



**PERFORMANCE AUDIT REPORT
ON
RAINEE CANAL PROJECT WAPDA
GUDDU
AUDIT YEAR 2016-17**

AUDITOR GENERAL OF PAKISTAN

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8 and 12 of the Auditor General's (Functions, Powers, Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of Expenditure and Receipts of Government of Pakistan.

This Report is based on performance audit to examine the economy, efficiency and effectiveness aspects of Raine Canal Project, Guddu for the period from September, 2002 to November, 2016. The Directorate General of Audit WAPDA conducted the performance audit of the Raine Canal Project, Guddu during November, 2016 with a view to reporting significant findings to the relevant stakeholders. In addition, Audit also assessed, on the test check basis whether the management complied with applicable laws, rules and regulations in managing the Raine Canal Project, Guddu.

Audit findings indicate the need for taking specific actions to realize the objectives of the Raine Canal Project, Guddu besides instituting and strengthening internal controls to avoid recurrence of violations and irregularities.

Audit observations have been finalized in the light of discussion in the Departmental Accounts Committee (DAC) meeting.

The Audit Report is submitted to the President in pursuance of the Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 for causing it to be laid before the both Houses of Majlis-e-Shoora [Parliament].

Dated: 12 OCT,2018
Islamabad

Sd/-
Javid Jehangir
Auditor General of Pakistan

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Abbreviations and Acronyms

BoQ	Bill of Quantities
CoC	Condition of Contract
CDWP	Central Development Working Party
CFT	Cubic Feet
Cubic	Meter Cube per Second
Cusec	Feet Cube per Second
DAC	Departmental Accounts Committee
DLP	Defect Liability Period
ECC	Economic Coordination Committee
ECNEC	Executive Committee of the National Economic Council
EOT	Extension of Time
FC	Foreign Currency
GoP	Government of Pakistan
GoS	Government of Sindh
ICB	International Competitive Bidding
IDC	Interest During Construction
IPC	Interim Payment Certificate
IPD	Irrigation and Power Department
IRSA	Indus River System Authority
KM	Kilo Meter
LAO	Land Acquisition Officer
LC	Local Component
LoA	Letter of Acceptance
MoU	Memorandum of Understanding
MoWP	Ministry of Water and Power
MSL	Mean Sea Level
NCB	National Competitive Bidding
NEC	National Economic Council
NESPAK	National Engineering Services Pakistan Limited
NHA	National Highway Authority
NSL	National Surface Level
O&M	Operation and Maintenance
PAO	Principal Accounting Officer

PARC	Pakistan Agriculture Research Council
PC	Planning Commission
PC-I	Planning Commission Proforma-I
PD	Project Director
P&D	Planning and Development
PDWP	Provincial Development Working Party
PSDP	Public Sector Development Program
PSR	Preliminary Survey Report
RCP	Rainee Canal Project
RD	Reduced Distance
RL	Reduced Level
SFT	Square Feet
TOC	Taking Over Certificate
VO	Variation Order
WAPDA	Water and Power Development Authority

EXECUTIVE SUMMARY

Directorate General Audit WAPDA (Water Resources) conducted performance audit of Raine Canal Project WAPDA Guddu in November, 2016. The main objectives of the audit were to evaluate the economy, efficiency and effectiveness of the project. The audit was conducted in accordance with the prevailing rules and regulations.

Federal Cabinet in its meeting held on August 30, 2000 chaired by the Chief Executive of Pakistan directed WAPDA to prepare “Water Vision 2025” for development and utilization of water resource projects. As part of the national programme for additional reservoirs and associated irrigation schemes, WAPDA took up on priority basis the detailed engineering studies and tender documents for Thar/Raine Canal Project. Federal Cabinet in its meeting held on May 09, 2001 decided to implement Raine Canal Project on fast track basis which was designed for 5,155 cusecs water basis in order to irrigate 412,000 acres of land in Districts Ghotki, Sukkur and Khairpur of Sindh Province.

Government of Sindh gave concurrence to undertake the project on September 23, 2002 the Indus River System Authority (IRSA) allowed availability of water for the project on September 03, 2002 and WAPDA started its execution in October, 2002. However, the project was approved by the Executive Committee of the National Economic Council (ECNEC) on February 18, 2004 at a cost of Rs. 18,862 million for two phases. The Phase-I of the project was completed at a cost of Rs. 18,388 million on June 30, 2014 against provision of Rs. 6,297 million. However, Phase-II of the project was not taken up for execution and even Phase-I of the project was not handed over to the Government of Sindh for operational purpose till now i.e. November 30, 2016. Resultantly, neither envisaged benefits of Phase-I of the project could be achieved nor annual receipt of water charges and income tax on agriculture income could be collected by the Provincial Government.

AUDIT FINDINGS AND RECOMMENDATIONS

a. Key Audit Findings

1. Command area was not developed in the shape of leveling and dressing to bring an area of 412,000 acre land under cultivation despite provision of funds in the PC-I – Rs.618.60 million.
(Para No.4.3.1)
2. Interest was paid on delayed payments to the contractor – Rs. 93.61 million.
(Para No.4.1.1)
3. The adjustment account of funds was not rendered for audit scrutiny –Rs. 411.91 million.
(Para No.4.1.2 & 4.1.3)
4. Funds were not allocated as per financial phasing of PC-I – Rs. 18,861.59 million
(Para No.4.1.4)
5. Irregular payment was made without the approval of change in design by the Competent Authority – Rs. 437.91 million.
(Para No.4.2.4)
6. Expenditure had gone waste due to change in alignment of J-Spur – Rs. 102.84 million
(Para No.4.2.6)
7. Wasteful expenditure incurred on account of construction of dividing wall Bay No.4 whereas it was to be constructed at Bay No. 07 – Rs. 1,289.83 million
(Para No.4.2.3)
8. Expenditure was incurred in excess from the provision of bill of quantities – Rs. 349.67 million
(Para No.4.2.5)
9. Expenditure was incurred on account of construction of structures in excess from the provision of PC-I – Rs. 1,373.14 million
(Para No.4.2.2)
10. The leftover work was not awarded at the risk and cost of the original contractor which resulted in loss – Rs. 1,923.49 million
(Para No.4.2.1)

11. Permanent buildings were not constructed despite availability of its provision in the PC-I – Rs. 58.59 million (Para No.4.2.7)
12. Land was acquired at higher rates due to which WAPDA had to sustain loss of – Rs. 431.74 million (Para No.4.3.2)
13. WAPDA sustained potential loss due to non-operation of the project – Rs. 4,222.59 million (Para No.4.4.1)
14. Unjustified payment was made to contractor without its entitlement – Rs. 149.89 million (Para No.4.4.2)
15. WAPDA sustained extra cost in the shape of escalation due to delay in award of contracts – Rs. 1,674.96 million (Para No.4.4.3)
16. There was cost over-run which was not regularized by the competent forum i.e. ECNEC – Rs. 12,091.06 million (Para No.4.5.1)
17. Plantation on both sides of the canal was not executed despite provision in the PC-I of the project (Para No.4.4.5)
18. Consultant did not prepare Project Completion Report i.e. PC-IV despite its provision in the job description (Para No.4.4.4)
19. The project was not completed within the prescribed period given in the PC-I of the project (Para No.4.5.2)

b. Recommendations

1. To expedite the matter for taking over Phase-I of the project with Irrigation Department, Government of Sindh
2. To pursue the revised PC-I submitted by WAPDA to Ministry of Water and Power for obtaining its approval from ECNEC
3. To ensure development of command area under irrigation without further delay
4. To recover the excess cost paid against acquisition of state land

5. To investigate and fix responsibility for cost overrun and time overrun relating to Phase-I of the project
6. To investigate and fix responsibility upon the officers at fault who did not execute the work at risk and cost of defaulted contractor
7. To investigate and fix responsibility for non-releasing of funds as per financial phasing of PC-I
8. To investigate and fix responsibility of non-preparation of Project Completion Report (PC-IV) and O&M Manual after completion of Phase-I
9. To take up the matter with the Government of Sindh for completion of Phase-II of the project without further delay
10. To investigate and fix responsibility of wasteful expenditure incurred on the extension of dividing wall, river training works, care and handling of water including dewatering.

1. INTRODUCTION

Rainee Canal project is located in Nara region, the eastern arid zone of Sindh in Ghotki, Sukkur districts with a little part in Khairpur District. The canal would irrigate a belt of arid land along the eastern fringe of barrage command on left side of Indus River. The canal off-taking from Guddu Barrage will run fifty five kilometers idle to reach its command area which is a barren land comprising flat patches / pats interrupted with sand dunes. It would initially carry 5,155 cusecs of water for irrigation of 412,400 acres of barren land in flood seasons. Later on it would be remodeled to a capacity of 10,000 cusecs for accommodating the discharge of Thar Canal.

The project was planned in accordance with the Government Policy to exploit potential water resources available during the flood season. It was intended to reactivate the old Rainee River area, irrigate the barren land and facilitate the deprived area with drinking water along with promotion of allied sectors like forestry, range management, fish culture, cattle breeding, dairy farming and mitigating flood hazards. It would also work as defense barrier in case of emergency.

WAPDA took this project under vision 2025 as a fast track mega project in 2001 and started its execution in October, 2002 after Government of Sindh gave concurrence to undertake the project on 23rd September 2002 and Indus River System Authority (IRSA) allowed availability of water for the project on 3rd September 2002. However, the project was approved by the ECNEC on February 18, 2004 at cost of Rs. 18,862 million. Subsequently, project was planned to be executed in two phases. The Phase-I of the project was completed at a cost of Rs. 18,388 million on 30.06.2014 against provision of Rs. 6,297 million. However, Phase-II of the project was not taken up for execution. Even, Phase-I of the project was not handed over to the Provincial Government for operational purpose till now i.e. 30.11.2016. Resultantly, neither envisaged benefits of Phase-I of the project were achieved nor annual receipt of water charges and income tax on agriculture of Rs. 115 million could be collected by the Provincial Government.

2. AUDIT OBJECTIVES

The main objectives of the performance audit were to:-

- 2.1 Evaluate whether the project succeeded in achieving objectives as envisaged in PC-I
- 2.2 Evaluate whether internal controls were operative and functioning effectively
- 2.3 Examine whether the award and execution of contracts were on merit and successfully executed
- 2.4 Examine that payments to the consultants were made in accordance with the provision of the consultancy agreement and that the consultants fulfilled their obligations successfully
- 2.5 Evaluate cost and time over-run
- 2.6 Evaluate issues regarding the economy and efficiency in completion and operation of the project
- 2.7 Assess the effectiveness of project in terms of envisaged benefits

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope

Audit period to be covered for Performance Audit was September, 2002 to November, 2016. During this period, total expenditure of Rs.18,388.07 million was incurred up to November, 2016. It would increase the expenditure on payment of pending liabilities. The auditable record was available in the office of Chief Engineer / Project Director, Rainee Canal Project, WAPDA, Guddu.

3.2 Audit Methodology

Audit activity started with preparation of Preliminary Survey Report (PSR) and following audit methodology was adopted during execution of performance audit:-

- Interview and discussion with the project management
- Reviewing PC-I of the project
- Site visits
- Examination of selected project records and necessary auditable documents

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Financial Management

4.1.1 Loss due to interest on delayed payment – Rs. 93.61 million

According to the instructions issued by WAPDA dated July 17, 1982, “All losses, whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and amount involved”.

During performance audit of Raine Canal Project, WAPDA, Guddu, it was noticed that an amount of Rs. 93.61 million was paid to the contractors on account of interest on delayed payment in contract RC-04 and RC-07. It was the responsibility of project management to arrange necessary funds for execution activities of the project well in time but it could not succeed to arrange funds timely. Resultantly, compensation of Rs. 93.61 million was paid to the contractor and WAPDA sustained loss due to financial mismanagement.

The matter was taken up with the management in January, 2017. The management explained that interest on delayed payment was paid due to non-release of allocated funds under PSDP by the Government of Pakistan (GoP) against certified claims of the different contractors.

The DAC in its meeting held on May 08, 2017 directed the management to produce record for verification within one week. The requisite record was not produced till now for verification.

Audit recommends that the management needs to produce evidence in support of non-release of funds from GoP. (Para No. 4.2.1)

4.1.2 Non-receipt of adjustment account of land acquisition – Rs. 321.88 million

According to rule 109, Section-III of Audit Code of office of Auditor General of Pakistan, all transactions which are ultimately removed either by payment or recovery in cash or by book adjustment are kept under suspense heads. Audit of transactions under suspense head is carried out by applying the ordinary procedure of audit of expenditure.

During performance audit of Raineer Canal Project, WAPDA, Guddu, it was revealed that funds amounting to Rs. 321.88 million were placed at the disposal of the Land Acquisition Officer for land acquisition and its compensation. Subsequently Land Acquisition Officer failed to submit adjustment account till now.

The matter was taken up with the management in January, 2017. The management explained that the revenue department Govt of Sindh was being pursued constantly. As the Govt. Audit has already framed the Draft Para No. 1711 on the same matter, therefore, it is requested that the para may please be deleted from this report.

The in its meeting held on May 08, 2017 directed the management to provide the copy of adjustment account from Land Acquisition Officer Raineer Canal Project within one week. No adjustment account was produced to Audit for scrutiny.

Audit recommends expeditious production of final adjustment account of land compensation besides fixing responsibility. (Para No. 4.2.2)

4.1.3 Non-receipt of adjustment account from NHA by WAPDA – Rs. 90.03 million

According to rule 109, Section-III of Audit Code of office of Auditor General of Pakistan, all transactions which are ultimately removed either by payment or recovery in cash or by book adjustment are kept under suspense heads. Audit of transactions under suspense head is carried out by applying the ordinary procedure of audit of expenditure.

During performance audit of Raineer Canal Project, WAPDA, Guddu, it was revealed that funds amounting to Rs. 90.03 million were transferred to the National Highway Authority Karachi in 2009 for execution of overhead bridges as a deposit work. Subsequently, the project management failed to receive adjustment account and un-spent balance from National Highway Authority.

The matter was taken up with the management in January, 2017. The management explained that the matter was being vigorously pursued with National Highway Authority for receipt of Adjustment Account.

The DAC in its meeting held on May 08, 2017 directed the management to provide the copy of adjustment account from NHA Authorities within one week. No adjustment account was produced to Audit for scrutiny.

Audit recommends expeditious production of final adjustment account besides fixing responsibility. (Para No. 4.2.3)

4.1.4 Non-allocation of funds as per financial phasing of PC-I – Rs. 18,861.59 million

According to PC-I, financial phasing of the project was to be made for first five years w.e.f. 2002-03 to 2006-07.

(Rs. In million)

Sr. No.	Year	Phasing as PC-I	Actual amount released	Actual amount utilized
1	2002-03	564.886	-	-
2	2003-04	1,402.223	308.912	308.912
3	2004-05	4,284.575	991.213	991.213
4	2005-06	5,869.371	804.703	804.703
5	2006-07	6,740.530	1,266.906	1,266.906
6	2007-08	-	1,679.553	1,679.553
7	2008-09	-	2,879.677	2,879.677
8	2009-10	-	1,160.615	1,160.615
9	2010-11	-	625.502	625.502
10	2011-12	-	1,370.480	1,370.480
11	2012-13	-	3,858.556	3,858.556
12	2013-14	-	2,050.365	2,050.365
13	2014-15	-	452.767	452.767
14	2015-16	-	938.816	938.816
	Total	18,861.585	18,388.065	18,388.065

During performance audit of Raineer Canal Project, WAPDA, Guddu, it was noticed that funds amounting to Rs. 18,861.59 million were allocated during fourteen years from 2002-03 to 2015-16 instead of five years as provided in

PC-I. The violation of PC-I provision resulted in delay of award of contracts and caused abnormal cost overrun.

The matter was taken up with the management in January, 2017. The management explained that the originally the financial phasing of the Project was approved in PC-1 but due to the financial constrained, the allocation was reduced as per approved phasing. At the same time the releases were also less and not compatible as per demand submitted by the Project

The DAC in its meeting held on May 08, 2017 was not satisfied with the explanation of the management and directed to submit revised reply within one week. No updated/revised reply was furnished to Audit.

Audit recommends to investigate the matter and fix responsibility for less allocation of funds. (Para No. 4.2.4)

4.2 Construction and Works

4.2.1 Loss due to non-award of contracts at risk and cost of original contractor M/s Haq Noor – Rs. 1,923.49 million

According to Clause 39.3 of General Condition of Contract, in case of default on the part of the contractor in carrying out such instruction within the time specified therein or, if none, within a reasonable time, the employer shall be entitled to employ and pay other persons to carry out the same and all costs consequent thereon or incidental thereto shall, after due consultation with the employer and the contractor, be determined by the engineer and shall be recoverable from the contractor by the employer, and may be deducted by the employer from any monies due or to become due to the contractor and the engineer shall notify the contractor accordingly, with a copy to the employer.

During performance audit of Raine Canal Project, WAPDA, Guddu, it was noticed that contract RC-2, RC-3, RC-5 and RC-6 were awarded at contract price of Rs. 66.53 million, Rs. 69.12 million, Rs. 550 million and Rs. 1,350 million respectively to M/s Haq Noor and Company for construction of Raine Canal Project. The contractor did not complete these works and left scope of work worth Rs. 1,456.81 million. Subsequently, these works were awarded to another contractor i.e. M/s RSL Karachi without risk and cost the original contractor and completed these works at cost of Rs. 3,245.30 million. At the time

of award of contract, performance security amounting to Rs. 135 million of the defaulting contractor was required to be confiscated but the same was not done. The extra cost for execution of the original works Rs. 1,788.49 million was also not recovered. This resulted in loss of Rs. 1,923.49 million to WAPDA. Moreover, no disciplinary action was taken against the defaulting contractor.

The matter was taken up with the management in January, 2017. The management explained that National Engineering Services Pakistan Limited (NESPAK) was assigned to carry out the independent inquiry in the matter. NESPAK has submitted the Inquiry report with PAO.

The DAC in its meeting held on May 08, 2017 directed that as the inquiry is in process with Ministry of Water and Power, The results of inquiry may be provided to Audit. But no progress was intimated.

Audit recommends to investigate the matter and fix the responsibility for awarding of these contracts without risk and cost of original contractor besides taking legal and departmental action against the defaulting contractor.

(Para No. 4.4.6)

4.2.2 Irregular expenditure due to construction of additional structures -- Rs. 1,373.14 million

According to PC-I of the project, following structures were to be executed:

Sr. No.	Description	Provision of Structures as per PC-I	Actual structures constructed	Excess structures constructed
1	Syphon	3	5	+2
2	Water Courses	35	46	+11
3	Foot Bridges	10	43	+33
4	District Road Bridges	0	4	+4
5	Village Road Bridges	10	41	+31

During performance audit of Raineer Canal Project, WAPDA, Guddu, it was noticed that 81 structures were constructed in excess from the provision of

PC-I. Subsequently, additional structures were not got regularized through revised PC-I. The violation of PC-I provision resulted in irregular expenditure of Rs. 1,373.14 million (*Annex-2*).

The matter was taken up with the management in January, 2017. The management explained that the provision of these structures had been provided in Revised PC-1 which is at Ministry of Water and Power, Islamabad for approval from competent forum.

The DAC in its meeting held on May 08, 2017 directed the management to expedite the requisite approval of PC-I and inform the Audit accordingly. But no further progress was intimated to Audit.

Audit recommends to revise PC-I and got it approved from ECNEC.

(Para No. 4.4.4)

4.2.3 Wasteful expenditure on account of construction of Bay at wrong place –Rs. 1,289.83 million

According to the instructions issued by WAPDA dated July 17, 1982, “All losses, whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and amount involved”.

During performance audit of Raineer Canal Project, WAPDA, Guddu, it was noticed that contract RC-04 for the construction of “River Training Works, Head Regulator, Earthwork and Structures of Raineer Canal Project” was awarded to M/s Descon Limited at contract price Rs. 2,800 million. Under this contract an amount of Rs. 1,289.83 million was incurred on account of construction of river training works, care and handling of water including dewatering and extension of left dividing wall of Guddu Barrage. Later on this work was not accepted by the Government of Sindh as dividing wall was to be constructed at Bay No.07 instead of Bay No.04. Now Government of Sindh had decided to construct it on bay No.07 out of its own resources through remodeling of Guddu Barrage. Hence, expenditure of Rs. 1,289.83 million on construction of Bay No.04 had gone waste.

The matter was taken up with the management in January, 2017. The management explained that as the construction of divide wall at bay 4 was

executed as per approved design and drawings and the remaining portion was not completed due to stoppage by the Chief Engineer Guddu Barrage Irrigation Department Govt. of Sindh, therefore, the Project Authorities was not at fault.

The DAC in its meeting held on May 08, 2017 directed the management to produce record in support of its stance to Audit within one week but no further progress was intimated.

Audit recommends to investigate the matter and fix the responsibility of wasteful expenditure of Rs. 1,289.83 million. (Para No. 4.4.2)

4.2.4 Irregular payment without approval of change of design -- Rs. 437.91 million

There was provision of Rs. 115.905 million under BoQ item No.2.6(ii) "providing and laying / filling stone, dry, hand packed hammer dressed as stone apron".

During performance audit of Raine Canal Project, WAPDA, Guddu, it was noticed that an amount of Rs. 553.821 million was paid to the contractor in contract RC-4 on account of stone apron under BoQ item No.2.6(ii). The payment was irregular as huge expenditure was incurred without prior approval of the contract awarding authority, justification and design changes through revised drawing. In the absence of approval from the competent authority, authenticity of payment could not be ascertained. The violation of BoQ provision resulted in irregular payment of Rs. 437.91 million.

The matter was taken up with the management in January, 2017. The management explained that as per Contract Clause 51.1 of the Contract Agreement, "the Engineer" is empowered to increase or decrease the quantity of the work as per site conditions.

The DAC in its meeting held on May 08, 2017 clubbed the para with Para No. 4.4.1 and 4.4.3 and directed to submit revised reply along with supporting documents within one week. However, revised reply was not produced to Audit.

Audit recommends to investigate the matter and fix responsibility of irregular payment. (Para No. 4.3.1)

4.2.5 Excess expenditure on construction of River Training Works — Rs. 349.67 million

According to provision of Bill No.2 relating to construction of River Training Works was Rs. 284.61 million.

During performance audit of Raine Canal Project, WAPDA, Guddu, it was noticed that contract RC-04 for the construction of “River Training Works, Head Regulator, Earthwork and Structures of Raine Canal Project” was awarded to M/s Descon Limited at contract price Rs. 2,800 million. Under this contract, an amount of Rs. 634.28 million was incurred on account of construction of “River Training Works” against the provision of Rs. 284.61 million. Subsequently, excess expenditure was neither justified nor regularized by the competent authority. The violation of BoQ provision resulted in excess expenditure of Rs. 349.67 million.

The matter was taken up with the management in January, 2017. The management explained that the river training works carried out on the recommendations of model studies. Further no extra or additional works were carried out, however the quantities of the item already provided in BOQ were increased, but the overall amount of contract was within 15% of the contract cost, and as per contract clause 52.3 part-I of CoC over all variation up to 15% increase did not require another approval or sanction.

The DAC in its meeting held on May 08, 2017 clubbed the para with Para No. 4.3.1 and 4.4.1 and directed to submit revised reply along with supporting documents within one week. But no further progress was intimated to Audit.

Audit recommends to investigate the matter and fix the responsibility for excess expenditure of Rs. 349.67 million. (Para No. 4.4.3)

4.2.6 Wasteful expenditure due to change in alignment — Rs. 102.84 million

According to the instructions issued by WAPDA dated July 17, 1982, “All losses, whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and amount involved”.

During performance audit of Raineer Canal Project, WAPDA, Guddu, it was noticed that an amount of Rs. 102.84 Million (14,192.59 % Sft X Rs.7,250) was paid to the contractor M/s Descon Limited on account of “providing and laying / filling, stone, dry, hard packed, hammer dressed” as stone apron under BOQ item No.2.6 (ii) onward RD 0+020 to 2+623. Later on alignment of the J-Spur was changed. Resultantly cost of Rs. 102.836 million incurred on the J-Spur had gone wasted and caused loss to WAPDA.

The matter was taken up with the management in January, 2017. The management explained that there was no wasteful expenditure of Rs. 102.84 million as the design and drawing work of the construction of the J-Spur, adopted was based upon the international and local practice

The DAC in its meeting held on May 08, 2017 clubbed the para with Para No. 4.3.1 and 4.4.3 and directed to submit revised reply along with supporting documents within one week. However, revised reply was not submitted to Audit.

Audit recommends to investigate the matter and fix responsibility of loss upon person (s) at fault. (Para No. 4.4.1)

4.2.7 Non-construction of permanent buildings despite provision of funds in the PC-I – Rs. 58.59 million

The provision for the construction of permanent residential buildings costing Rs. 58.59 million was kept in the PC-I of Raineer Canal Project for use of O&M of the canal.

During performance audit of Raineer Canal Project, WAPDA, Guddu, it was noticed that provision for the construction of permanent residential and non-residential buildings costing Rs. 58.59 million was provided in the PC-I of Raineer Canal Project for use of O&M after completion of the project. Later on residential and non-residential buildings were not constructed out of the funds during execution of the project (Phase-I) as it was very essential for use of operation and maintenance of canal. The violation of PC-I provision would result in increase the cost of residential and non-residential buildings.

The matter was taken up with the management in January, 2017. The management explained that the provision of construction of residential building existed in the PC-I of Raineer Canal Project and these buildings were not

constructed due to financial constraint which would be constructed under the works of phase-II.

The DAC in its meeting held on May 08, 2017 directed the management to expedite the reply under intimation to audit. No further progress was intimated to Audit.

Audit recommends to investigate the matter and fix responsibility for non-execution permanent buildings despite provision of funds in the PC-I.

(Para No. 4.4.7)

4.3 Assets Management

4.3.1 Non-execution of leveling and dressing of command area as provided in PC-I - Rs. 618.60 million

There was provision of command area development i.e. Rs. 618.60 million in the PC-I of the project.

During performance audit of Raineer Canal Project, WAPDA, Guddu, it was observed that there was provision of Rs. 618.60 million in the PC-I of the project for leveling and dressing command area to irrigate 412,000 acre land. Against this provision neither funds were placed at the disposal of the Provincial Government for its execution nor it was executed by the WAPDA during execution and completion of the project up to 30.06.2014 even till to date 31.03.2018. Consequently basic objective of the canal to irrigate 412,000 acre land had been defeated. The violation of PC-I provision had increased its cost from Rs. 618.60 to Rs. 979.52 million.

The matter was taken up with the management in January, 2017. The management explained that it was decided in the PC-I that 50% amount was to be borne by the irrigation department and 50% would be borne by the farmers. The matter had been taken up with the Govt. of Sindh GoS.

The DAC in its meeting held on May 08, 2017 directed the management to expedite the reply for the development of command area. No further progress was intimated to Audit.

Audit recommends to investigate the matter and fix responsibility of its non-execution.

(Para No. 4.1.1)

4.3.2 Irregular payment on acquisition of land -- Rs. 431.74 million

According to PC-I of the Raine Canal Project,

- (i) There shall be 70% state land and 30% private land beyond Khenju for main canal, distributaries and minors etc.
- (ii) The state land shall be acquired at the rate of Rs. 20,000/- per acre.

During performance audit of Raine Canal Project, WAPDA, Guddu, it was noticed that 4,374 acres land was acquired at cost of Rs. 140,000/- per acre for main canal, distributaries and minors etc from the point of Khenju. Out of this land, 70% was state land and the remaining private as per PC-I of the project. The state land was acquired at the rate of Rs. 140,000/- per acre plus 15% urgency charges instead of Rs. 20,000/- per acre. The violation of PC-I provision resulted in irregular payment of Rs. 431.74 million (*Annex-4*).

The matter was taken up with the management in January, 2017. The management explained that Rs. 9.9 million had been recovered from land owners by the NAB and refunded to WAPDA.

The DAC in its meeting held on May 08, 2017 directed the management to get the recovery record verified from Audit within one week. No further progress was intimated to Audit.

Audit recommends to investigate the matter and fix responsibility of irregular payment upon the Land Acquisition Officer who did not observe the provision of PC-I. (Para No. 4.5.1)

4.4 Monitoring and Evaluation

4.4.1 Potential loss due to non-collection of annual receipt and non-achievement of envisaged benefits -- Rs. 4,222.59 million

- i) According to PC-I of the project, there shall be annual receipt of Rs. 115.79 million in the shape of water rates, income tax and revenue from the fisheries.
- ii) According to PC-I of the project (Table B-12), envisaged benefits of Rs. 3,875.22 million were due during first three years after completion of the project on 30.06.2014.

Table-1

Sr. No.	Description	Annual Receipt (Rs. In million)
1	Water rates	32.77
2	Income Tax	70.10
3	Revenue from Fisheries	12.92
	Total	115.79

Table-2

Sr. No.	Year	Envisaged benefits (Rs. In million)
1	6 th	1,058.74
2	7 th	1,291.74
3	8 th	1,524.74
	Total	3,875.22

During performance audit of Raine Canal Project, WAPDA, Guddu, it was observed that annual receipt of Rs. 347.37 million in the shape of water rates, agricultural income tax and revenue from fisheries and envisaged benefits in the shape of various crops etc. Rs. 3,875.22 million for the first three years as provided in the PC-I were not achieved after completion of the project on 30.06.2014 due to non-operation of the project. Subsequently, project was neither handed over to the Irrigation Department Government of Sindh (GoS) nor it brought into the operation after its completion. This state of affair had resulted in loss of Rs. 4,222.59 million for a period of three year from July, 2014 to June, 2017 to WAPDA. Had this project been handed over to the Provincial Government, annual receipts and envisaged benefits Rs. 4,222.59 million would have been earned by the Provincial Government.

The matter was taken up with the management in January, 2017. The management explained that the matter was vigorously being pursued with Irrigation Department Govt of Sindh to hand over the completed works/phase-1.

The DAC in its meeting held on May 08, 2017 directed the management to expedite the Handing/ Taking over of the completed works. No further progress was intimated to Audit.

Audit recommends to investigate the matter and fix responsibility for non-handing over the project to the Government of Sindh and its non-operation of the project after its completion. (Clubbed Paras 4.6.1 and 4.6.5)

4.4.2 Irregular payment on account of Extension of Time -- Rs. 149.89 million

Authority in its meeting held 20.02.2010 accorded approval for grant of 304 days w.e.f. 01.12.2008 to 30.09.2009 with escalation admissible under the contract provision.

During performance audit of Raine Canal Project, WAPDA, Guddu, it noticed that contract RC-04 for the construction of "River Training Works, Head Regulator, Earthwork and Structures of Raine Canal Project" was awarded to M/s Descon Limited at contract price Rs. 2,800 million. The work started on 01.12.2006 and scheduled to be completed by 30.11.2008. However, the contractor could not complete the work within stipulated time. The case for extension of time was initiated, resultantly E.O.T for 304 days from 01.12.2008 to 30.09.2009 was granted by the Authority in its meeting held on 20.02.2010 with admissibility of escalation under the contract provision. After expiry of 03 years, the contractor moved claim of E.O.T cost for 304 days from 01.12.2008 to 30.09.2009 which was accepted by the Authority in its meeting held on 03.05.2013 for payment of Rs. 149.89 million.

The payment of E.O.T cost claim amounting Rs. 149.89 million was not admissible to the contractor as the Authority while deciding EOT case allowed escalation only to the contractor. The subsequent approval of EOT cost was not in line with the provisions of contract agreement as issue of EOT cost did not exist at the time of extension of time. Therefore, EOT cost Rs. 149.892 million could not be termed as regular.

The matter was taken up with the management in January, 2017. The management explained that the authority accorded approval of 304 days (01.12.2008 to 30.09.2009) as extension of time in completion period of contract RC-4 with escalation admissible under the contractual provision.

The DAC in its meeting held on May 08, 2017 directed the management to submit revised reply within one week. No further progress was intimated to Audit.

Audit recommends to investigate the matter and fix responsibility of irregular payment upon the defaulter (s) besides effecting recovery.

(Para No. 4.6.2)

4.4.3 Delayed execution of the contracts with escalation charges -- Rs. 1,674.96 million

According to PC-I of the Raine Canal Project, physical work was to be started in October, 2002 through award of various contracts.

During performance audit of Raine Canal Project, WAPDA, Guddu, it was observed that various contracts i.e. RC-4, RC-5A, RC-6A, RC-7 and RC-7A were to be awarded during the year 2002-03 as per PC-I. Contrary to the above, these contracts were awarded with abnormal delay during the year 2005-06 and 2006-07. Consequently an amount of Rs. 1,674.96 million was paid to the contractor on account of escalation against these contracts. Had these contracts been awarded as per schedule of PC-I, escalation would have either been avoided or minimized to reasonable extent. Resultantly, WAPDA had to sustain extra cost of Rs. 1,674.96 million in the shape of escalation during execution of the project.

The matter was taken up with the management in January, 2017. The management explained that the escalation paid to the contractors was not the result of delay in awarding the contracts. The provision of escalation or de-escalation existed in the contract clause 70.1.

The DAC in its meeting held on May 08, 2017 directed the management to submit comprehensive revised reply within one week. No further progress was intimated to Audit.

Audit recommends to investigate the matter and fix responsibility of escalation due to delay in award of contracts.

(Para No. 4.6.3)

4.4.4 Laxity on the part of Consultant on preparation of PC-IV/ Project Completion Report

According to description of services of consultancy agreement (Appendix-B), consultant was required to prepare Project Completion Report and O&M Manual within one month after completion of the project.

During performance audit of Raineer Canal Project, WAPDA, Guddu, it was noticed that Raineer Canal Project was completed on 30.06.2014. Thereafter, consultant was required to prepare PC-IV i.e. Project Completion Report and O&M Manual within one month after completion of the project as per scope of the consultancy agreement signed between WAPDA and M/s Barqab Limited for Raineer Canal Project Guddu. But consultant did not prepare the Project Completion Report and O&M Manual. The violation of consultancy agreement resulted in undue favor to the consultants at the cost of Authority's funds.

The matter was taken up with the management in January, 2017. The management explained that the preparation of the Project completion report PC-IV and (O&M) manual had been initiated and would be completed at the earliest.

The DAC in its meeting held on May 08, 2017 directed the management to expedite the approval of PC-IV. No further progress was intimated to Audit.

Audit recommends to prepare Project Completion Report and O&M Manual without further delay. (Para No. 4.6.4)

4.4.5 Non-execution of plantation along the banks of Raineer Canal -- Rs. 3.33 million

There was provision of Rs. 3.33 million for plantation in the PC-I of Raineer Canal Project.

During performance audit of Raineer Canal Project, WAPDA, Guddu, it was noticed that trees on both sides of the canal was required to be planted at lump sum cost of Rs. 3.33 million. Against this provision, no work was carried out for plantation during construction of the Raineer Canal Project. The non-implementation of PC-I provision showing project mismanagement on the one

hand and failure to follow the instruction of environment assessment impact on the other hand.

The matter was taken up with the management in January, 2017. The management explained due to less funds received against the demand and PSDP allocation. Therefore, minor quantity of trees had been planted. Further in this season the work of plantation is under way.

The DAC in its meeting held on May 08, 2017 directed the management to arrange the funds for plantation. No further progress was intimated to Audit.

Audit recommends expeditious plantation on both sides of canal.

(Para No. 4.7.1)

4.5 Overall Assessment

Overall Assessment refers to the performance of the Project with reference to “Three Es” i.e. Economy, Efficiency and Effectiveness.

Economy

It includes procurement of goods and services at competitive rates. The economy aspect of the project was not properly carried out as all major contract packages were to be awarded during the year 2002-03 to 2006-07. These contracts were awarded during the year 2005-06 and 2006-07. Resultantly, Phase-I of the Project was completed at a cost of Rs. 18,388 million on 30.06.2014 against the PC-I provision of Rs. 6,297 million. However, Phase-II of the Project was not taken up for execution till now i.e. 30.11.2016. The abnormal delay had increased its cost from Rs. 12,565 million to Rs. 25,513 million in the revised PC-I of the Project. Overall it caused loss to the tune of Rs. 25,124.80 million in Phase-I & II in shape of cost overrun.

Efficiency

It includes proper utilization of available resources. The Phase-I of the Project was to be completed on 30.09.2008 whereas it was completed on 30.06.2014. However, Phase-II could not be taken up for execution till now. Due to delay in completion of the Project, envisaged benefits of Rs. 3,875.22 million were not achieved.

Effectiveness

It includes the achievement of desired objectives. The Project did not remain functional and envisaged benefits to be achieved after its completion as major component of command area development and Phase-II of the Project were not executed till now i.e. 30.11.2016. In the absence of its development, envisaged benefits could not be achieved. The Phase-I of the Project could hardly irrigate an area of 112,000 acre land out of 412,400 acre land. Therefore, purpose for which canal was constructed had been defeated.

The observations noted by Audit regarding over-all performance were as follows:-

4.5.1 Cost over-run -- Rs. 12,091.065 million

As per PC-I, Rainee Canal Project WAPDA Guddu was to be completed at a total cost of Rs. 6,297.00 million as approved by the ECNEC on 18.02.2004.

During performance audit of Rainee Canal Project, WAPDA, Guddu, it was observed that an expenditure of Rs. 18,388.065 million was incurred up to November 30, 2016 against the provision of Phase-I Rs. 6,297 million. The reasons for the cost overrun were delay in award of contracts, termination of contracts, design changes, price escalation, non-allocation of funds as per financial phasing of PC-I, acquisition of state land at higher rates, interest on delayed payment, award of contracts at higher rates without risk and cost of original contractor, weak internal control system and construction of additional structures. Resultantly, the project cost was over-run to the tune of Rs. 12,091.065 million as on 30.11.2016.

The matter was taken up with the management in January, 2017. The management explained that since the construction site was in remote area and the rate received even after the re-tendering were over at higher site.

The DAC in its meeting held on May 08, 2017 directed the management to justify the cost over-run within one week. No further progress was intimated to Audit.

Audit recommends to investigate the matter by the Ministry of Water Resources and fix responsibility of cost overrun upon the person (s) at fault.

(Para No. 4.6.7)

4.5.2 Time over-run

The time for completion of Rainee Canal Project in the PC-I was five years w.e.f. October, 2002 to October, 2008.

During performance audit of Rainee Canal Project, WAPDA, Guddu, it was observed that the project was planned to be completed from October, 2002 to September, 2008. The management failed to complete the project within stipulated time. The reasons for time overrun was non-allocation of funds as per financial phasing of PC-I, delay in award of contracts, termination of contracts, additional scope of work given by the Pakistan Army for defense purpose, law and order situation and delay in acquisition of land. However it was completed on 30.06.2014 after delay of six years.

The matter was taken up with the management in January, 2017. The management explained that there was no laxity of Project management to complete the work within scheduled period, but the reasons / circumstances of Time over run as mentioned in the Para were correct which were beyond the control of Project management

The DAC in its meeting held on May 08, 2017 directed the management to justify the time over-run within one week. No further progress was intimated to Audit.

Audit recommends the Ministry to investigate the matter of time over-run and fix responsibility upon the persons at fault. (Para No. 4.6.6)

5. CONCLUSION

In view of the audit findings it was concluded as under:-

- Project management failed to execute the project within the approved cost of PC-I i.e. Rs. 18,862 million. Resultantly, it had caused cost over run in the revised PC-I of the project.
- The reasons for the cost overrun of Rs. 12,091.06 million of the project were relating to delay in award of contracts, termination of contracts, design changes, price escalation, non-allocation of funds as per financial phasing of PC-I, acquisition of state land at higher rates, interest on delayed payment, award of contracts at higher rates without risk and cost of original contractor, weak internal control system and construction of additional structures. This was mainly due to project mismanagement.
- The envisaged benefits of the project as per PC-I were not achieved as project had not been handed over to the Irrigation and Power Department, Government of Sindh. Moreover, leveling of dressing of command area was neither executed by the Government of Sindh nor by the WAPDA. This resulted in hindrances in the achievement of envisaged benefits.
- The basic objective to irrigate an area of 412,000 acre could not be achieved during construction period of the project onwards 2002-03 to 2013-14 even till to date i.e. 31.03.2018.

ACKNOWLEDGEMENT

We wish to express our appreciation to the management and staff of Rainee Canal Project WAPDA Guddu for the assistance and cooperation extended to the auditors during this assignment.

Annex-1**Year-wise Summary of Financial Data in respect of Rainee Canal Project
WAPDA Guddu***(Rs. in million)*

Year	Phasing as per Provision	PSDP Allocation	Actual Releases	Actual Amount Utilized
	Local		Local	Local
2003-04	300	300	308.912	308.912
2004-05	1,000	1,000	991.213	991.213
2005-06	800	800	804.703	804.703
2006-07	1,300	1,300	1,266.906	1,266.906
2007-08	2,897	1,675	1,679.553	1,679.553
2008-09	-	2,400	2,879.677	2,879.677
2009-10	-	1,000	1,160.615	1,160.615
2010-11	-	415	625.502	625.502
2011-12	-	1,500	1,370.480	1,370.480
2012-13	-	4,000	3,858.556	3,858.556
2013-14	-	3,000	2,050.365	2,050.365
2014-15	-	500	452.767	452.767
2015-16	-	1,000	938.816	938.816
Total		18,890	18,388.065	18,388.065

Annex-2

Detail of excess structures constructed from the provision of PC-I of the project

Sr. No.	Detail of Structures	Provision of structures as per PC-I	Actual structures constructed	Excess structures constructed
1	Syphon	03	05	02
2	Water Courses	35	46	11
3	Foot Bridges	10	43	33
4	District Road Bridges	0	04	04
5	Village Road Bridges	10	41	31
Total structures excess constructed				81
Cost / Expenditure as per provision of PC-I (Rs. in million)				534.766
Actual expenditure incurred from the provision of PC-I (Rs. in million)				1,907.905
Excess expenditure incurred from the provision of PC-I (Rs. in million)				1,373.139

Annex-3

Detail of contract awarded after termination

Sr. No.	Name of contract	Name of contractor	Date of commencement	Date of completion	Contract cost (Rs. in million)
1	RC-02	M/s Haq Noor & Company	24.04.2004		66.527
2	RC-03		01.07.2004		69.149
3	RC-05				550.00
4	RC-06				1,350.00
Total contract costs					2,035.676
Cost of completed portions					578.84
Cost of balance works					1,456.836
Cost of award of new contracts i.e. RC-5A & 6A					3,245.30
Excess cost incurred					1,788.49

Annex-4**Statement showing the detail of irregular payment made on account of state land**

Sr. No.	Detail	Remarks
1	State land to be acquired (4,370X70/100)	3,062 Acres
2	Rate per acre	Rs.20,000/-
3	Cost to be paid	Rs.61.240 million
4	Payment made (3,062X140,000/-)	Rs.428.680 million
5	15% urgency charges	Rs.64.302 million
Irregular Payment (428.680+64.302-61.240)		Rs.431.742 million

Annex-5**Project Stage**

The project works planned in following two phases:

Phase-I: Works under Contracts RC-1 to RC-7A between RD 0+000 to RD 363+752

Phase-II: Works under Contracts RC-8 to RC-10 from RD 363+752 to RD 570+000.

Detail of the Project stage as per PC-I is given below:-

Cost Rs. In Billion	Up to date Expenditure Rs. In Billion	Financial Progress	Commencement	Duration in years	Completion		Physical Progress
					Original	Revised	
18.862	18.388	97.55%	03.10.2002	05 years	September, 2008	June, 2018	Phase-I 100%

Annex-6

Summary of Contracts

(Rs. in million)

Contract No.	Title of Contract	Name of Contractor	Contract Price	Contract Completion Cost	Letter of Acceptance	Date of Commencement Date of Award	Date of Completion	DLC Date
RC-1	Earthwork of Main Canal RD 18+000 to 8+000	M/s Friends Engineering Co. Lahore	30.775	30.703	28.10.02	28.10.02	31.05.03	31.05.04
RC-2	Earthwork of Main Canal RD 38+000 to 127+500	M/s Haq Noor & Co.	68.527	52.196	24.04.04	24.04.04	Contracts were terminated and balance work was executed under contract RS-5A.	
RC-3	Earthwork of Main Canal RD 128+000 to 188+433	M/s Haq Noor & Co.	69.149	61.756	01.07.04	01.07.04		
RC-4	Head Regulator and Earthwork RD 0+000 to 18+000	M/s Descon Engineering Limited Lahore	2839.462	3500.847	14.09.06	14.09.06	30.11.08	30.06.12
RC-5	Construction of structures	M/s Haq Noor & Co.	500.87	195.771	18.02.05	18.02.05	Contract was terminated and balance work was executed under contract RC-5A	
RC-5A	Earthwork and Structures RD 18+000 to 181+433	M/s RSL Karachi	1889.00	195.771	01.08.08	01.08.08	09.02.10	09.02.11
RC-6	Earthwork, concreting and structures	M/s Haq Noor & Co.	1350.00	375.481	07.03.05	07.03.05	Contract was terminated and balance work was executed under contract RC-6A	
RC-6A	Earthwork,	M/s RSL	2439.00	2537.635	01.08.08	01.08.08	20.02.10	20.02.11

	concrete lining and structures RD 181+433 to 276+853	Karachi						
RC-7	Earthwork, concrete lining and structures RD 276+853 to 363+752	M/s Sultan Mahmood & Co.	2137.878	3277.487	10.04.06	10.04.06	31.12.09	06.06.15
		M/s RSL Karachi			12.06.13	12.06.13	06.06.14	
RC-7A	Distribution System RD 181+433 to 363+752	M/s SKB-KNK (JV) Karachi	1633.42	2344.817	26.05.06	26.05.06	30.06.12	30.06.13

CHRONOLOGY OF PROJECT HISTORY

Sr. No.	Particulars	Dates
1	Federal Government allowed to prepare detailed engineering studies and tender documents	30.08.2000
2	Federal Government decided to implement Raine Canal Project	09.05.2001
3	IRSA allowed availability of water for the Project	03.09.2002
4	Concurrence of Government of Sindh to implement the Project	23.09.2002
5	Date of start of the Project	03.10.2002
6	Date of feasibility report submitted by the consultant	26.12.2003
7	Date of approval of PC-I	18.02.2004
8	Date of completion as per PC-I	30.09.2008
9	Date of actual completion	30.06.2014