



PERFORMANCE AUDIT REPORT

ON

**CONSTRUCTION OF GWADAR PORT
CIVIC CENTRE
GWADAR PORT AUTHORITY**

FOR THE YEAR 2006-07 TO 2011-12

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor-General conducts audit as provided under Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The performance audit for construction of Gwadar Port Civic Centre, Gwadar, was carried out accordingly.

The Directorate General of Commercial Audit & Evaluation (DGCA&E), Karachi conducted Performance Audit for Construction of Gwadar Port Civic Centre, Gwadar of the Gwadar Port Authority during March 24, 2015 to May 19, 2015 with a view to report significant findings to the stakeholders. Audit examined the economy, efficiency, and effectiveness aspects in construction of Gwadar Port Civic Centre. In addition, Audit also assessed, on test check basis, whether the management complied with applicable laws, rules, and regulations in managing the affairs of Civic Centre. The Performance Audit Report indicates specific actions that, if taken, will help the management realize the objectives. All the observations included in this report have been finalized in the light of management replies.

The Performance Audit Report is submitted under Section 10 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 to the President of Pakistan in pursuance of the Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 for causing it to be laid before both Houses of Parliament.

Islamabad

Dated:

Javaid Jehangir
Auditor General of Pakistan

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ABBREVIATIONS AND ACRONYMS

AGP	Auditor General of Pakistan
BOD	Board of Directors
DGCA&E	Directorate General of Commercial Audit & Evaluation
GDA	Gwadar Development Authority
GOP	Government of Pakistan
GPA	Gwadar Port Authority
GPIA	Gwadar Port Implementation Authority
INTOSAI	International Organization of Supreme Audit Institution
NAB	National Accountability Bureau
NESPAK	National Engineering Services Pakistan (Pvt) Limited
NICL	National Insurance Company Limited
PAO	Principal Accounting Officer
PBG	Performance Bank Guarantee
PPR	Public Procurement Rules

EXECUTIVE SUMMARY

Directorate General, Commercial Audit & Evaluation, Karachi (DG CA&E) conducted Performance Audit on construction of Gwadar Port Civic Centre, Gwadar from March to May, 2015. The main objectives of the Performance Audit were to assess whether project was managed with due regard to economy, efficiency, and effectiveness. The audit was conducted in accordance with INTOSAI Auditing Standards.

On the basis of Performance Audit, certain irregularities were pointed out in the initial draft audit report. The management was afforded reasonable time and opportunity to furnish the reply, but no Departmental Accounts Committee (DAC) meeting was convened till the finalization of the report. The report was finalized in the light of management reply.

Key Audit Findings:

1. Non-surrendering of unutilized amount of Rs. 62.07 million was reported in one case.
2. Non-reporting of the contract to NAB – Rs. 242.860 million was reported in one case.
3. Blockade due to non-utilization of funds Rs. 231.352 million was reported in one case.
4. Non transfer of title of land of Gwadar Port Civic Centre was reported in one case.
5. Loss due to bomb blasting in the project building – Rs. 2.553 million was reported in one case.
6. Irregular payment to NESPAK without tendering – Rs. 11.234 million was reported in one case.

Recommendations:

1. The reasons for non-surrendering of unutilized funds must be investigated and serious efforts should be taken to refund the unutilized funds.
2. Audit suggests to submit the report to the NAB.
3. The reasons for un-utilization of project must be investigated and serious efforts should be taken to utilize the building of Civic Centre and achieve the objectives for which building was constructed.
4. Efforts should be made for transfer of title of land in favor of GPA and reasons for non-transfer of above mentioned land till date should also be ascertained.
5. Effective steps must be taken to safeguard the newly constructed building and to avoid any untoward incident in future.

1. INTRODUCTION

The Directorate General Commercial Audit & Evaluation, Karachi conducted performance audit on Construction of Gwadar Port Civic Centre, Gwadar, from March 24, 2015 to May 19, 2015. Gwadar Port Implementation Authority has planned to develop a modern building of international standard in the heart of Gwadar city. The basic aim was to set a standard for the construction of future building structures in this future metropolis of Pakistan.

The Civic Center possesses comfortable and state of the art office accommodations, shops as well as residential flats to cater for administrative and residential needs of various organizations and institutions. The then Prime Minister of Pakistan, Mr. Shoukat Aziz visited Gwadar on September 17, 2005. During his visit, the Prime Minister laid foundation stone of Gwadar Port Civic Centre.

2. AUDIT OBJECTIVES

The objectives of the audit were to:

1. Measure the reasons of cost over run and time over run of the project.
2. Examine that set objects were followed as given in PC-I.
3. Examine that operation and maintenance cost is within the reasonable limits.
4. Review project's performance against intended objectives.
5. Assess whether project was managed with due regard to economy, efficiency, and effectiveness.
6. Review compliance with applicable rules, regulations and procedures.

3. AUDIT SCOPE AND METHODOLOGY

Scope of audit included review of relevant rules and regulations for construction of Gwadar Port Civic Centre, and its objectives as per following scope and methodology:

- i. Examine time lines, cost and objectives of construction of the project.
- ii. Examine the operation of Gwadar Port Civic Centre in compliance with rules and regulations.
- iii. Check and scrutinize accounting record etc. on random basis for the audit period.
- iv. Visit of the project site and conducting meeting with concerned authorities of Gwadar Port Civic Centre and interview with local peoples/stake holders.
- v. Conduct physical examination of assets and other relevant material of the Authority.
- vi. Review of important documents (Accounting Data, Procurement Files, Contract Agreements, Contractors' Bills, Payment Vouchers, Approval of Payments, minutes of the Board of Directors' meetings, Appointment procedure of civil contractors and consultant, monthly Progress Reports of constructions, PC-1 and revised PC-1, etc.) for the project.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Financial Management

4.1.1 Non-surrendering of unutilized amount of Rs. 62.07 million

As per para 209(ii) of GFR Vol-1, any portion of the amount which is not ultimately required for expenditure upon that object should be duly surrendered to Government.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the funds of Rs. 293.422 million were released for the project. Out of which, an amount of Rs. 231.352 million was utilized and an amount of Rs. 62.07 million was left unutilized and lapsed in violation of above rule.

Audit was of the view that unutilized amount could not surrendered in time due to negligence and inefficiency of the management, reflecting poor financial controls.

The matter was reported to the management on September 10, 2015. The management in its reply, dated September 21, 2015 stated that in the first year of the project, certain funds lapsed partly due to unforeseen difficulties faced by the contractor, and it was not considered prudent to make payment to the contractor without being fully satisfied with the progress of work. In the later years i.e. 2010-12, the law and order situation got very worse and hence the work was not completed as planned despite all positive indicators on which the anticipation of expenditure was based. The reply was not tenable as funds were not surrendered in time. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility on the person(s) found at fault for non-surrendering of unutilized amount.

4.1.2 Excess expenditure on construction -Rs. 32.854 million

At the time of initial PC-I (May 2006), an amount of Rs. 161.00 million was estimated for the construction of 62,000 square feet covered area of building. Later on, a revised PC-1 (January 2007) was got approved by the Board of Directors of GPIA with the total cost of Rs. 198.50 million for construction of 54,480 square feet covered area of building.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that management incurred expenditure of Rs 231.352 million on construction of area covering 44,767 sq.ft @ Rs 5,168

per sq.ft. against revised PC-1 budget of Rs. 198.50 million for construction on area covering 54,480 sq.ft. @ Rs. 3,643 per sq.ft. which resulted into excess expenditure of Rs. 32.854 million in violation of revised PC-1.

Audit was of the view that excess expenditure was incurred due to imprudent planning and poor financial monitoring, reflecting weak internal controls.

The matter was reported to the management on September 10, 2015. The management in its reply, dated September 21, 2015 stated that original PC-I was based on concept design of the facility. Later on, detailed design was carried out and tender drawings were prepared by a professional consultancy firm. Open, transparent and competitive bidding process was undertaken for works given in the tender documents. The reply was not tenable as loss was incurred. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon person(s) at fault for loss due to excess expenditure.

4.1.3 Non approval of the project from CDWP - Rs. 231.352 million

According to Ministry of Ports & Shipping letter dated April 03, 2006, GPIA is authorized to approve the projects up to Rs. 200.00 million. Any project bearing cost beyond Rs. 200.00 million needs the approval of Central Development Working Party (CDWP).

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the management incurred an amount of Rs. 231.352 million on construction of Civic Centre, but approval was not obtained from Central Development Working Party (CDWP) in violation of above rule.

Audit was of the view that the management constructed the project in piece meal to avoid prior approval of CDWP, reflecting weak internal controls.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015 stated that due to cost escalation, the project went up to Rs 227 million. However, the escalation is within the permissible limit of 15%. The management reply was not tenable as total cost was Rs 231.352 million, which needed approval of CDWP. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility on person(s) responsible at fault for irregular construction.

4.2. Procurement and Contract Management

4.2.1 Non reporting of the contract to NAB -Rs. 242.860 million

According to clause 33-B of NAB ordinance 1999, all Ministries, Divisions and Attached Departments of the Federal Government, all departments of Provincial and local governments, statutory corporations or authorities established by the Federal Government or Provincial Government and holders of public office shall furnish to NAB a copy of any contract, as the case may be, of the minimum monetary value of fifty million rupees or more, within such time as is reasonably practicable from the date of signing such contract”.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the management awarded contracts valuing Rs 242.860 million for civil works to the following contractors but copies of the contracts were not submitted to the NAB in violation of above rule.

(Rs in million)

S. No.	Name of Contractor	Date of agreement	Contract amount
1.	M/s. Appolo Builders Associates	02-04-2007	188.578
2.	M/s. Deen Mohammad	09-12-2011	054.282
Total			242.860

Audit was of the view that matter was not reported due to negligence of the management reflecting weak internal controls.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015 stated that NAB directives were received in this office on May 08, 2012, whereas, the project was completed on March 2012. The management reply was not tenable as the ignorance of Law was no excuse. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon the person (s) found at fault for non-reporting to NAB.

4.2.2 Irregular payment to NESPAK without tendering – Rs. 11.234 million

According to clause 12 (2), PPR-2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that in June 2006, the management awarded consultancy services for design and supervision of Civic Centre to M/s. NESPAK on the instructions of Ministry of Port and Shipping in May 2006. The management entered into a contract with M/s. NESPAK without inviting tender in violation of above rule.

Audit was of the view that undue favour was extended to the client, reflecting weak internal controls.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015 stated that the foundation stone of PA Civic centre was laid by the Prime Minister on September 2005. At that moment, P.M. directed that for better quality of work, the consultancy work be awarded to the M/s NESPAK. These verbal orders were later on confirmed formally by Ministry of Port and Shipping. The reply was not acceptable as the contract was awarded without adopting tendering procedure. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends for fixing of responsibility upon the person(s) at fault for irregular award.

4.2.3 Irregular opening of tender after 11 months – Rs. 188.578 million

Clause 28 (1) of PPR-2004 stated that the date for opening of bids and the last date for the submission of bids shall be the same. Bids shall be opened at the time specified in the bidding documents. The bids shall be opened at least thirty minutes after the deadline for submission of bids.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the tender for construction of Civic Centre and Residential Accommodation at Gwadar was published in the newspapers on January 22, 2006, and the last date for submission of bids was fixed as February 13, 2006, but tenders were opened on January 16, 2007 after delay of more than 11 months, in violation of above rule.

Audit was of view that undue favour was extended to the successful bidders, reflecting weak internal controls.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015 accepted the audit contention. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon the person(s) at fault for delay.

4.3 Construction and Works

4.3.1 Non-preparation of PC-IV (Project Completion Report) - Rs 231.352 million

According to the requirement of PC-IV, Project Completion Report will be furnished immediately after the completion of the project.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the project for construction of Civic Centre, Gwadar was completed in March 2012, but project completion report (PC-IV form) was not prepared in violation of above rule.

Audit was of the view that non preparation of PC-IV proved negligence on the part of management as audit was not in position to certify actual expenditure, work quality and degree of completion.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015 stated that the PC-IV of the project is under preparation and will be submitted soon after its completion. The reply was not tenable as the PC-IV of the project should have been completed in March, 2012. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit suggests fixing of responsibility upon person(s) at fault for non-preparation of PC-IV.

4.3.2 Irregular contract award on revised PC-1 without re-advertisement-Rs.188.578 million

According to clause 23(3) Public Procurement Rule 2004, where notification of such change, addition, modification or deletion becomes essential, such notification shall be made in a manner similar to the original advertisement.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the management approved initial PC-I in May 2006 and invited tender before approval of PC-1 for the construction of the project and last date for submission of bids was Feb 13, 2006. The contract was awarded to the successful bidder after 11 months in Jan 2007 after having approval of revised PC-1 in violation of above rule.

Audit was of view that undue favour was extended to the bidder as contract was awarded without re-advertisement in light of revised PC-1, which reflected weak internal controls.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015 stated that the PC-I cost of Rs 161 million was based on conceptual design undertaken for preparation of PC-I. Later on, when the detailed design was carried out, correct estimation of covered area and costs etc. were made on actual bids cost. The lowest bid cost price was obtained Rs 188.578 million for construction of the work. The reply was not tenable as no proper planning of construction of building was made at the time of preparation of PC-I. Resultantly, additions and deletions were made in revised PC-I. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon person(s) at fault for irregular award of contract.

4.3.3 Non transfer of title of land of Gwadar Port Civic Centre

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that plot was gifted to GPA by Gwadar Development Authority (GDA) in 2005, but the title of the land was not got transferred by GPA in its name.

Audit was of view that due to negligence of the management, dispute may arise over ownership of the project land in future because of its being highly valued as located on airport road.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015 stated that efforts are now in progress to transfer the title of land provided for the project in the name of GPA, which is expected to be achieved in due course. The reply was not tenable as title was not transferred till the finalization of this report. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon person(s) at fault for delay in transfer and efforts be taken for the same under intimation to audit.

4.3.4 Imprudent decision in respect of location of Gwadar Port Civic Centre

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the location of Civic Centre project was found far away from the market, residential and commercial areas of the city. Audit was of view that selection of the site away from down town and access of general public, which may defeat the purpose of construction of the project.

The matter was reported to the management on September 10, 2015. The management in its reply dated September 21, 2015 stated that the Civic Centre was as planned to meet the requirement of investor and entrepreneurs not only for a few years but for a long time. Hence with future expansion, the civic centre would be most ideally located. The reply was not tenable as the location remained occupied to date. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon person(s) at fault for not selecting improper site.

4.4 Asset Management

4.4.1 Non insurance of the project

According to clause 166 (3) of Insurance Ordinance, 2000, all insurance business relating to any public property, or to any risk or liability appertaining to any public property, shall be placed with the Company only and shall not be placed with any other insurer:

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the management did not get insurance of the project from National Insurance Corporation Limited (NICL) in violation of above rule.

Audit was of view that due to negligence of the management, loss of Rs 2.553 million due to bomb blast in the newly constructed building could have been avoided.

The matter was reported to the management on September 10, 2015. The management in its reply dated September 21, 2015 stated that any risk insurance in the construction contract could not have covered the damage caused by bomb blast which occurred 34 months after completion of project. The reply was not tenable as loss was incurred. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon person(s) at fault for non-insurance of the project.

4.4.2 Blockade due to non-utilization of funds - Rs. 231.352 million

Under the provision of Serial No. 04 (b) of revised PC-1 dated January 2007 that the project has been planned to facilitate the people of Gwadar to have a centralized shopping centre and also offices for all utility agencies under one roof.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the management incurred a sum of Rs.231.352 million for construction of Civic Centre building, but same was lying vacant to date.

Audit was of the view that due to negligence and imprudent selection of site, purpose of the project could not be achieved.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015, stated that the period during 2012 to 2015 had been a prey is high security hazards throughout the country with Gwadar being hit the hardest, which did not permit any economic activity in the Gwadar area and hence non utilization of the facilities. The reply was not tenable as purpose of project could not be achieved. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility for non –utilization of funds.

4.4.3 Loss due to non –renting of Civic Centre- Rs. 60 million

As per Para No. 11 (i) of PC-I, “the project benefit would generate an average amount of Rs. 20.00 million per annum through annual rental pay back and profit from the investment of rental revenue”.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the management could not rented out newly constructed building since March 2012 in violation of PC-1.

Audit was of the view that loss was incurred due to negligence, reflecting weak internal controls.

The matter was reported to the management on September 10, 2015. The management in its reply dated September 21, 2015 that due to unforeseen adverse law and order situation at Gwadar, the facility has remained vacant till now. The reply was not tenable as building was not rented out till the finalization of this report. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon person(s) at fault for non-renting out the building.

4.4.4 Violation of covered area of project Gwadar Port Civic Centre

According to clause 05 of initial PC-I (May 2006) and revised PC-I (January 2007), the proposed civic centre shall comprises of 62,000 sq. ft. and 54,480 sq. ft.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the actual covered area of

construction of civic centre was 44,767 sq. ft instead of 54480 sq. ft. in violation of revised PC-1.

Audit was of the view that lesser covered area resulted into cost overrun, which reflects poor financial monitoring.

The matter was reported to the management on September 10, 2015. The management in its reply dated September 21, 2015 stated that all the requisite spaces were accommodated within the covered area of 54,480 sq.ft. instead of 62,000 sq.ft. The management reply was not tenable as construction was made in violation revised of PC-1. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit would suggest investigating the causes for violation of PC-I and fix the responsibility on the person(s) found at fault.

4.5 Overall Assessment

4.5.1 Loss due to bomb blasting in the project building- Rs 2.553 million

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that in January 2015 in the Civic Centre Building, Gwadar causing damage to the building resulted into estimated loss of damage to the tune of Rs 2.553 million.

Audit was of the view that the management did not adopt the preventive security measures due to negligence and inefficiency, reflecting weak internal controls.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015 stated that appropriate security measures were taken in co-ordination with the security agency. The reply was not tenable and that loss had incurred. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon person(s) at fault for negligence.

4.5.2 Loss due to reduction in Performance Security Bond-Rs 9.429 million

As per clause 10.1 of general conditions of contract agreement between GPA and the contractor, the Performance Security shall be of an amount not less than 10% of the contract price.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the management awarded contract valuing Rs 188.578 million, but Performance Security (PS) of Rs 9.429 million @ 5% was deposited instead of 10 % in light of corrigendum dated December 29, 2006, reducing PS from 10% to 5% in violation of the clause of the contract, which was forfeited by the management .

Audit was of view that undue favour was extended to the contractor due to reducing PS amount. Thus management failed to safeguard GPA interests, which reflected weak internal controls.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015 stated that Gwadar being a tough place for execution of work due to various constraints, all attention was concentrated on execution of works so that the project cost does not escalate

beyond proportion. The reply was not tenable as huge loss was incurred. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit suggest to investigate the matter of reducing performance security and amount be recovered from person(s) at fault.

4.5.3 Non-achievement of progress required for construction of Gwadar Port Civic Centre

Under the provision of clause 43.1 of contract agreement and its corrigendum No. 01 dated December 29, 2006 that the project should be completed within 18 calendar months from the date of receipt of Engineer's notice to commence.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the 34% work was completed in 18 months in violation of above clause of the agreement.

Audit was of view that despite timely appraisal by NESPAK for poor work progress, the management failed to take effective measures for timely completion of the project, which reflected weak internal controls.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015 stated that the whole issue being beyond the control of either GPA or the contractor, the desired progress could not be achieved despite best efforts. The reply was not tenable as 66% work was left behind and the project completed in March 2012. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit suggests investigating the matter for non-achievement of progress as required for construction of project.

4.5.4 Poor performance of the contractor for construction of Gwadar Port Civic Centre

According to progress report of M/s. NESPAK for the month of April & October 2008 shows the poor performance of the contractor.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that projected was to be completed in October 2008 , but only 34% work was completed upto October 2008. M/s. NESPAK was not satisfied with the progress of the contractor M/s. Appolo Builders Associates and intimated to the management about the poor performance

of the contractor from time to time , but no action was taken by the management to ensure timely completion.

Audit was of view that undue favour was extended to the contractor due to negligence and poor monitoring, which reflected weak internal controls.

The matter was reported to the management on September 10, 2015. The management, in its reply dated September 21, 2015 stated that the period of work execution of the project was extremely tense. Security situation all over the country was bad, and worst at Gwadar. Hence multiple difficulties are faced for execution of work on this project. The delays caused were beyond the control of GPA and/or the contractor. The reply was not tenable as project was not completed in time. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon person(s) at fault for not taken effective measure for timely completion of the project.

4.5.5 Irregular payments of fee to advocates / counsel – Rs. 300,000/-

As per Ministry of Law, Justice and Human Rights letter No. 20(1)87-LA dated Nov 22, 2004, no legal advisor, advocate or consultant shall be appointed or engaged by any department, in future, without heaving prior approval of the Ministry of Law, Justice and Human Rights. Moreover no department/ government or semi-government or public corporate body would pay to their counsel/legal advisor fee exceeding Rs 100,000 including cumulative fee of similar or connected cases, without the prior intimation and approval of the Ministry of Law, Justice and Human Rights.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that the management paid legal fee of Rs 300,000 without prior approval of Ministry of Law, Justice and Human Rights in violation of above rule.

Audit is of the view that undue favour was extended to the advocate, which proved negligence and weak internal controls.

The matter was reported to the Ministry/management on September 10, 2015. The management in its reply dated September 21, 2015 that the legal advocate was hired in emergency to fight the case filed by the contractor to stop the work and get a stay order. This was urgent and important as otherwise the project could have been jeopardized. The management reply was not tenable as

payment was made without prior approval. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon person(s) at fault for irregular payment.

4.5.6 Violation of contract agreement by the contractor M/s. Appolo Builders Associates

According to clause 78.3 of contract agreement that the contractor shall be required to hire the services of a consultant / expert on detailed scheduling, resource allocation and cash flow of the project. The consultant of the client will ensure that the project is executed in accordance with the detailed work schedule and other parameter set by the consultant / expert hired by the contractor.

During performance audit on Construction of Gwadar Port Civic Centre for F.Y 2006-07 to 2011-12, it was observed that M/s NESPAK intimated GPA management that the contractor M/s Appolo Builders Associates did not hire services of a consultant in violation of above clause of the contract.

Audit was of view that undue favour was extended to the contractor due to negligence and poor monitoring, which reflected weak internal controls.

The matter was reported to the Ministry/management on September 10, 2015. The management, in its reply dated September 21, 2015 stated that Gwadar being a remote area and there being extremely security conditions, a lot of difficulty was experienced in getting the right staff for the project. Because of the aforementioned difficulty, the required staff was not always available; however, due to consistent efforts being made by the management, the works were finally completed despite prevailing condition to the contrary. The reply was not tenable as agreement was violated. The DAC meeting was not convened by the PAO, despite request by the audit.

Audit recommends fixing of responsibility upon person(s) at fault for undue favour to the contractor.

5. Conclusion

The issue of construction of Gwadar Port Civic Centre is required to be resolved on permanent basis with a commitment to zero tolerance for the procurement and contract management, construction of work, asset management, monitoring and evaluation and overall assessment organizational lapses in achieving objectives in Port sector.

The financial viability of Civic Centre depends on the occupants, if the building is not rented out in future, the viability of the project will be at risk.

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