority Lahore, in collaboration with Traffic Engineering & Transport Planning Agency (TEPA), launched the project “Construction of Signal Free Corridors Jail Road & Main Boulevard Gulberg, Lahore” during the year 2014-15. The Project was in the hub of the city, accommodating the best educational and health facilitation centers and Business areas. Signal free corridor, from Qartaba Chowk to Liberty Roundabout, a dual carriage way was having three lanes on each side and a total length of 7.2 km. The main crossings on this road were Eden Center Chowk, Shadman Chowk, PIC Chowk, Canal Road, Zafar Ali Road, Fawara Chowk, Main Market Chowk & Zahoor Elahi Chowk. The project was completed by LDA and supervision of construction was carried out by M/s EA Consulting Pvt. Ltd.

1.2 The PC-I of the project was revised twice. The cost of the project was enhanced more than 80.865% from Rs 1520.363 million to Rs 2,749.814 million in the 2<sup>nd</sup> revision of the PC-I. According to the agreement, work on the project started in February 2015 and was to be completed within a period of 04 months. The project was completed in February 2016 with a total cost of Rs 2,655.628 million which included construction cost, land acquisition charges, structural compensation, consultancy/supervision charges, four pedestrian bridges and one flyover at Fawara Chowk. The project was completed in twelve months including five months delay due to stay orders issued by the Lahore High Court Lahore. The final bill of the contractor was not processed till June 2019.

1.3 Project objectives as per PC-I are as under:

- The proposed signal free corridor was in the hub of the city accommodating major business areas on Jail Road. The project would ensure smooth flow of traffic at these junctions/crossings.
- The main objective of the Construction of signal-free corridors was to facilitate the commuters and save their travelling time.

- Due to the construction of an underpass at Shadman chowk, there would be uninterrupted traffic flow coming from Mall road to Shadman and vice versa, thus, enabling uninterrupted signal free traffic flow along Jail Road.
- Due to the construction of an underpass at Fawara Chowk crossing, there would be an uninterrupted flow of traffic on Jail Road and Main Boulevard Gulberg and vice versa.
- After making signal free corridors, there would be no traffic congestions in front of educational institutions like Lahore College for Women University, Kinnaird College & APWA College.
- Remolding of Liberty roundabout would enable smooth merging of traffic at the roundabout.
- The signal free corridors would ensure easy access of patients and ambulances to Punjab Institute of Cardiology and Services Hospital.

1.4 Funds were provided by the Lahore Development Authority. No loan/grant was utilized for this project.

1.5 Payments were regulated by the provisions of the agreement and applicable Financial Rules of the Government of the Punjab.

1.6 Financial status of the project is summarized below:

(Rs in millions)

Planned cost original/PC-I cost	Revised PC-I cost	2 <sup>nd</sup> Revised PC-I cost	Planned completion Period as per PC-I	Actual Expenditure upto Feb, 2016	Percentage of expenditure
1,520.363	2,395.318	2,749.814	4 Months	2,655.628	97%

1.7 As per revise PC-I, 7.2 km roads were required to be constructed. The whole project was completed as per scope and design. After the successful completion, the fundamental objectives of the project seem effective in solving the problems faced by the stakeholders.

## **2. AUDIT OBJECTIVES**

The major objectives of the audit were to:

- i. Evaluate the financial performance and achievement of project objectives / desired benefits as envisaged in PC-I.
- ii. Assess whether the resources were utilized for the purpose for which they were provided.
- iii. Review compliance with applicable rules, regulations, procedures and instructions issued from time to time by the Finance Department, Government of the Punjab.

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

- 3.1 The audit scope included the scrutiny of accounts record of the project for the period from February 2015 to February 2016 to overcum audit objectives.
- 3.2 Audit methodology included data collection, scrutiny/analysis of the record, discussions with engineering staff as well as consultants, issuance of audit observations and sufficient evidence in support of audit findings.

## **4. AUDIT FINDINGS AND RECOMMENDATIONS**

### **4.1 Organization and Management**

The project / scheme was executed by the LDA Lahore under the administrative control of Secretary HUD & PHE Department, Lahore. The project was headed by Chief Engineer LDA supported by Director Engineering LDA, Director Finance LDA and Director Engineering TEPA. M/s EA consulting Pvt. Ltd was the design and supervision consultant of the project. The accounts were maintained centrally in the Directorate of Finance LDA Lahore.

## **4.2 Financial Management**

The issues relating to Financial Management observed during audit involving an amount of Rs 165.349 million were as under:

### **4.2.1 Overpayment due to sanction of higher rates - Rs 106.867 million**

According to the instructions issued by the Finance Department, vide No.RO (Tech) FD-18-23/2004, dated 21.09.2004, rate analysis for the non-standardized items shall be prepared by the Executive Engineer, clearly giving the specifications of the material used and approved by the competent authority, not below the rank of Superintending Engineer, on the basis of input rates of relevant quarter placed at the website of Finance Department.

Project Director/Chief Engineer, LDA UD Wing, Lahore in 23 cases paid the items which were non schedule. Audit observed that the department included in the rate analyses incorrect material rates, excess labour, excess machinery and extra carriage etc.

Violation of FD's instructions resulted in an overpayment of Rs 106,867,702 due to sanction of application of higher rates in rate analysis.

Audit pointed out the overpayment in June 2019.

The paras were discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. In six (06) cases the Committee directed the Authority to effect recovery. In eight (08) cases the Committee directed the Authority to refer the case to FD for clarification. In nine (09) cases the Committee directed the Authority to get the record re-verified. Compliance of the Committee's directive was not reported till the finalization of the report.

Audit recommends early probe and fix responsibility besides effecting recovery.

[\(Annex-I\)](#)

#### **4.2.2 Overpayment due to incorrect calculations - Rs 17.651 million**

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

Project Director/Chief Engineer, LDA UD Wing, Lahore measured and paid the item of *“Reinforcement as per AASHTO M 31 Grade 60”* by calculating the weight of steel as standard weight on the basis of bar bending schedule without recording detail measurement in the measurement sheet/MB. As per test report of steel, conducted during the execution of work, the overall average weight of steel was 4.275 % below the standard weight. But the weight of steel was reduced while making payment.

Violation of rules resulted in overpayment of Rs 17,651,236 because the quantity of steel was not reduced due to use of under weight steel.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that payment was made after conducting the laboratory tests of steel from UET which were cleared and passed by the UET. Audit informed the Committee that underweight steel was used whereas the payment was made for standard weight. The Committee directed the Authority for re verification of test reports and effect recovery as per test report within 30 days. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends early recovery.

(Para-15)

### **4.2.3 Overpayment due to allowing extra lead - Rs 11.017 million**

As per specification No. 16.5 (specification of execution of works 1967 vol-1 part-II) carriage / distance shall be measured by the nearest practicable route.

Project Director/Chief Engineer, LDA UD Wing, Lahore in two (2) cases prepared and approved the rate analysis for the of item “*Excavated unsuitable common material i/c its removal from site*” in the estimate @ Rs 355.40 per m<sup>2</sup> and Rs 269.22 per m<sup>2</sup>. Audit observed that the rate analyses was prepared by taking excess lead of 24 km and 21.60 km instead of 07 km. Actual payable rate was Rs 240 per m<sup>2</sup> and Rs 169.18 per m<sup>2</sup> with 7 km lead.

Violation of specification resulted in an overpayment of Rs 11,016,556 due to allowing excess lead.

Audit pointed out the overpayment in June 2019.

The paras were discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that the excavated common material had been disposed of as per approved lead chart. Audit informed that shortest possible route was required to be used as per specification which was 14 km, via canal road ring road to Mahmood Booti. The Committee directed the Authority for verification of paid lead and actual distance from the site of work as per shortest possible route and report within 30 days. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends early probe and fix responsibility besides effecting recovery.

(Para 40 &41)

#### **4.2.4 Overpayment due to un-justified provision of mega project allowance in Engineer Estimate - Rs 9.755 million**

According to Notification issued by Finance Department Government of the Punjab vide No.RO (TECH) F.D.2/2004 dated 2.8.2004 contractor's overhead have been increased by the Punjab Government from 10% to 15% in the MRS for mega projects having estimated cost exceeding Rs 200 million to facilitate the contracting firms to ensure speedy execution of the mega projects and to enable them to produce projects of high standard of quality.

Project Director/Chief Engineer, LDA UD Wing, Lahore prepared the rate analysis, based on engineer estimate, after incorporating mega project allowance @ 4.167% against each item of work. Audit observed that mega project allowance was admissible only on MRS rates and not on the rates based on engineer estimate as all overheads had already been included in the rate analysis prepared on the basis of engineer estimate.

Violation of FD's instructions resulted in overpayment due to unjustified provision of mega project allowance in rate analysis for Rs 9,754,905.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that mega project allowance was admissible on all standardized and non-standardized items. Audit reiterated its stance. The Committee directed the Authority to refer the case to FD for its clarification within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early clarification from FD and recovery of the overpayment.

(Para 16)

#### **4.2.5 Non-recovery of general sale tax (GST) - Rs 6.250 million**

As per the Government of Pakistan (Revenue Division), CBR/Sales Tax and Federal Excise Wing letter No. 4-2STB/2007 (PT) dated 13.07.2007, the government departments would deduct an amount equal to 1/5<sup>th</sup> of the total sales tax amount shown in the sales tax invoice issued by the supplier and make payment of balance amount to him, which would be deposited in the National Bank.

Chief Engineer, LDA UD Wing, Lahore made payment for supply of pumping machinery, transformers, generators and different electrical items etc. to the contractor which were inclusive of sales tax but the Authority not deducted 1/5<sup>th</sup> sales tax.

Violation of FBR's instructions resulted in non-recovery of general sales tax amounting to Rs 6,249,960.

Audit pointed out the non-recovery in June 2019.

The paras were discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that as per contract agreement, the rates were inclusive of all taxes hence no separate GST could be worked out. Audit informed that the rate analysis was inclusive of sales tax, therefore, proof for depositing the sale tax was required to be obtained or recovery of sales tax was required to be made at the time of payment. The Committee directed the Authority to provide sales tax invoices showing the deposit of sales tax into Government treasury within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends that sales tax invoices showing the deposit of sales tax into government treasury be obtained at the earliest.

(Para 11 & 14)

#### **4.2.6 Overpayment due to preparation of incorrect rates - Rs 4.237 million**

As per remarks of the MRS against the item of PVC pipe the rate for providing and installing special end valves is not included in the rate and it is to be paid separately.

Project Director/Chief Engineer, LDA UD Wing, Lahore prepared the rate analysis for the item of work “Providing and installing PVC pipeline with different dia” and included the rate of tees/elbows in the rate analysis of the PVC. The rate for tees/elbows was payable on the quantity used at the site instead of their lump sum provision in the rate analysis. Due to the lump sum provision of tees/elbows, excess rates were approved and paid to the contractor.

Violation of MRS resulted in overpayment of Rs 4,236,656 due to non-payment of tees/elbows as per actual use.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that composite rate based on MRS was paid to the contractor. Audit informed that payment of tees/elbows was required to be made as per actual use at site. The Committee directed the Authority to recalculate the quantities of tees and elbows as per actual use at site within 30 days and get it verified from Audit. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends early recovery.

(Para 69)

#### **4.2.7 Less recovery of cost of old steel – Rs 3.610 million**

According to para 9 (i) of chapter 18.1 of book of specifications 1967 execution of work, the dismantled material is the property of the government, it should either be recovered from contractor as credit of

dismantled material or it should be counted, measured and recorded for open auction.

**4.2.7.1** Project Director/Chief Engineer, LDA UD Wing, Lahore made recovery of old steel against dismantling of RCC work for 131382.780 kg @ Rs 25 per kg. Audit observed that the recovery of the cost of old steel was on the lower side as the current market rate of the old steel was Rs 40 per kg. Hence, the Authority made less recovery of Rs 15 per kg from the contractor.

Violation of specifications resulted in less recovery of Rs 1,970,742.

Audit pointed out less recovery in June 2018.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that inputs rates of new steel was Rs 55 per kg and recovery was made @ Rs 25 per kg for old rusted steel. Audit informed that the rate of new steel was Rs 80 per kg therefore recovery @ Rs 40 per kg was required to be made. The Committee directed the Authority to verify the rate of old steel as per prevailing market rates within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery.

(Para 3)

**4.2.7.2** Project Director/Chief Engineer, LDA UD Wing, Lahore got executed an item "Steel Structure (A-36) for Pedestrian Bridges" and recovered 65555.751 kg of steel from temporary shuttering. Audit observed that its salvage value was recovered @ Rs 25 per kg instead of Rs 50 per kg.

Violation of specification resulted in less recovery of the cost of old steel amounting to Rs 1,638,894.

Audit pointed out the less recovery in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that inputs rates of new steel were Rs 55 per kg and recovery was made @ Rs 25 per kg for old rusted steel. Audit informed that the new steel (A 36) was used for shuttering therefore recovery @ Rs 50 per kg was required to be made. The Committee directed the Authority to effect actual recovery as per prevailing market rates within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery.

(Para 49)

#### **4.2.8 Overpayment due to sanction of higher rates - Rs 3.302 million**

According to General Specification No.401.3.4 (Hauling and Delivery of Mixed Concrete) read with 401.3.3 (Plant mixing) of the Project, the organization supplying concrete shall have sufficient plant capacity and transportation vehicles to ensure continuous delivery at the rate required. The rate of the delivery of concrete during concreting operations shall be such as to provide for the proper handling, placing, and finishing of the concrete. The rate shall be such that the interval between batches shall not exceed twenty (20) minutes.

Project Director/Chief Engineer, LDA UD-Wing, Lahore approved the rate analysis of item "*Precast pre stressed post tensioned concrete for T Girders and Box Girder*"@ Rs 21,973.60 m<sup>2</sup> for T-Girder and Rs 28,123.30 for box girder as non BOQ items. Audit observed that rate was prepared on the higher side by including excess hours of concrete batching plant, transit mix use and concrete. The Authority also made payment of 10 carpenters in the rate analysis which was not admissible as the payment for complete shuttering was also made in the rate analysis. For T girders, 25 labors were approved instead of 17 as approved in the rate analysis of box girders.

Violation of FD's instructions resulted in overpayment due to sanction of higher rates by adding extra hours of equipment and extra labour for Rs 3,301,977.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that the rate had been prepared by the consultant and accordingly approved by the competent Authority as per site requirement. Audit informed that the Authority had included extra hours for concrete mixture, batching plants and extra labour in rate analysis in violation of FD template. The Committee directed the Authority to refer the case to FD for clarification. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early clarification from FD and recovery of the overpayment.

(Para 30)

#### **4.2.9 Irregular payment without obtaining documents of epoxy material - Rs 2.252 million**

According to the instructions issued by the Finance Department, vide No. RO (Tech) FD-18-23/2004, dated 21.09.2004, and as per Secretary HUD & PHE department letter No. SO(PH)-IV-128/84 dated 12.03.2015, rate analysis for the non-standardized items shall be prepared by the Executive Engineer, clearly giving the specifications of the material used and approved by the competent authority, not below the rank of Superintending Engineer, on the basis of input rate of relevant quarter placed at the website of FD. For quality assurance for use of UPVC Pipes and other products, the following documents were required to be submitted before payment to the contractor.

- i. Original Manufacturer/confirmation through his letterhead and seal
- ii. Gate Pass No./Sales Tax Invoice
- iii. Confirmation that manufacturers all documents are original

iv. Code No. on products (year, Month Date)

Project Director/Chief Engineer LDA UD-Wing, Lahore made payment for 10 quantities @ Rs 225,199 each for the item of “*Self levels Epoxy Ultra E-3 GP for fixing of pot*”. As per the quotation attached with the rate analysis, rate for the material was mentioned as Rs 1,455 per kg whereas the rate of material approved was Rs 1,015 per kg with total quantity of 143.81 kg for each leveling. The payment was released without obtaining the original manufacturer/confirmation.

Violation of instructions of controlling ministry resulted in irregular payment of Rs 2,251,990.

Audit pointed out the irregularity in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that the rate had been prepared by the consultant and accordingly approved by the competent Authority. Audit informed that the rate of the material mentioned in quotations and the rate which was approved were different therefore to verify the actual price, sales tax invoices along with bill of lading and bill of entry were required for verification. The Committee directed the Authority for verification of all these documents within 30 days. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends that matter be probed into.

(Para 33)

**4.2.10 Non-recovery of income tax - Rs 0.369 million**

As per section 153(1)(b) of Income Tax Ordinance 2001, income tax may be deducted on gross value of work done @ 7.5%. Further, as per FBR’s clarification vide No.5/WHT-U-03 dated 24.04.2018, the income tax was required to be deducted from the contractors on the gross value of work done including PST u/s 153 of Income Tax Ordinance 2001.

Project Director TEPA/Chief Engineer, LDA, Lahore made recovery of Rs 4,923,554 (Rs 3,284,570 +Rs 1,638,894) on account of the salvaged value of dismantled material but did not deduct the income tax from the contractor on the total value of the cost of old material.

Violation of Income Tax Ordinance resulted in non-recovery of income tax of Rs 369,266.

Audit pointed out the non-recovery in June 2017.

The paras were discussed in the SDAC meeting held on 22.09.2017. Authority stated that credit was made in reduction of expenditure and so income tax deduction was not due. Audit argued that steel was the property of the Authority/government and the contractor was the purchaser/beneficiary of it, therefore, deduction of income tax was required to be made. The Committee directed the Authority to get the record re-verified from Audit within 15 days or effect recovery. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery.

Para 32&13 (2015-16)

### **4.3 Procurement and Contract Management**

The issues relating to Contract Management observed during audit involving an amount of Rs 1,274.323 million were as under:

#### **4.3.1 Irregular enhancement of agreement in violation of PPRA rules - Rs 785.937 million**

As per rule No. 59 – c (iv) of Punjab Procurement Regulatory Authority (PPRA) rules 2014, “repeat orders should not be exceeded more than fifteen percent of the original procurement”.

Project Director/Chief Engineer, LDA UD Wing, Lahore awarded work to the contractor on 19.02.2015 for Rs 1,262,610,449. The Authority enhanced the agreement cost from Rs 1,262,610,449 to Rs 2,048,547,118 for execution of further additional works. Audit observed that, without inviting fresh tenders, the Authority enhanced the scope of work to 63% above the permissible limit of 15% of the original contract value.

Violation of rules resulted in irregular enhancement of work worth Rs 785,936,669.

Audit pointed out the irregularity in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated, as per the contract agreement an estimate could be revised up to 20% & above and the rule referred to in the Para was particularly not applicable in civil works. Audit informed that contract amount was enhanced beyond the permissible limit of 15% in violation of rules *ibid*. The Committee directed the Authority to refer the case to FD for clarifications within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early regularization.

(Para 4)

#### **4.3.2 Non-recovery on account of compensation for the delay of work - Rs 126.261 million**

According to Clause 39 of the contract agreement, the time allowed for carrying out the work shall be strictly observed by the contractor. If the contractor fails to complete the work within the stipulated time period the contractor shall pay, as compensation, an amount equal to 1% of the amount of the contract, subject to a maximum of 10%.

Project Director/Chief Engineer, LDA UD Wing, Lahore of work "*Construction of Signal Free Corridors Jail Road & Mian Boulevard,*

*Gulberg, Lahore*” did not initiate the penal action for imposition of 10% penalty against the contractors who were responsible for delay in completion of the work.

Violation of rules resulted in non-recovery on account of compensation for delay worth Rs 126,261,044.

Audit pointed out the irregularity in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that delay in completion of work was due to stay order of court and subsequent increase in the scope of work. Audit informed the Committee that stay order and time extension along with the final bill had not been produced for verification. The Committee directed the Authority for re-verification of record within 30 days. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends that strict compliance of contract be ensured.

(Para 56)

#### **4.3.3 Undue financial benefit due to non-obtaining/revalidation of performance security - Rs 102.430 million**

As per Clause-7 read with item (h) memorandum of work, and Finance Department Notification RO (Tech) FD-1-2/83 (V) (P) dated 6<sup>th</sup> April, 2005, the contractor is required to provide performance security in the shape of bank guarantee @ 5% of the accepted tender price within 15 days of receipt of acceptance letter in the case of tenders with a cost exceeding Rs 50 million. The performance security should be re-validated till the completion of the project and the defect liability period.

The Project Director TEPA/Chief Engineer, LDA, Lahore awarded the work to the contractor on 19.02.15 for Rs 1,262.61 million. Further, the enhancement of work outlay was Rs 2048.51 million. The Authority did not obtain/revalidate performance security amounting to Rs 102.43

million (2,048.51 x 5%) as the work remained under execution up to April 2016.

Violation of contractual obligation resulted in undue financial favor to the contractor for Rs 102.430 million.

Audit pointed out this violation of rules in June 2019.

The para was discussed in the SDAC meeting held on 22.09.2017. The Authority argued that the work remained suspended due to litigation and had been completed, hence there was no need to deduct/retain/revalidate performance security. The Committee directed the Authority to seek clarification from Finance Department within 60 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early regularization/condonation of the matter from F.D besides disciplinary action for this lapse.

Para No. 7 (2015-16)

#### **4.3.4 Irregular grant of secured advance on bitumen - Rs 62.977 million**

According to para 2.98 of B&R Department Code and as per Clause No.45 of the contract agreement, a contractor whose contract is for finished works can be granted a secured advance @ 75% of the material cost on the security of material of imperishable nature brought by him at the site of the work.

Chief Engineer LDA UD Wing Lahore/Project Director of work "*Construction of Signal Free Corridors Jail Road & Mian Boulevard, Gulberg, Lahore*" granted a secured advance on bulk bitumen for quantity of 1000 Ton of bitumen @Rs 83,970 Per ton amounting to Rs 62,977,500 in 1<sup>st</sup> running bill dated 25.02.2015. The bitumen was a perishable item and secured advance on perishable items was not allowed as per rules mentioned in the contract agreement.

Violation of rules resulted in the irregular grant of secured advance on bitumen for Rs 62,977,500.

Audit pointed out the irregularity in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that recovery of secured advance had been made from the performance guarantee. Audit contended that performance guarantee was required to be extended up to the finalization of work. Audit informed that the Authority extended undue benefit to the contractor by allowing secured advance on bitumen which was not admissible. Moreover, a surcharge @12.5% per annum should also be recovered due to irregular payment of the secured advance. The Committee directed the Authority to recover the surcharge amount from the contractor and get the matter probed by the Administrative Department and submit fact finding report to Audit for verification within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends disciplinary action for this lapse, early regularization/condonation of matter from the finance department and recovery of interest @ Rs 12.5% till the period of adjustment of this advance.

(Para 38)

#### **4.3.5 Non-collection of sales tax invoices of steel – Rs 48.301 million**

According to FBR Chief Commissioner Inland Revenue, Regional Tax Office, Lahore letter No.896 dated 06.02.2015 written to C&W Department to Government of the Punjab, the purchase of taxable goods may only be made from persons holding sales tax registration against sales tax invoices and payment is to be made through proper banking channel. In the case of public works, it may be ensured that the contractors engaged should make purchases only from persons holding sales tax registrations. Since contractors carrying out Government works against public tender

are required to have a Bill of Quantity (BOQ), the Government departments/organizations while undertaking such venture must require contractors to present sales tax invoices of all the material mentioned in the (BOQ) as evidence of its legal purchases, before releasing payments to them.

Project Director TEPA/Chief Engineer, LDA, Lahore got executed the item of work “*Steel reinforcement for piles and reinforcement AASHTO M-31 Grade 60*” and used 3450.06 tons quantity of steel @ Rs87,500 per ton for Rs 301,880,250. However, the Authority did not obtain the invoices of the steel from the contractor to verify that the steel was procured from the sales tax registered firms and sales tax of Rs 48,300,840 @ 16% of the total cost of steel had been deposited in the Government account as required under the instructions issued by the FBR.

Violation of FBR’s instructions resulted in non-collection of sales tax invoices of steel for Rs 48,301,000.

Audit pointed out the irregularity in June 2017.

The para was discussed in the SDAC meeting held on 22.09.2017. The Authority replied that for execution, MRS rates were applied which included all type of taxes. Audit informed that Authority did not provide any record. The Committee directed the Authority to get the record verified by producing all invoices and requisite documents. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends that instructions of FBR be adhered to regarding procurement from sales tax register firms.

Para31 (2015-16)

#### **4.3.6 Irregular/Unjustified payment without detail measurements of structure cost - Rs 33.115 million**

According to rule 2.10(a) of PFR Volume-I a Govt. servant should exercise the same vigilance for incurring expenditure from Govt. funds as

a person of ordinary prudence would exercise in respect of expenditure incurred from his own money.

Project Director/Chief Engineer, LDA UD Wing, Lahore made payments of Rs 33,114,530 against Award No 10/2015 of work “*Construction of Signal Free Corridors Jail Road & Mian Boulevard, Gulberg, Lahore*” on account of demolishing of structure without getting the detailed measurement of the material at the site. Therefore, the payment was irregular/unjustified for quantity of demolished woodwork, brickwork and steelwork etc.

Violation of rules resulted in irregular/unjustified payment of Rs 33,114,530.

Audit pointed out the irregular/unjustified payment in June 2019.

The paras were discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that detailed measurements of the structure were carried out and payment was made accordingly. Audit informed that complete record of detailed measurement along with sui gas and electricity bills and completion plan of building structure needed further verification. The Audit further added that the Authority had also allowed 5 % development charges which were inadmissible. The Committee directed the Authority to produce a complete record with the justification of development charges within 30 days. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends early compliance of Committee’s directives.

(Para 58,59,60,61,62,63,64 & 65)

#### **4.3.7 Non recovery of price de-escalation on diesel, bitumen and steel – Rs 28.893 million**

According to clause-55 of the contract agreement, where any variation (increase or decrease) to the extent of 5% or more in the price of

item of work takes place after acceptance of tender and before completion of work, the amount payable should be adjusted to the extent of actual variation in the cost of a concerned item of work.

Project Director TEPA/Chief Engineer, LDA, Lahore awarded the work to the contractor in February 2015. The base price of bitumen, diesel and steel at the time of tender was on the higher side which decreased during the execution of works. The Authority did not make recovery on account of de-escalation of material price from the contractor.

Violation of contractual obligation resulted in non-recovery of Rs 28,893,416 on account of de-escalation in prices.

Audit pointed out the non-recovery in June 2017.

The paras were discussed in the SDAC meeting held on 22.09.2017. The Authority replied that against de-escalation, an amount was payable on Bajri, concrete and labour. The Committee directed the Authority to make recovery/adjustment by preparing the final bill and get it verified from Audit. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery.

Para 3, 4 & 5 (2015-16)

#### **4.3.8 Irregular payment and provision for consultancy – Rs 28.472 million**

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

Project Director/Chief Engineer, LDA UD Wing, Lahore made provision in the estimate for consultancy for Rs 28,471,771 and made payment to the consultant on a percentage basis instead of man month

basis. The work remained suspended due to litigation for about six months and no payment was admissible to the consultant for this period.

Violation of rules resulted in irregular payment of Rs 28,471,771.

Audit pointed out the irregularity in June 2017.

The para was discussed in the SDAC meeting held on 22.09.2017. The Authority replied that the payment was made on man month basis after approval by the Authority. Audit informed that no record was produced for verification. The Committee directed the Authority to provide complete record for verification. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early compliance of Committee's directives.

Para 45 (2015-16)

#### **4.3.9 Overpayment due to approval of a non BOQ item - Rs 20.716 million**

According to the instructions issued by the FD, vide Letter No. RO(Tech) FD-18-23/2004, dated 21.09.2004, rate analysis for the non-standardized items would be prepared by the Executive Engineer, clearly giving the specifications of the material used and approved by the competent authority not below the rank of Superintending Engineer and on the basis of input rate of relevant quarter placed at website of the FD.

Project Director/Chief Engineer, LDA UD Wing, Lahore made provision in the estimate for the item of "*Providing and Laying Shortcrete for leveling of continuous secant pilling with class A-3 complete in all respect*" and against this item the contractor quoted the rate of Rs 5,500 per sq.m. The Authority further approved a non BOQ item "*Providing and Fixing of steel mesh, Ms angle chemical etc for shortcrete works complete in all respect*" and paid for 3977.771 m<sup>2</sup> @ Rs 5,208 per m<sup>2</sup>. The payment of steel mesh was inadmissible as the contractor quoted the rates of shortcrete in the BOQ. Therefore, separate payment of steel mesh, as a

non BOQ item, was inadmissible as per terms and conditions of the contract agreement.

Violation of contractual obligation resulted in overpayment due to payment of inadmissible non BOQ item of Rs 20,716,231.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that the item of shortcrete completed in all respect was approved as BOQ item. Later on, a non BOQ item steel mesh was paid separately by considering the part of the item of shotcrete. Audit contended that the BOQ item of shotcrete was approved in TSE/agreement and it was complete in all respect and rate quoted by the contractor was also for complete item including steel mesh, therefore, approval of an additional non BOQ item of steel mesh was inadmissible. The Committee referred the Para to FD for clarification within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early clarification from FD.

(Para 19)

#### **4.3.10 Overpayment due to non-recovery of imbalance rates - Rs 12.362 million**

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

Project Director TEPA/Chief Engineer, LDA, Lahore awarded the work to the contractor on item rate basis which was 1.90% below the estimated rates. The contractor executed the items and the Authority made

the payment which was 1.30% below the estimate against the bid offer of 1.90% below the estimate.

Violation of FD's instructions resulted in non-recovery of imbalance rates worth Rs 12,362,186.

Audit pointed out the overpayment in June 2017.

The para was discussed in the SDAC meeting held on 22.09.2017. The Authority replied that against the bid offer of 1.90% below the estimate, the 13<sup>th</sup> running bill was 1.68% below the estimate and the difference of 0.23% i.e. Rs 3.90 million was recovered. The reply was not tenable because no record was produced for verification. Moreover, for working out the imbalance rate, the template introduced by Finance Department was not followed. The Committee directed the Authority to follow the instructions of Finance Department to work out the difference of imbalance rates and effect actual recovery and get it verified from Audit within 15 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery.

Para 2 (2015-16)

#### **4.3.11 Irregular expenditure due to non-preparation of rate analysis - Rs 10.512 million**

As per Finance Department letter No.RO(Tech)FD-18-23/2004, dated 21.09.2004, "rate analysis of non-standardized items should be prepared by the Executive Engineer and approved by the Superintending Engineer on the basis of input rate of relevant quarter placed at the website of Finance Department".

Project Director/Chief Engineer, LDA UD Wing, Lahore measured and paid non-scheduled items for Rs 10.512 million without preparing and approval of analysis of rate from the competent authority. In the absence of rate analysis, the authenticity of rates could not be evaluated.

Violation of FD's instructions resulted in irregular expenditure of Rs 10,512,000.

Audit pointed out the irregularity in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that those items were BOQ/Competitive items and were paid on tender rates quoted by the contractor. Audit informed the Committee that no rate analysis, showing the rates after obtaining quotations, was produced for verification. The Committee directed the Authority to verify the quotations and prepare rate analysis of those items within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends that rates analysis of items be prepared as per SDAC's directives.

(Para 53)

#### **4.3.12 Overpayment due to non-execution of work on the rates quoted by the contractor in bids - Rs 6.620 million**

According to the instructions issued by the FD, vide Letter No. RO(Tech) FD-18-23/2004, dated 21.09.2004, rate analysis for the non-standardized items would be prepared by the Executive Engineer, clearly giving the specifications of the material used and approved by the competent authority not below the rank of Superintending Engineer and on the basis of input rate of relevant quarter placed at website of the FD.

Project Director/Chief Engineer LDA UD-Wing, Lahore quoted the rate of Rs 13,000 per m<sup>2</sup> against the estimated rate of Rs 13,441.05 for the items of "*RCC concrete Type A Elevated*" and Rs 11,000 per m<sup>2</sup> against the estimated rate of Rs 11,090.05 for the items of "*RCC concrete Type on ground*". Audit observed that the Authority paid the rates of items "Precast pre-stressed concrete for T Girders and Box Girders" @ Rs 21,973.60 and Rs 28,123.30 per CM. Audit was of the view that the

rates paid were on higher side which were required to be paid by including rate of extra shuttering in the quoted rates of RCC @ Rs 16,701 per m<sup>2</sup> and 22,519.08 per m<sup>2</sup>. So, excess rate of Rs 5,272.60 per m<sup>2</sup> for T girder and Rs 5,604.22 per m<sup>2</sup> for box girder was paid to the contractor.

Violation of FD's instructions resulted in overpayment of Rs 6,620,106.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that both the items were different in nature, the rate had been prepared by the consultant and accordingly approved by the competent Authority as per site requirement. Extra efforts were required for the execution of the item of RCC for flyover. Audit informed that the Authority had included special shuttering for extra efforts required for execution of the item and prepared higher rates in presence of available rates in BOQ by including extra labour and material. The Committee directed the Authority to refer the case to FD for clarification. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends compliance of Committee's directive.

(Para 31)

#### **4.3.13 Irregular procurement of generators resulting in overpayment - Rs 4.947 million**

According to instructions issued by the Finance Department Notification dated 08.08.2005 and 30.03.2006, HVAC system and passenger lifts shall be installed after pre-shipment inspection in the country of origin. Plant & Machinery and other store items like generators, lifts, air conditioners electric motors turbines etc. are required to be purchased as per the procedure prescribed in Purchase Manual instead of allowing 20% profit and overheadsto contractors.

Project Director/Chief Engineer, LDA UD Wing, Lahore made payment for a non BOQ item of “*Supply, installation 115 KVA Generators and sheds for generator with fiber glass and Pump and Motor with Head 11.0 M & Flow 1322 GPM*” and paid an amount of Rs 4,946,665 on account of 20% contractor’s profit and overhead which was not admissible.

Violation of FD’s instructions resulted in overpayment due of Rs 4,946,665.

Audit pointed out the irregularity in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that the item of generators was not the supply item. It was a composite rate item including civil and mechanical works with installation and fixing. Audit informed that 20% contractor profit & overhead charges were not admissible to the contractor on procurement of generators. The Committee directed the Authority that contractor might be allowed 12.5% of the purchase amount on account of administrative charges & Income Tax and remaining contractor profit @ 7.5% might be recovered from contractor and verified from Audit within 30 days. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends early recovery.

(Para 10)

#### **4.3.14 Non-recovery on account of old age employee’s contributions - Rs 2.160 million**

As per Section 9&9-B of Employees Old Age Benefit Act, 1976 read with decision made by the supreme court of Pakistan in the case of “*Consolidated Sugar Mills versus Employees Old Age Benefits Institution HRD Division Pakistan*”[agreement clause 32], every entity having 5 or more than 5 persons employed by the employer shall contribute 6% of the

Pay to the Institution monthly which shall be increased to 50% and recovery will be made as arrears of land revenue(section 13).

Project Director TEPA/Chief Engineer, LDA, Lahore got executed the work "*Construction of Signal Free Corridors Jail Roads & Main Boulevard Gulberg, Lahore*" by M/s Habib Construction Services Pvt. Ltd. The contractor did not get himself registered with EOBI Department. And no contribution/recovery @ 6% for 200 workers (on average) was made from the contractor.

Violation of Employees Old Age Benefit Act resulted in non-recovery on account of old age employee's contributions for Rs 2,160,000.

Audit pointed out this violation in June 2017.

The para was discussed in the SDAC meeting held on 22.09.2017. The Authority stated that no such provision existed in the standard format of the contract agreement. Audit informed that the Employees Old Age Benefit Act was framed & approved by both department i.e. Finance Department and Law Department. The Committee directed the Authority to refer the case, with detailed elaboration, to both the departments within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early compliance of SDAC directives.

Para 8 (2015-16)

#### **4.3.15 Overpayment due to usage of undersize bricks – Rs 619,758**

As per section 801 read with section 1041-8 of Standard Specifications for Roads & Bridge Construction 1971 and according to Finance Department's Material rates of item No. 07.001, standard size of bricks is 9" x 4-1/2" x 3" and their crushing strength is 2000 PSI. Further, as per MRS remarks in chapter "Brick Works", if 2<sup>nd</sup> & 3<sup>rd</sup> class bricks are

used, the rate of bricks may be reduced by 7% and 12% respectively from the composite rate.

Project Director/Chief Engineer, LDA UD Wing, Lahore made payment of Rs 8,853,696 to the contractor for execution of item “*Pacca brick work cement sand mortar*” but as per test reports, the bricks used in the works were undersized.

Violation of specifications resulted in an overpayment of Rs 619,758.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that as per lab test report the compressive strength of bricks was 2617 PSI. Audit informed the Committee that the Authority used undersized bricks. The Committee directed the Authority to effect recovery within 30 days. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends early recovery.

(Para 52)

#### **4.3.16 Non-finalization of accounts of project**

According to Rule 45 of PPRA rules 2009 the contract shall be deemed close on the issue of taking over certificate which shall be issued within 30 days of final taking over of completion of works enabling contractor to submit the final bill and the auditors to do substantial audit.

Project Director/Chief Engineer, LDA UD Wing, Lahore issued completion certificate of the project “*Construction of Signal Free Corridors Jail Roads & Main Boulevard Gulberg, Lahore*” with the date of completion of the project as 14.2.2016. The last 13<sup>th</sup> running bill for Rs 2,048,514,218 was paid to the contractor during April 2016 but final bill of the works had not so far been prepared and approved by the Authority

as required under the rules. Further PC-IV and PC-V for evaluation of the project had also not been prepared as per the requirement of P & D Department.

Violation of PPRA rules and instructions of P&D department resulted in non-finalization of accounts of completed project for Rs 2,048.514 million.

Audit pointed out the irregularity in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that work had been physically completed at the site and no expenditure was incurred after issuance of the completion certificate. Audit informed that the accounts of the project had not finalized as required under the rules. The Committee directed the Authority to finalize accounts of the project within 60 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends finalization of accounts of the project.

(Para 78)

#### **4.4 Construction and Works**

The issues relating to Construction and Works observed during audit involving an amount of Rs 593.013 million were as under:

##### **4.4.1 Irregular payment and provision for land acquisition- Rs 355 million**

As per rule 2.33 of PFR Volume-I, every government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by the government due to fraud or negligence on his part.

Project Director/Chief Engineer, LDA UD Wing, Lahore made provision of Rs 355.0 million for land acquisition required for the project

“Construction of Signal Free Corridors Jail Road & Main Boulevard, Gulberg, Lahore”. The provision for land acquisition in the original TS estimate was Rs 50.0 million only. The department could not produce TSE, the demand of LAC section and vouched account for audit scrutiny. It was observed that the area of land was required to be vetted by the consultant which was also not done. The provision was on higher side as no payment on account of private property was involved. Therefore, the provision and the expenditure incurred, both were irregular.

Violation of rules resulted in irregular payment and provision for land acquisition amounting to Rs 355.000 million.

Audit pointed out the irregularity in June 2017.

The para was discussed in the SDAC meeting held on 22.09.2017. The Authority transferred funds of Rs 355 million to LAC but vouched account along with other requisite record was not provided. The Committee directed the Authority to get the record from LAC and produce it to Audit for verification. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends that vouched account be obtained from LAC at the earliest.

Para 20 (2015-16)

#### **4.4.2 Non-obtaining of vouched accounts for shifting of utilities – Rs 92.026 million**

As per rule 2.20 of PFR Volume-I, every payment including repayment of money previously lodged with the government for whatever purpose, must be supported by a voucher setting forth full and clear particulars of the claim.

Project Director/Chief Engineer, LDA UD Wing, Lahore made payment and provision in 2<sup>nd</sup> revised TS estimate of Rs 92,025,563 for shifting of utilities of the project “Construction of Signal Free Corridors

*Jail Road & Main Boulevard, Gulberg, Lahore*” to the PTCL, Sui Gas, WASA, WAPDA etc. Despite the lapse of a reasonable period, the Authority could not obtain vouched account of the amount paid to those organizations.

Violation of rules resulted in non-receipt of vouched account for Rs 92,025,563.

Audit pointed out the irregularity in June 2017.

The para was discussed in the SDAC meeting held on 22.09.2017. The Committee directed the Authority to collect the requisite record and provide to Audit for verification. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends that vouched account be obtained.

Para 23 (2015-16)

#### **4.4.3 Overpayment due to the excessive measurement of AWC - Rs 39.522 million**

According to the original PC-I and 1<sup>st</sup> revised PC-I the approved thickness of Asphaltic Wearing Course (AWC) was 0.05 m<sup>2</sup>.

Chief Engineer LDA UD Wing Lahore made provision in the original and 1<sup>st</sup> revised estimate for the item of “Asphaltic wearing course (AWC)” with 0.05 m<sup>2</sup> thickness. The Authority measured and paid 18496.395 m<sup>2</sup> quantity @ Rs 18,620 per m<sup>2</sup> up to 0.06 m<sup>2</sup> thickness of AWC at different RDs. The 2<sup>nd</sup> revised estimate was prepared during March 2016 and the excessive thickness was approved in the estimate based on actual work done by the contractor. Audit was of the view that as per actual site requirement the required thickness was 0.05 m<sup>2</sup>, as approved in the original PC-I as well as in 1<sup>st</sup> revised estimate. Therefore, excess thickness was approved in the 2<sup>nd</sup> revised estimate in overpayment.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that payment of AWC with 0.06 cubic meter thickness was made as per provision of revised TS estimate. Audit informed the Committee that the revised estimate was approved to give undue benefit to the contractor. The committee directed the Authority for re-verification of Measurement Book and original detailed drawing and built up drawings within in 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery.

(Para 13)

#### **4.4.4 Overpayment due to non-execution of work as per MRS - Rs 26.507 million**

As per PC-I, the estimate of the project was based on MRS for the period 2<sup>nd</sup> biannual 2014. According to the instructions issued by the Finance Department, vide No. RO(Tech)FD-18-23/2004, dated 21.09.2004, rate analysis for the non-standardized items shall be prepared by the Executive Engineer, clearly giving the specifications of the material used and approved by the competent authority not below the rank of Superintending Engineer and on the basis of input rate of relevant quarter placed at website of FD.

Project Director/Chief Engineer, LDA UD Wing, Lahore prepared non standardized rate for the item of work "*Providing and fabrication and erection of structural steel sections A 36*" @ Rs 214.69 per kg and against this rate the contractor quoted Rs 221 per kg. The Authority included in its rates analysis the rate of fabrication and rate of steel whereas the rate for the same item was available @ Rs125.88 per kg (Rs120.05+5.83) in MRS. Therefore, an excess rate of Rs 88.81 per Kg was provided in the estimate and paid to the contractor for 298470 kg which resulted in an overpayment of Rs 26,507,120.

Violation of rules resulted in overpayment of Rs 26,507,120.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that the rate analysis was approved by the competent authority keeping in view the specific nature of structure as its scope was not covered in MRS. Audit argued that the rate of steel fabrication was higher as no documentary evidence for the authenticity of these rates was produced by the Authority. The Committee directed the Authority for re-verification of record within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery.

(Para 73)

#### **4.4.5 Overpayment due to payment of unnecessary item of work - Rs 25.864 million**

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

Project Director/Chief Engineer, LDA UD Wing, Lahore made payment for measurement of 64,660 sq.m for the item of "*Compaction of existing water bound including 10% stone dust of base course and 10% new water bound macadam*" @ Rs 400 per sq.m which was to be executed after dismantling of existing road pavement before laying of asphaltic base course as per original estimate. During execution of work the Authority made provision of Water Bound Macadam (WBM) layer as an addition. Audit observed that the compaction of existing road with 10% dust and new WBM was only admissible if new base course was not laid. Therefore, payment for compaction of the existing road was not necessary.

Violation of rules resulted in overpayment of Rs 25,864,000.

Audit pointed out the overpayment in June 2019. The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that both the items were executed at the site as per site requirement and under the supervision of the consultant. Audit informed that these items were applicable if the existing surface was used as base course, however, as per revised scope of work the existing surface was used only as sub base therefore 10% stone dust and new base course was not admissible. The committee directed the Authority for re-verification in the light of revised scope of work and specification and to take advice from Road Research Material Testing Laboratory Lahore within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery.

(Para 5)

#### **4.4.6 Non production of record regarding contingency – Rs 20.425 million**

As per section 14(02) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, the officer in-charge of any office or department shall afford all facilities and provide all record for audit inspection.

Project Director/Chief Engineer, LDA UD Wing, Lahore made provision, in 2<sup>nd</sup> revised TS estimate, of Rs 20,425,247 on account of contingencies required for the project "*Construction of Signal Free Corridors Jail Road & Main Boulevard, Gulberg Lahore*". No record was provided to Audit to verify the utilization of contingency provision.

Violation of rules resulted in irregular payment and provision for contingency amounting to Rs 20,425,247.

Audit pointed out the irregularity in June 2017.

The para was discussed in the SDAC meeting held on 22.09.2017. The Authority did not provide a record of incurring expenditure on contingency. The Authority replied that the record of contingency was maintained by Finance Directorate. The Committee directed the Authority to collect requisite record from Finance Directorate of LDA and produce the same to Audit for verification. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early compliance of SDAC's directives.

Para 22 (2015-16)

#### **4.4.7 Overpayment for not using dismantled material as sub base - Rs 16.042 million**

According to PC-I of Shadman underpass portion, 50% dismantled material of road pavement was required to be used as sub base. As per instructions of C&W 90% material obtained from dismantling of road pavement was required to be used as sub base.

Project Director/Chief Engineer, LDA UD Wing, Lahore made payment for a quantity 14149.244 m<sup>2</sup> of the item "*Dismantling and removing of Road metalling*" excluding dismantling of carpeting as the same was paid separately. Audit further observed that the Authority did not use 12734 m<sup>2</sup> (14149.244 m<sup>2</sup> x 90% = 12734 m<sup>2</sup>) of dismantled material as sub base @ Rs 600 per m<sup>2</sup>, as quoted by the contractor. In contrast, the Authority paid the rate of new sub @ 1900 per m<sup>2</sup>, so excess rate of Rs 1300 per m<sup>2</sup> was paid to the contractor.

Violation of PC-I resulted in overpayment due to non use of old material as sub-base for Rs 16,042,000.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that the dismantled material was organic which was not recommended by the consultant to be reused as a sub base.

Audit informed that as per PC-I the old material was required to be reused as sub base and in case of no use the cost of old material was required to be recovered from the contractor. The Committee directed the Authority to produce the consultant's report and test report for verification within 30 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery.

(Para 35)

#### **4.4.8 Loss due to non-utilization of available common material - Rs 9.039 million**

According to para 18.1 (9) (1) chapter 18 specification for execution of work the cost of old / dismantle material retrieved during execution of work will be recoverable from contractor.

The Project Director TEPA/Chief Engineer, LDA, Lahore got executed the item of "*Disposal of surplus common material*" @ Rs 1200 per m<sup>2</sup> and "*Embankment barrow and compaction*" @ Rs 300 per m<sup>2</sup> for a measurement of 6424.005 m<sup>2</sup>. The audit was of the view that the available earth could be utilized for embankment @ Rs 92.96 per m<sup>2</sup>.

Violation of rules resulted in loss due to non-utilization of available common material for Rs 9,038,859.

Audit pointed out the loss in June 2017.

The para was discussed in the SDAC meeting held on 22.09.2017. The Authority stated that the available material was unsuitable for road work. Audit informed that no record was produced by the Authority. The committee directed the Authority to produce lab test reports with other requisite records for verification within 15 days. Compliance of the Committee's directive was not reported till finalization of the report.

Audit recommends early recovery.

Para 17 (2015-16)

#### **4.4.9 Irregular provision and payment for media campaign- Rs 4.461 million**

As per rule 2.10 (4) PFR read with letter No PA/AS/CMS/08/OT-4/398-290 dated 19.06.2008, total ban was imposed on advertisements containing the pictures of political leaders. Government revenues/budget should not be utilized for the benefit of a particular person or section of the community, unless i) The amount of expenditure involved is insignificant, or ii) A Claim, for the amount should be enforced in a Court of law, or iii) The expenditure is in pursuance of a recognized policy or custom.

Project Director/Chief Engineer, LDA UD Wing, Lahore made provision in the 2<sup>nd</sup> revised TS estimate for an amount of Rs 4,461,315 for media campaign of the project "*Construction of Signal Free Corridors Jail Road & Main Boulevard, Gulberg, Lahore*". The Authority did not produce any detail for payments made for the media campaign.

Violation of instructions of the Chief Minister's office resulted in irregular payment and provision for media campaign amounting to Rs 4,461,315.

Audit pointed out the irregularity in June 2017.

The para was discussed in the SDAC meeting held on 22.09.2017. The Authority replied that there was a provision in 2<sup>nd</sup> revised estimate for the media campaign but did not provide any record. The Committee directed the Authority to provide the requisite record for verification to Audit.

Audit recommends early provision of record for verification.

Para 24 (2015-16)

#### **4.4.10 Non-recovery of cost of bajri received from cold milling - Rs 3.310 million**

According to Para 9 (1) of chapter 18.1 of Specification for execution of work 1967, all dismantled material would be the property of

Govt. and shall be disposed off /re-used as directed by the Engineer In-charge.

The Project Director TEPA/Chief Engineer, LDA, Lahore measured and paid for 40096.844 sft measurement @ Rs 200 per sq.m, a non-standardized item “Cold Milling of existing carpeting up to 2”. The item was paid without the approval of rate analysis and without standardization by the FD. The Authority did not recover cost of old material of 71933.127 cft quantity @ Rs 46 per cft from the contractor.

Violation of specification resulted in non-recovery of reusable material worth Rs 3,308,924.

Audit pointed out non-recovery in June 2017.

The para was discussed in the SDAC meeting held on 22.09.2017. The Authority replied that there was no provision for reuse of bajri for road work in the specification. The Authority did not provide any record or rate analysis of cold milling. The Committee directed the Authority to get the re-verification by producing rate analysis within 15 days. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends early recovery.

Para 14 (2015-16)

#### **4.4.11 Overpayment due to double measurement – Rs 588,468**

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

Project Director/Chief Engineer, LDA UD Wing, Lahore measured and paid the item of “*Asphaltic wearing course (AWC)*” in 7<sup>th</sup> IPC for service road ramp portion from RD 4+030– 4+059 (R/S) 1<sup>st</sup> portion and

RD 4+030– 4+059 (L/S) 2<sup>nd</sup> portion for 49 meter length and paid for a measurement of 30.972 m<sup>2</sup>. The Authority had already measured the same item from RD 4+000 -4+060 (R/S) which also include the measurement from RD 4+030– 4+059 (R/S) therefore the payment was measured 2 times. Further, in 11<sup>th</sup> IPC the Authority again measured the same RDs 4+030– 4+059 (L/S) A and RD 4+030– 4+059 (L/S) B for 49 meter length and paid for a measurement of 30.972 m<sup>2</sup> to the contractor but did not deduct a measurement of 11.988 m<sup>2</sup> from RD 4+030– 4+059 (L/S) 2<sup>nd</sup> portion which had already been measured and paid in 7<sup>th</sup> IPC. Due to double measurements of same quantity in the 11<sup>th</sup> IPC excess measurements of 11.988 m<sup>2</sup> and 30.972 m<sup>2</sup> (18.984+11.988 m<sup>2</sup>) were paid @ Rs 19,000 per m<sup>2</sup>.

Violation of Financial Rules resulted in overpayment due to double measurement worth Rs 588,468.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that overall measurements were recorded in the 11<sup>th</sup> running bill and no overpayment was made due to double measurement. Audit informed the Committee that in 11<sup>th</sup> running bill at RD 4+030 -4+059 the double measurements were recorded. The Committee directed the Authority for re-verification of Measurements Sheets showing the actual measurements of AWC within 30 days.

Audit recommends early recovery.

(Para 18)

#### **4.4.12 Overpayment due to less use of bitumen - Rs 229,490**

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

Project Director/Chief Engineer, LDA UD Wing, Lahore made payment for the item “*P/L plant premixed bituminous carpet for Asphalt base course*” @ 4% of bitumen used in the work instead of 3.97% which was actually consumed at the site in different RDs.

Violation of the Finance Department’s instruction resulted in an overpayment of Rs 229,490.

Audit pointed out the overpayment in June 2019.

The para was discussed in the SDAC meeting held on 12.02.2020 to 14.02.2020. The Authority stated that the difference of less use of bitumen is negligible and admissible as per NHA specification due to tolerance factor. Audit informed that the payment was required to be made as per actual use of bitumen for carpeting. The Committee directed the Authority to make recovery within 30 days. Compliance of the Committee’s directive was not reported till finalization of the report.

Audit recommends early recovery.

(Para 57)

## **4.5 Asset Management**

### **4.5.1 Non-accountal of general safety items and overpayment due to inadmissible payment of barriers and warning boards - Rs 8.691 million**

As per Clause 13 (2) of the agreement, The contractor shall, in connection with the, works provide and maintain at his own cost all lights, warning lights, caution boards, attendants, guard fencing and watchmen, when and where necessary or required by the engineer in-charge, for the protection of the work or for the safety and convenience of the public or others.

Project Director TEPA/Chief Engineer, LDA, Lahore Authority made payment of Rs 8,690,838 to the contractor on account of Barriers

and Sign boards/Warning boards during the execution of work for the protection of work and for convenience of traffic. It was the responsibility of the contractor and no extra payment was required to be made to him. Further, the Authority did not account for these safety items in the stock register.

Violation of contractual obligation resulted in overpayment due to inadmissible payment of barriers and warning boards of Rs 8,690,838.

Audit pointed out the overpayment in June 2017.

The para was discussed in the SDAC meeting held on 22.09.2017. The Authority replied that normal work under clause 13 (a) was executed at the contractor's cost but the special nature of work for diversion and smooth running of traffic, as directed by the Traffic Police, was not the responsibility of the contractor and payment of Rs 8.69 million was justified. The Authority did not produce any record in support of its reply. The Committee directed the Authority to get the record re-verified for determining the scope of contractors' responsibility. The para was kept pending.

Audit recommends that recovery be effected and responsibility be fixed for making payment in violation of contractual obligation

Para 11 (2015-16)

#### **4.6 Monitoring and Evaluation**

Subject to the irregularities, losses and overpayments pointed out in Project Audit Report, internal checks such as inspections, regular monitoring & supervision by field engineers and material testing and laboratory test reports of the executed works were carried out. M/s EA Consulting Pvt. Ltd was the consultant for design and supervision. The progress of the scheme under execution was being reviewed by the Chief Engineer and Director General LDA Lahore.

## **4.7 Environment**

Initial Environment Examination and Environmental Impact Assessment were carried out as required under Section 12 of the Pakistan Environmental Protection Act, 1997 but the changes made in the scope of work led by 1<sup>st</sup> and 2<sup>nd</sup> revision of PC-I were not communicated to EPA before the commencement of work as required under serial number 08 of mentioning initial approval of EPA.

## **4.8 Sustainability**

Sustainability of this project depends on repair & maintenance of signal free corridor.

## **4.9 Overall Assessment**

**4.9.1 Relevance:** LDA, Lahore is tasked to provide smooth and efficient traffic flow to the benefit of the public.

**4.9.2 Efficiency:** The project was completed well within time as per revise scope given in revise PC-I.

**4.9.3 Economy:** Contracts were awarded after competitive bidding. However, it was observed that the Authority got the estimates approved at high rates in contravention of PC-I, FD's composite MRS rates, project specifications and P&D Department instructions.

**4.9.4 Effectiveness:** PC-V was not prepared by the Authority, So no data regarding achievements of desired benefits as envisaged in the original PC-I. However, after successful completion of the project the operation of traffic flow seen effective in the achievement of objectives and desired benefits for the stakeholders.

**4.9.5 Compliance with Rules:** Issues of poor financial management, procurement & contract management depicting losses, overpayments and irregularities were noticed. Non-adherence to financial management rules/practices, as highlighted by Audit, is the critical area that needs to be considered seriously by the Principal Accounting Officers.

**4.9.6 Performance Rating:** Satisfactory.

**4.9.7 Risk Rating:** Medium, because of its operation and maintenance costs and successful achievement of targets as regards high flow of traffic in near future.

## **5 CONCLUSION**

**5.1 Key Issues for the Future:** Increase in operational, repair & maintenance cost, inadequate funding may limit project's performance and achievement of envisaged objectives.

**5.2 Lesson Learnt:** Non-compliance of contractual obligations and violation of rules are critical areas to be improved.

- i. Proper vigilance is required to be exercised while sanctioning rate analysis and TS estimates for future projects.
- ii. Internal controls like test check measurements and periodic inspections of work by supervisory officers needs to be strengthened.
- iii. The lapses on part of project management during execution and over-estimation of project cost should not be repeated in future projects keeping in view the audit observations.

## **6. ACKNOWLEDGEMENT**

We wish to express our appreciation and gratitude to the Management & staff of Chief Engineer, Director Finance of LDA, Lahore for the assistance and cooperation extended to the auditors during this assignment.



[Para 4.2.1](#)

**Overpayment due to sanction of incorrect rates - Rs 106.867 million**

<b>Sr No</b>	<b>Para No</b>	<b>Amount</b>	<b>Status of SDAC Directives</b>
1	44 and 49	27,418,858	The Committee directed the Authority to calculate the rate analysis as per inputs rate of MRS and effect actual recovery within 30 days.
2	06	11,628,820	The Committee directed the Authority to effect recovery within 15 days.
3	74	11,592,574	The Committee directed the Authority to get the record re-verified from Audit within 30 days.
4	42 and 43	8,899,089	The Committee directed the Authority to refer the case to FD for clarification within 30 days.
5	21	7,557,684	The Committee directed the Authority to get the record re-verified within 30 days.
6	45	7,182,014	The Committee directed the Authority to re-calculate the rate of carriage and effect actual recovery within 30 days.
7	28	5,194,767	The Committee directed the Authority to refer the case to FD for clarification.
8	37	4,499,833	The Committee directed the Authority to make recovery for the component of material as per MRS and refer the case to FD for clarification of labour component within 30

			days.
9	80	2,843,541	The Committee directed the Authority to refer the case to Finance Department for clarification within 30 days.
10	02	2,615,674	The Committee directed the Authority to get the rate analysis re-verified in the light of MRS rates from Audit within 30 days.
11	24	2,575,800	The Committee directed the Authority to seek clarification from FD.
12	26	2,373,031	The Committee directed the Authority to get the rate analysis re-verified from Audit within 30 days.
13	29	2,291,151	The Committee directed the Authority to refer the case to FD for clarification.
14	71	2,122,728	The Committee directed the Authority to get the record re-verified from Audit within 30 days.
15	34	1,788,511	The Committee directed the Authority to refer the case to FD for clarification within 30 days.
16	48	1,715,644	The Committee directed the Authority to recalculate the rate of tuff tiles as per template of FD and effect actual recovery within 30 days.
17	68	938,116	The committee directed the Authority for re-verification of record within 30 days.
18	20	823,392	The Committee directed the Authority to rationalize the rate of shortcrete with the rates paid in other projects and get it verified

			from Audit within 30 days.
19	54	805,584	The Committee directed the Authority to make actual recovery within 30 days.
20	66	752,269	The Committee directed the Authority to get the record re-verified from Audit within 30 days.
21	55	520,460	The Committee directed the Authority for re-verification of record with reference to the specification and actual work executed at the site within 30 days.
22	12	391,874	The Committee directed the Authority to refer the case to FD for clarification within 30 days.
23	39 (2015- 16)	336,288	The Committee directed the Authority to revisit the rate analysis and effect actual recovery and get it verified from Audit.
		106,867,702	