



*cutting through complexity™*

ADVISORY SERVICES

# Halcrow Pakistan (Pvt.) Limited Pre-award Assessment Report

September 2011



## Glossary of terms

<b>AFRS's</b>	Accounting and Financial Reporting Standards	<b>M&amp;E</b>	Monitoring and Evaluation
<b>AGM</b>	Annual General Meeting	<b>MD</b>	Managing Director
<b>AIS</b>	Audit Information System	<b>MIS</b>	Management Information System
<b>ANC</b>	AL Nahr Co. Ltd	<b>MoA</b>	Manual of Authority
<b>ASP</b>	Assessment and Strengthening Program	<b>MOU</b>	Memorandum of Understanding
<b>BoD</b>	Board of Directors	<b>MSE's</b>	Medium Sized Entities
<b>CAD</b>	Computer Aided Design	<b>NIC</b>	National Identity Card
<b>CEO</b>	Chief Executive Officer	<b>OD</b>	Operations Director
<b>CO 1984</b>	Companies Ordinance, 1984	<b>P&amp;L</b>	Profit & Loss
<b>Company / Halcrow Pakistan</b>	Halcrow Pakistan (Pvt.) Ltd	<b>PD</b>	Project Director
<b>DD</b>	Development Director	<b>PI</b>	Professional Indemnity
<b>DFID</b>	Department for International Development	<b>PM</b>	Project Manager
<b>DH</b>	Department Head	<b>PO</b>	Purchase Order
<b>EOBI</b>	Employee Old age Benefits Institute	<b>PR</b>	Purchase Requisition
<b>ERP</b>	Enterprise Resource Planning	<b>RMD</b>	Regional Managing Director
<b>FY</b>	Financial Year	<b>RSPN</b>	Rural Support Programmes Network
<b>GIS</b>	Geographic Information System	<b>Rs. or PKR</b>	Pak Rupee
<b>GL</b>	General Ledger	<b>SBP</b>	State Bank of Pakistan
<b>HDC</b>	Halcrow Design Centre	<b>SECP</b>	Securities and Exchange Commission of Pakistan
<b>HGL</b>	Halcrow Group Limited	<b>SMI</b>	Supplementary Management Instructions
<b>HIMS</b>	Halcrow Integrated Management System	<b>SWOT</b>	Strengths, Weaknesses, Opportunities and Threats
<b>HIP</b>	Halcrow International Partnership	<b>TL</b>	Team Leader
<b>H-Pak</b>	Halcrow Pakistan (Pvt.) Ltd	<b>USAID</b>	United States Agency for International Development
<b>ICS</b>	Integrated consulting services	<b>USD</b>	United States Dollar
<b>IFIs</b>	International Funding Institutions		
<b>IT</b>	Information Technology		
<b>JV</b>	Journal Voucher		
<b>KNP</b>	Karachi New Port Container Terminals Ltd.		
<b>KPI's</b>	Key Performance Indicators		



## Table of contents – contd..

	<b>Page No.</b>			
<b>ANNEXURES – CONTD..</b>				
T. Recruitment process compliance	103			
U. Leavers' compliance	104			
V. Personal files compliance	105			
W. Travelling policy compliance	106			
X. Per diem rates	107			
Y. Training plan – 2011	108			
Z. Profile of key management staff	109			
AA List of top 20 projects - 2008 to 2011.	111			
AB. Project profile codes for Halcrow Pakistan under Pakistan Engineering Council Registration	112			
AC. List of Sub-Consultants	113			
AD. Monitoring and evaluation systems	114			
AE. Project Audit Observations	120			
AF. Summary of Audit Observations	121			
AG. List of organizations with whom Halcrow Pakistan holds pre-qualified firm status	126			
AH. Rating Matrix	127			
AI. Notice to the reader	128			
AJ. Management Comments	130			

---


# ASSESSMENT REPORT


# Assessment report

 <p><b>Private &amp; Confidential</b></p> <p>Assessment and Strengthening Program - Rural Support Programmes Network Sector F-10 Islamabad</p>	<p><b>KPMG Taseer Hadi &amp; Co.</b> Chartered Accountants Sixth Floor State Life Building No. 5 Jinnah Avenue, Blue Area Islamabad, Pakistan</p>	<p>Tel +92 (51) 282 3558 Fax +92 (51) 282 2671</p>				
<p>For the attention of: Mr. Ejaz Rahim Chief of Party</p> <p>26 September 2011</p> <p><b>Pre-award assessment report on Halcrow Pakistan (Private) Limited</b></p> <p>We have made a review and evaluation of the managerial capacity and internal control systems of the Halcrow Pakistan (Private) Limited using those criteria established by ASP-RSPN per the USAID standards. Our review included tests of compliance with the organization's stated procedures to the extent that such testing was deemed necessary and feasible. Our review is not an audit of any financial statement (s) prepared by Halcrow (Private) Limited.</p>						
<p>The management of the Halcrow Pakistan (Private) Limited is responsible for establishing and maintaining systems of internal controls and financial management. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization with generally accepted accounting principles. We understand that the objective of those financial management and internal controls procedures comprehend in ASP-RSPN's criteria per the USAID standards is to provide similar assurance.</p> <p>Based on this knowledge and the review and evaluation conducted by our firm, we believe that current policies and procedures of Halcrow Pakistan (Private) Limited carry medium risk for being sufficient for USAID/ Pakistan's purposes, assuming satisfactory compliance of the conditions specified in the "Executive Summary" section of our report.</p> <p>Further, nothing came to our attention that would cause us to believe that, subject to compliance with post-obligation conditions provided in "Executive Summary" section of our report, Halcrow Pakistan (Private) Limited does not have the managerial, technical, administrative and financial capabilities to carry out the proposed USAID funded activities.</p>						
 <p>S. Bakhtiyar Kazmi Partner</p>						

---


## EXECUTIVE SUMMARY


	<p><b>A. Introduction to organization</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan (Private) limited was incorporated in Pakistan on May 24, 1993 as a private limited company under the CO 1984.</li> <li>● The company is principally engaged in providing infrastructure design, construction management, water resources, engineering, rural development and environmental consultancy services.</li> <li>● The ultimate parent company is Halcrow International Limited, United Kingdom.</li> <li>● The company is operating in Pakistan with 141 employees with two offices, Islamabad and Karachi. The company has access to draw experience and expertise from over 7,000 Halcrow employees in more than 70 offices worldwide.</li> <li>● The company has completed more than 500 projects in Pakistan since 1993. These projects are diverse in scope (ranging from policy and strategy development to detailed designs), services, location and size.</li> <li>● The markets and services segments of the company include: <ul style="list-style-type: none"> <li>– <b>Structures</b> - Building structures, Industrial structures, Special structures, Utility structures, Foundations, Building services, Tenders and contracts, project management and site supervision</li> <li>– <b>Transportation</b> – Highways, Bridges, Ports, Transport planning, Pavements, Geotechnical, Tenders and contracts, Project Management and site supervision</li> <li>– <b>Land Development</b> - Master planning, Infrastructure planning, Traffic impact studies, Roads and utilities design, Tenders and contracts, Project Management and site supervision</li> <li>– <b>Water, Environment &amp; Development</b> – Environment, Water supply and sanitation, Water resources, Hydrogeology, Development, GIS and Mapping</li> </ul> </li> <li>● Company's total asset base as of 31 December 2010 amounted to PKR 144 million (USD 1.69 million). Gross revenue for the year 2010 amounted to PKR 185 million (USD 2.18 million). Net loss for the year 2010 amounted to PKR 1.6 million (USD 0.0189 million).</li> </ul>	<p><b>● Halcrow Pakistan business systems</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan is separate legal entity with oversight by the board of directors. Being a Halcrow Group flag company, the Halcrow Integrated Management System (HIMS) are applicable to Halcrow Pakistan.</li> <li>● However, Halcrow Pakistan is not completely integrated with Halcrow Group. The Group's financial system (Agresso) is not rolled out in Halcrow Pakistan as yet. Halcrow Pakistan maintains accounts on QuickBooks software. The commission management system is also not adopted in Pakistan.</li> <li>● Due to difference in setup of Halcrow Pakistan operations as an independent entity, Halcrow Group Business Requirements, in some instances, are not completely applicable to Halcrow Pakistan.</li> <li>● The deviation from Halcrow Group policies and procedures are managed through bridging documents and supplementary management instructions.</li> <li>● The key defined business processes and systems include Halcrow Business Principles Compliance, Environmental, Finance, Health and safety, MIS, Prospect Management, Project Management, Procurements (including non-project procurement) and contracting.</li> <li>● Halcrow Pakistan utilizes majority of software licenses (CAD etc.) purchased by Halcrow Pakistan.</li> <li>● The authority levels are defined and documented (refer of Annexure G for authority limits at Halcrow Pakistan).</li> </ul> <p><b>B. Introduction to assignment</b></p> <ul style="list-style-type: none"> <li>● KPMG was assigned by ASP, RSPN to carry out pre-award assessment of Halcrow Pakistan (Private) Limited. KPMG was mandated to carry out the pre-award assessment in accordance with the Task Order shared with KPMG through email dated 05 September 2011.</li> <li>● The overall objective of the pre-award assessment was to provide reasonable assurance to USAID/ Pakistan that Halcrow Pakistan (Private) Limited has an acceptable organizational and management structure, accounting, financial management systems and other systems of internal controls, quality assurance capabilities, as well as acceptable policies, procedures and practices.</li> </ul>
--	--	---

	<p><b>KPMG assessment methodology</b></p> <ul style="list-style-type: none"> <li>● The pre-award assessment was carried out in accordance with the task order. A field review of the Company was carried out in accordance with KPMG’s Assessment Methodology.</li> <li>● KPMG assessment methodology was based on the premise that in order to successfully assume financial and programmatic accountability for an award, the potential recipient needs certain minimum capacities and systems identified from USAID rules and regulations and international standards.</li> </ul>	<ul style="list-style-type: none"> <li>● Based on KPMG’s assessment procedures, risk ratings were assigned to each core function. The rating signifies our understanding on the likely risk for future funding.</li> </ul> <p><b>Structure of the report</b></p> <ul style="list-style-type: none"> <li>● The report consists of an executive summary, mapping exercise, Introduction section and analysis of core functions of the organization.</li> <li>● Introduction section covers the legal status and organizational profile, management and organizational structure and analysis of the financial statements of the entity.</li> </ul>
	<ul style="list-style-type: none"> <li>● KPMG methodology for pre-award assessment evaluated minimum capacity requirements for the potential recipient. Assessment procedures were designed to: <ul style="list-style-type: none"> <li>a) Check current (where applicable) and possibility of future compliance with the United States Government rules and regulations.</li> <li>b) Evaluate organization’s capacity for receiving the future higher assistance based on a comprehensive absorptive capacity analysis.</li> <li>c) Check that management leadership, organizational strengths, quality of staff, and quality of processes and procedures have the potential to support the management of a USAID-funded award,.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Core functions analysis section of the report covers the assessment of the core functions of the organization assessed on the basis of some pre-defined benchmarks mentioned in the relevant sections of the report. The core functions being subject to assessment include: <ul style="list-style-type: none"> <li>a) Governance and management structure (including accountability environment);</li> <li>b) Financial management and accounting system;</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>d) Assess the organizational capacity to manage advance funding mechanism.</li> <li>e) Perform walk through tests on sample basis on the financial, management and procurement systems</li> <li>● USAID’s relevant rules and regulations were referred for guidance to determine the benchmarks against which the Company was to be assessed.</li> <li>● Our key assessment procedures included:</li> </ul>	<ul style="list-style-type: none"> <li>c) Procurement systems;</li> <li>d) Human resource function;</li> <li>e) Absorptive capacity analysis; and</li> <li>f) Monitoring and evaluation.</li> <li>● On the basis of defined benchmarks these functions are assessed as either high, medium or low risk where:</li> </ul>
	<ul style="list-style-type: none"> <li>a) Obtaining detailed understanding of Company’s policies and procedures, its organizational and legal structure;</li> <li>b) Obtaining detailed understanding of Company’s operations during last three years;</li> <li>c) Evaluating compliance with stated policies and procedures;</li> <li>d) Reviewing and analyzing Company’s progress and management activities on key clients being served by the Company;</li> <li>e) Performing on-site visits to client Project Management Offices to review the documentation and meet project staff;</li> </ul>	<ul style="list-style-type: none"> <li>a) Low risk means that “Capacities and systems fully satisfy minimum requirements”;</li> <li>b) Medium risk means that “Capacity gaps pose some manageable risks and certain strengthening measures must be completed”; and</li> <li>c) High risk means that “Capacity gaps pose major risks which must be addressed to ensure that the risks have been mitigated to manageable levels”.</li> </ul>

Executive summary  
Risk assessment matrix

Core function	Key Observations	Rating	Page Ref
<b>Governance and management structure</b>	<ul style="list-style-type: none"> <li>Strong management and oversight structure.</li> <li>Regular monitoring and review by the BoD.</li> <li>Absence of an independent and dedicated internal audit department.</li> <li>No-compliance with laws and regulations pertaining to protection of shareholder's interests.</li> </ul>	<b>Medium</b>	<b>11</b>
<b>Financial management and accounting system</b>	<ul style="list-style-type: none"> <li>Adequate staff strength within the accounting &amp; finance function in view of Company's existing scale of operations, while the finance department would be required to be strengthened in terms of HR capacity in case of increase in scale of operations.</li> <li>Adequate qualifications of finance team in relevant disciplines.</li> <li>Adequate policies and procedures have been developed and implemented.</li> <li>Adequate budgeting mechanism with continuous monitoring.</li> <li>Fixed assets records not adequately maintained/ updated.</li> </ul>	<b>Low</b>	<b>12</b>
<b>Procurement system</b>	<ul style="list-style-type: none"> <li>Current Procurement policies and procedures adequate for current nature of operations and scale of procurements involved.</li> <li>Experience of handing procurements for IFIs (e.g. DFID and World Bank) under respective IFI procurement frameworks.</li> <li>Services offering include procurement assistance as a service skill set (assistance provided to a number of clients).</li> <li>No dedicated procurement function with insufficient segregation of duties and strengthening measures needed on policies.</li> <li>Lack of experience in undertaking large value and / or specialized procurements for the company.</li> </ul>	<b>Medium</b>	<b>12-14</b>
<b>Human resource function</b>	<ul style="list-style-type: none"> <li>Strong leadership with no documented succession planning procedures.</li> <li>Key management with adequate qualifications and experience.</li> <li>Strengthening measure needed on human resource policies and procedures including performance evaluation system.</li> <li>Certain non-compliance instances on defined policies and procedures.</li> </ul>	<b>Medium</b>	<b>14-15</b>
<b>Absorptive capacity</b>	<ul style="list-style-type: none"> <li>Based on analysis of various considerations relating to Company's absorptive capacity, the company may be categorized as small to medium size entity in term of its ability to manage projects. (Medium size projects: up to USD 3 million (PKR 260 million) in terms of Halcrow Pakistan fees). In case of multiple medium size or large USAID awards, additional resources and strengthening measures would be required,.</li> </ul>	<b>Medium</b>	<b>49-54</b>
<b>Monitoring and evaluation</b>	<ul style="list-style-type: none"> <li>Existing monitoring and evaluation framework operating at various tiers (decision making authority/ functional levels).</li> <li>Independent and dedicated monitoring and evaluation function not developed.</li> <li>Strengthening measures needed on monitoring and evaluation policies and procedures.</li> <li>No formal documented mechanism to monitor and track the performance of sub-consultants.</li> </ul>	<b>Medium</b>	<b>16-17</b>
<b>Overall assessment</b>	<ul style="list-style-type: none"> <li>Company has developed a strong governance system with strong leadership and quality key management team in terms of qualification and experience. Limited segregation of duties is prevalent in procurement function and monitoring &amp; evaluation function, while certain strengthening measures are required with reference to the policies and procedures. An independent internal audit and monitoring &amp; evaluation function has not been developed. The company possess experience of working with IFIs (DFID, World Bank and ADB) with the ability to provide procurement assistance to clients.</li> </ul>	<b>Medium</b>	

Executive summary  
Key findings

Issue	Implication	Recommendation	Key analysis
<b>CORE FUNCTION AREA: GOVERNANCE AND MANAGEMENT STRUCTURE</b>			
<p><b>Internal audit arrangements</b></p> <ul style="list-style-type: none"> <li>• An independent internal audit function has not been established.</li> <li>• The company has established Business Systems function for carrying out business systems audits at projects level. The non-compliance with policy and procedures is reported to MD and the respective project director/ manager for corrective action.</li> <li>• Business Systems function was not assessed to be an independent oversight activity because of its limited scope of review, lack of dedicated resources, conflicting roles of staff assigned for system audits and deficient planning.</li> <li>• The financial system or transactions are not subject to business systems audits.</li> </ul>	<ul style="list-style-type: none"> <li>• Absence of an internal audit function may affect the quality of Company's control environment.</li> </ul>	<ul style="list-style-type: none"> <li>• An internal audit function, with adequate authority and independence, should be developed. The internal audit department should have a charter and should be staffed with appropriately/ adequately qualified professionals.</li> </ul>	33
<p><b>Non-compliance with applicable laws and regulations</b></p> <ul style="list-style-type: none"> <li>• It was observed that the equity held by non-resident shareholders is not registered with the State Bank of Pakistan as required under Foreign Exchange regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Limiting the company's ability to repatriate dividends. The divestment proceeds, in case of any divestment decision by the shareholders, cannot be repatriated outside Pakistan through legal banking channels.</li> </ul>	<ul style="list-style-type: none"> <li>• The applicable laws and regulations pertaining to registration of equity held by non-resident shareholders should be complied with for protecting the interests of the shareholders of the company.</li> </ul>	33
<p><b>Vesting of key management decisions authority with MD</b></p> <ul style="list-style-type: none"> <li>• Managing Director is entrusted with various responsibilities including authorization of payments, authorization of procurements, supervision of accounting and finance function, contracts authorization/ sign offs, and almost all of the key management decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• The existing arrangement may dilute controls to ensure a mechanism of checks and balances within the Company.</li> </ul>	<ul style="list-style-type: none"> <li>• Adequate devolution of powers should be introduced within the existing work flow and procedures as a better practice.</li> </ul>	30

Executive summary  
Key findings – contd..

Issue	Implication	Recommendation	Key analysis
<b>CORE FUNCTION AREA: FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM</b>			
<p><b>Adequacy of staff strength</b></p> <ul style="list-style-type: none"> <li>The company has a centralized finance function based in Islamabad with three staff members, which is considered sufficient in view of existing scale of operations.</li> <li>Additional funding from IFIs is expected to increase the work load of the accounting and finance function and would require additional resources.</li> </ul>	<ul style="list-style-type: none"> <li>Additional resources would be required in case of additional funding from USAID, where the number, skill set and experience profile of additional resources would be dependent on the quantum and type of USAID award.</li> </ul>	<ul style="list-style-type: none"> <li>Sufficient staff with adequate skill set and experience should be hired as and when the need arises.</li> </ul>	36
<p><b>Fixed assets management</b></p> <ul style="list-style-type: none"> <li>Fixed assets records are not updated and do not provide comprehensive information pertaining to the location and coding.</li> </ul>	<ul style="list-style-type: none"> <li>The Company may not be able to effectively manage its resources.</li> </ul>	<ul style="list-style-type: none"> <li>Fixed assets records should be updated in accordance with the requirements of Companies Ordinance, 1984, to ensure appropriate and updated monitoring of their usage.</li> </ul>	37
<b>CORE FUNCTION AREA: PROCUREMENT SYSTEMS</b>			
<p><b>Dedicated procurement function</b></p> <ul style="list-style-type: none"> <li>A dedicated procurement function has not been established and the responsibility for procurements mainly rests with the Administration Manager and the MD. The quantum of procurement of good and services for the company (other than the project procurements and procurement assistance to client) is insignificant.</li> </ul>	<ul style="list-style-type: none"> <li>This indicates lack of specialized staff with dedicated focus on procurement</li> </ul>	<ul style="list-style-type: none"> <li>Procurement capacity of the staff would have to be strengthened incase any major procurements are required.</li> </ul>	41
<p><b>Segregation of duties</b></p> <ul style="list-style-type: none"> <li>Responsibility for procurements mainly rests with the Administration Manager and the MD. Project procurements are under the domain of the Project Directors. There are no committees available for decision making in respect of high value procurements.</li> </ul>	<ul style="list-style-type: none"> <li>Risk of management over ride of controls.</li> <li>Procurement process may not be very transparent.</li> </ul>	<ul style="list-style-type: none"> <li>Procurement committees should be defined and appropriate policies be developed for decision making on high value and complex procurements.</li> </ul>	41

Executive summary  
Key findings – contd..

Issue	Implication	Recommendation	Key analysis
<b>CORE FUNCTION AREA: PROCUREMENT SYSTEMS - CONTD..</b>			
<p><b>Adequacy of policies and procedures</b></p> <ul style="list-style-type: none"> <li>• Procurement policies do not provide methods for different types/ categories of procurements including a) procurement from local or international suppliers, b) circumstances in which an open competitive bidding may be used, and c) specific guidelines for applying different methods for procurement.</li> <li>• Procurement policies do not require open competition for any value of procurements and do not stipulate any requirement for procurement planning at the start of fiscal year.</li> <li>• Procurement policies do not provide any guidance relating to development of bids for high value procurements and advertising requirements.</li> <li>• Procurement policies allows single sourcing for procurements above Rs. 50,000, however, the conditions are not very stringent and there is no detailed guidance in this regard.</li> <li>• Procurement policies allow over riding all policies with written or verbal approval of the MD in cases of emergency. This may result in management override of controls.</li> <li>• Procurement policies do not require the constitution of any committees for carrying out procurements and the responsibility for procurement decision making mainly rests with the Administration Manager or the MD.</li> <li>• Procurement policies do not provide guidance on the type of contracts to be used in respect of major types of procurements.</li> <li>• Procurement policies do not provide guidance over contract management/ administration and clauses for remedies for breach of contract, liquidated damages, certification &amp; payment, after sale services, contract modification and price adjustment, securities, dispute and claim resolution.</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement activities may not be adequately guided.</li> </ul>	<ul style="list-style-type: none"> <li>• A review of procurement policies should be carried out. The procurement policies and procedures should be revised to adequately provide guidance over the deficient areas.</li> </ul>	40-41

Executive summary  
Key findings – contd..

Issue	Implication	Recommendation	Key analysis
<b>CORE FUNCTION AREA: PROCUREMENT SYSTEMS - CONTD..</b>			
<p><b>Compliance with policies and procedures/ laws and regulations</b></p> <ul style="list-style-type: none"> <li>While reviewing the board letter issued by the auditors of the Company for the year ended 31 December 2010, we noted that the auditors have reported that no quotations were called for all procurements (fixed assets) carried out during the year ended 31 December 2010. (Total procurement value of PKR 447,618).</li> </ul>	<ul style="list-style-type: none"> <li>Procurements may have been made at non-competitive prices.</li> </ul>	<ul style="list-style-type: none"> <li>Procurement policies and procedures should be followed to ensure procurements at competitive prices while ensuring transparency.</li> </ul>	41
<p><b>Legal advise on high value procurements</b></p> <ul style="list-style-type: none"> <li>There is no mechanism in place to seek legal advice on high value procurements, though there were no such procurements carried out by the Company due to the nature of its operations.</li> </ul>	<ul style="list-style-type: none"> <li>Procurement contracts may not include the requisite legal requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Policy should be in place to seek legal advice on high value procurement contracts.</li> </ul>	42
<p><b>Conflict of Interest</b></p> <ul style="list-style-type: none"> <li>Procurement policies does not provide for conflict of interest checks with the suppliers regarding the employees involved in carrying out procurements.</li> </ul>	<ul style="list-style-type: none"> <li>Procurement process may not be transparent</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate conflict checks shall be performed before entering into procurement contracts</li> </ul>	42
<b>CORE FUNCTION AREA: HUMAN RESOURCE</b>			
<p><b>Appropriateness of policies and procedures</b></p> <ul style="list-style-type: none"> <li>We observed that there are differences in "Company Car Policy" between the policy mentioned in the "Staff Hand Book" and the policy mentioned in the "Finance Policies and Procedures manual" of the company.</li> <li>Though a requirement of HSP-7, and followed in practice as well, the staff handbook does not contain documented policies and procedures governing final settlements and the mandatory clearances to be obtained from HR, Administration, IT and Accounts departments on employee severance with the organisation. Certain implementation non-compliance instances with the policies and procedures were also observed. (refer to Annexure S,T&amp;U).</li> </ul>	<ul style="list-style-type: none"> <li>Standardized policies and procedures may not be implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate HR policies should be developed</li> <li>All HR policies should be implemented as documented.</li> </ul>	45

Executive summary  
Key findings

Issue	Implication	Recommendation	Key analysis
<b>CORE FUNCTION AREA: HUMAN RESOURCE – CONTD..</b>			
<p><b>Staff hiring process</b></p> <ul style="list-style-type: none"> <li>Competitive hiring procedures have not been adopted by the company. Positions are filled either through selection of candidates from Internal CV database or candidate recommended from within the organization.</li> <li>Specific policy / procedures in respect of hiring of Consultants / contract employees have not been developed.</li> <li>Certain implementation non-compliance instances with the policies and procedures were observed (refer Annexure T for details).</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate personnel may not be hired.</li> <li>Company may not be able to timely achieve intended targets.</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate HR policies should be developed</li> <li>All HR policies should be implemented as documented.</li> </ul>	46
<p><b>Staff performance evaluation</b></p> <ul style="list-style-type: none"> <li>Staff performance evaluation is a requirement of Halcrow Group, however, the staff handbook does not contain documented performance evaluation framework in place to evaluate performance at individual and project levels.</li> <li>No goal setting exercise has been carried out setting KPIs against which individual staff members performance can be evaluated.</li> <li>There is no formal documented mechanism for evaluation of performance of contract employees during the period of performance under the contract.</li> </ul>	<ul style="list-style-type: none"> <li>Performance of employees may not be appropriately assessed.</li> <li>Staff promotions, salary increments and bonuses may not be equitable in the absence of appropriate performance evaluations.</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate policy should be developed and implemented for performance evaluation.</li> </ul>	47
<p><b>Staff retention and employee turnover</b></p> <ul style="list-style-type: none"> <li>According to the staff attrition calendars, attrition rate for the FY 2010 was 21% in comparison with 63% and 27% in respect of FY 2009 and 2008 respectively.</li> <li>We understand that formal succession planning is not being carried out which might enable Halcrow Pakistan top management to identify suitable human resource to acquire key management positions in future.</li> </ul>	<ul style="list-style-type: none"> <li>High turnover may affect the continuity of operations and loss of investment made by the Company in its HR.</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate planning should be carried out and policies should be developed for staff retention and succession planning.</li> </ul>	48

Executive summary  
Key findings

Issue	Implication	Recommendation	Key analysis
<b>CORE FUNCTION AREA: MONITORING AND EVALUATION</b>			
<p><b>Structure and independence of monitoring &amp; evaluation function</b></p> <ul style="list-style-type: none"> <li>An independent monitoring and evaluation function has not been developed. Project monitoring is assigned to respective project directors/ project managers.</li> </ul>	<ul style="list-style-type: none"> <li>There is a self review risk</li> <li>Conclusions reached as a result of the activity may be impaired</li> </ul>	<ul style="list-style-type: none"> <li>Independent monitoring mechanism should be developed for monitoring and evaluation of projects.</li> </ul>	57
<p><b>Adequacy of policies and procedures/ job descriptions</b></p> <ul style="list-style-type: none"> <li>Policies and procedures for an independent oversight over the project team performance, with reference to efficiency &amp; quality in delivery of contacted services, are not in place. The responsibility of ensuring quality in service delivery rests with project director/ project managers who are also involved in day to day operations and management of projects.</li> </ul>	<ul style="list-style-type: none"> <li>Project activities may not be evaluated on the basis of a consistent progress monitoring mechanism.</li> </ul>	<ul style="list-style-type: none"> <li>Independent monitoring of project staff should also be carried out.</li> </ul>	57
<p><b>Project management</b></p> <ul style="list-style-type: none"> <li>Quality Management plan and Project Monitoring Sheet is required to be prepared on standard format. Though, not a mandatory requirement, while performing projects compliance, it was observed that the said documents are not prepared for all projects which may result in lack of monitoring and quality control through out the implementation of the project.</li> </ul>	<ul style="list-style-type: none"> <li>Quality may not be ensured through out the implementation of the project.</li> </ul>	<ul style="list-style-type: none"> <li>Quality management plan and project monitoring sheets be prepared for all projects.</li> </ul>	58
<p><b>Level 4 / external checks</b></p> <ul style="list-style-type: none"> <li>The level of check is to be defined by the project director / project manager at the start of project and there is no mandatory requirement for carrying out any specific level of check on the basis of nature or risk level of the project. Further, no external checks have been performed on any projects completed during last three years.</li> </ul>	<ul style="list-style-type: none"> <li>Independent evaluation of the quality of project deliverables is not carried out.</li> </ul>	<ul style="list-style-type: none"> <li>A mechanism be developed for independent checks on projects.</li> </ul>	58
<p><b>Client satisfaction survey</b></p> <ul style="list-style-type: none"> <li>We observed that client satisfaction survey is a requirement of HIMS, however, it is not a mandatory requirement. We observed that the client satisfaction survey is not filled in all cases.</li> </ul>	<ul style="list-style-type: none"> <li>Client feedback may not be obtained on the quality and level of services provided.</li> </ul>	<ul style="list-style-type: none"> <li>Client satisfaction survey should be circulated to all clients and mechanism be developed for follow ups.</li> </ul>	59

Executive summary  
Key findings

Issue	Implication	Recommendation	Key analysis
<b>CORE FUNCTION AREA: MONITORING AND EVALUATION - contd..</b>			
<p><b>Adequacy of policies and procedures relating to bidding stage</b></p> <ul style="list-style-type: none"> <li>We understand from our review of bids submitted by the company that no standardized content for submission of bids exists. Further, the charge out rates are not standardized and are quoted on client to client basis. We noted that the bid stage documentation of HIMS is not followed for projects awarded by Halcrow Group.</li> </ul>	<ul style="list-style-type: none"> <li>Bids may not be of standard quality.</li> <li>Project risks may be overlooked at bidding stage</li> </ul>	<ul style="list-style-type: none"> <li>Bids documentation be followed for submissions to Halcrow Group as well.</li> </ul>	59
<p><b>Agreements with clients</b></p> <ul style="list-style-type: none"> <li>We observed that on an instance letter of acceptance was considered as substitute for formal agreement and Agreement was formally entered into after four years of client relationship.</li> </ul>	<ul style="list-style-type: none"> <li>Rights and obligations of both parties may not be adequately defined and the Company may suffer loss of revenue due to non-finalization of terms and conditions. Furthermore, there may be expectation gaps regarding the definition of deliverables.</li> </ul>	<ul style="list-style-type: none"> <li>Agreements be entered into in all business relationships.</li> </ul>	59
<p><b>Monitoring of business partners</b></p> <ul style="list-style-type: none"> <li>We understand that there is no formal documented mechanism in place to monitor and track the performance of business partners hired as sub-contractors during the course projects for expertise not available in house.</li> </ul>	<ul style="list-style-type: none"> <li>Performance of business partners may not be carried out at the desired level i.e. ensuring continued quality in performance of services by the business partners .</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate policy be devised for monitoring business partners.</li> </ul>	60
<p><b>Integration between operations and finance functions</b></p> <ul style="list-style-type: none"> <li>We observed that the operations and finance department are not centralized and excel work sheets are shared among both departments for the purpose of reporting and processing. Further, the budgets are not centrally linked and project budgets revisions are not updated on regular basis in finance records.</li> </ul>	<ul style="list-style-type: none"> <li>This may result in duplication of effort and human errors during calculations.</li> </ul>	<ul style="list-style-type: none"> <li>Integrated systems should be developed to avoid duplication of effort and human errors</li> </ul>	60
<b>PLEASE REFER ANNEXURE AJ FOR MANAGEMENT COMMENTS</b>			



---


# MAPPING EXERCISE


Summary of mapping activity

Recommendation	Management initiative	Action point
<p><b>Strengthening of governance structure</b></p> <ul style="list-style-type: none"> <li>An internal audit function, with adequate authority and independence, should be developed.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Internal audit function should be established. The internal audit function should employ adequate staff with appropriate qualifications. Scope of internal audit department should extend to entire operations of the Company with direct reporting line to the top management.</li> </ul>
<p><b>Strengthening of procurement processes</b></p> <ul style="list-style-type: none"> <li>Policies and procedures should be modified to provide adequate guidance over methods of procurement.</li> <li>Policies and procedures should be modified to include competitive processes, contract management and requirements for additional transparency.</li> <li>Adequate segregation of duties within the procurement function should be ensured.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>A centralized procurement function / forum should be established with adequate representation from relevant departments.</li> <li>The procurement policies and procedures should be revised to adequately provide methods of procurement, competitive processes, contract management and conflict checks.</li> </ul>
<p><b>Capacity building of human resource department</b></p> <ul style="list-style-type: none"> <li>HR policies and procedures should be strengthened. Compliance with HR policies and procedures should be ensured.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>HR policies related to final settlement and employee severance should be documented.</li> <li>Competitive hiring procedures should be developed and adopted.</li> <li>Appropriate policies and procedures should be developed/ documented for performance appraisal of employees and hiring of contract employees.</li> <li>Compliance with all HR policies and procedures shall be ensured.</li> </ul>
<p><b>Strengthening of monitoring and evaluation mechanism</b></p> <ul style="list-style-type: none"> <li>An independent monitoring and evaluation mechanism should be developed.</li> <li>Appropriate documentation shall be maintained to ensure quality through out the delivery of projects</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Independent monitoring mechanism should be developed for monitoring and evaluation of projects.</li> <li>Quality management plan and project monitoring sheet should be prepared for each project.</li> <li>A mechanism should be developed for independent checks on large projects.</li> <li>Agreements should be executed for all business relationships before the commencement of any work.</li> <li>Appropriate policy should be devised for monitoring business partners.</li> <li>Integrated systems should be developed to avoid duplication of effort and avoiding human errors</li> </ul>

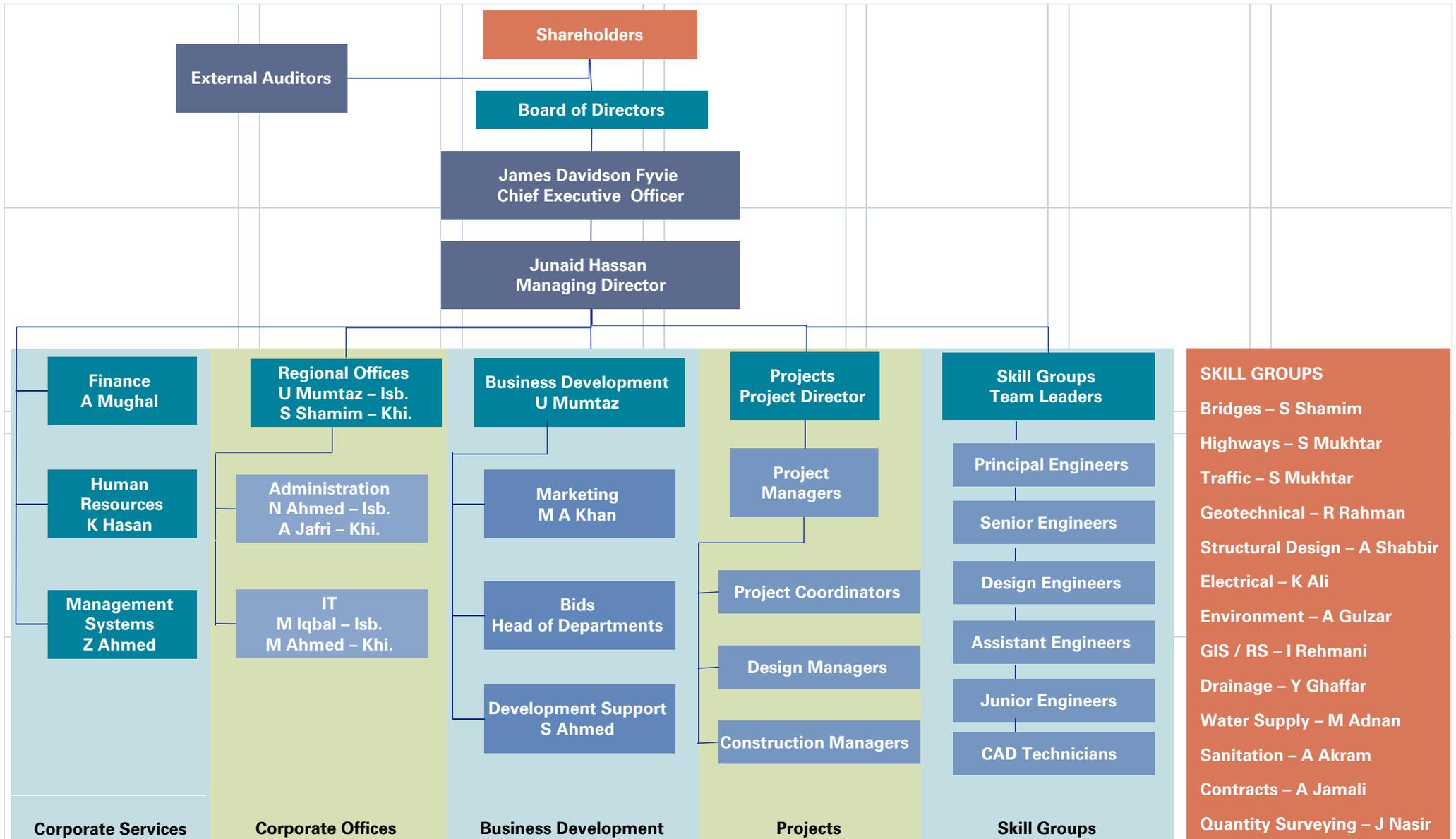
---


# INTRODUCTION TO ORGANIZATION


	<p><b>A. Legal status and organization background</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan (Private) limited was incorporated in Pakistan on May 24, 1993 as a private limited company under the Companies Ordinance, 1984.</li> <li>● The company is principally engaged in providing infrastructure design, construction management, water resources, engineering, rural and development and environmental consultancy services.</li> </ul>	<p><b>B. Organizational profile</b></p> <ul style="list-style-type: none"> <li>● <b>Business systems</b></li> <li>● Halcrow Pakistan conducts its business based on business systems prepared in line with Halcrow International policies and procedures, values and code of conduct. Both Islamabad and Karachi offices have ISO 9001 and ISO 14001 accreditation.</li> <li>● <b>Clients</b></li> </ul>
	<ul style="list-style-type: none"> <li>● The ultimate parent company is Halcrow International Limited, United Kingdom (own 49% equity stake in Halcrow Pakistan). The company operates under the governance of the board of directors.</li> <li>● The company was formed as a strategic initiative to strengthen Halcrow International presence in the Pakistani market and improve access to professional and technical resources for its projects elsewhere in the world.</li> <li>● The company is operating as a local design firm in Pakistan with 150 employees and two offices, Islamabad and Karachi. The company has access to draw experience and expertise from over 7,000 Halcrow employees in more than 70 offices worldwide.</li> </ul>	<ul style="list-style-type: none"> <li>● The clients of company in Pakistan include international funding agencies and private sector companies. Some of the key clients include: Asian Development Bank; World Bank; Department for Infrastructure Development, UK; Emaar Pakistan; Tuwairqi Group; OMV Pakistan; and Petronas Carigalli Pakistan.</li> <li>● <b>Experience and key projects</b></li> <li>● The company has completed more than 500 projects in Pakistan since 1993. These projects are diverse in scope (ranging from policy and strategy development to detailed designs), services, location and size. The company staff also routinely works with other Halcrow offices on international projects within and outside the region, some key recent examples being the Lusail City in Qatar and Yas Island in Abu Dhabi.</li> </ul>
	<ul style="list-style-type: none"> <li>● <b>Service offerings and areas of operation</b></li> <li>● The company offer a range of services to its clients from planning through to construction management and commissioning of large to small projects. The services offering of the company are primarily in the following segments:             <ul style="list-style-type: none"> <li>– Transportation (engineering)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● A brief summary of company’s key experience in Pakistan is as follows:             <ul style="list-style-type: none"> <li>– <b>Transport:</b> Halcrow International was involved in various transport planning commissions in Pakistan in the period between 1980-1990. The company has assisted development authorities in Karachi and Lahore in improving traffic conditions in the two cities and plan for the future. The company also assisted National Highway Authority in feasibility studies for development or upgrading of key sections of the national highways network and also private developers such as Daewoo for private financing in public transportation. More recently, the company has done traffic studies for a 27km elevated expressway in Karachi and are currently working with the Department for International Development (DFID) in building 40 bridges across the northern areas of Pakistan affected during the 2005 earthquake.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>– Integrated land development</li> <li>– Water and waste water</li> <li>– Structural engineering</li> <li>– Environment and GIS</li> <li>– Rural Development</li> <li>– Field survey, procurement and supervision services</li> </ul>	

	<p><b>B. Organizational profile - contd..</b></p> <ul style="list-style-type: none"> <li>● <b>Experience and key projects – contd..</b> <ul style="list-style-type: none"> <li>– <b>Water and power:</b> The company has track record in the water sector in Pakistan and was part of the consortium who prepared the high level 20 year vision and strategy for the country’s water sector.</li> <li>– The company worked on large irrigation studies and loan projects such as Supporting Public Resource Management in Balochistan (2006 to 2008); Second Flood Protection Sector project (2000 to 2007); Balochistan, Community Irrigation and Agriculture project (1996 to 2002); Pat Feeder Canal Rehabilitation and Improvement project (1995 to 1998) and On Farm Water Management Phase I (1993 to 2000). In the power and energy sector, the company was involved in the review of the national private hydropower policy in 1997.</li> <li>– The company has recently been involved in a wind farm project in Pakistan for helping its client to evaluate the environmental and sustainability aspects of a large wind farm corridor.</li> <li>– <b>Property:</b> The company is currently working on three large property and land development projects including a 500 acre residential development by Emaar in Islamabad, a 100acre waterfront development by Emaar in Karachi and a 40 storey twin tower by a foreign investor in Karachi.</li> <li>– The company is also working for Tuwairqi Group of Saudi Arabia on a steel mill project in Pakistan, doing structural design work for heavy foundations.</li> <li>– <b>Maritime:</b> The company is working for Hutchison Port Holdings for the construction of Pakistan’s first deep berth container terminal in Karachi. The container terminal will be completed in phases with a capital cost of US\$1.2billion. The company is also working on the Karachi International Container Terminal and Qasim International Container Terminal in the capacity of top supervisory consultants.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● <b>Experience and key projects – contd..</b> <ul style="list-style-type: none"> <li>– <b>Consulting:</b> The company has been working in the oil and gas industry in Pakistan for the last 12 years in meeting the challenges of operating in remote and environmentally sensitive areas in Pakistan. Notable achievements of the company in this sector are civil and environmental services to Premier Oil during their exploration programme in Kirthar National Park where the company assisted the client in planning and executing their projects in a very challenging mountainous terrain which are a habitat to endangered wildlife species. The company is also the author of environmental guidelines for oil and gas industry. The company has also been involved in rural development work for funding agencies such as the Asian Development Bank.</li> </ul> </li> <li>● <b>Stakeholders and management</b> <ul style="list-style-type: none"> <li>● The Company has a paid-up capital of PKR 2 million (USD 0.024 million) divided into two hundred thousand shares at a face value of PKR 10/ share. Following is the detail of shareholders of the company along with detail of company’s BoD (as well as respective shareholding of the BoD members):</li> </ul> <table border="1" data-bbox="1352 911 2123 1302"> <thead> <tr> <th>Name of shareholder/ director</th> <th>No of shares</th> <th>% holding</th> </tr> </thead> <tbody> <tr> <td>Halcrow International Limited</td> <td>97,000</td> <td>48.50%</td> </tr> <tr> <td>Junaid Hassan - Director</td> <td>20,500</td> <td>10.25%</td> </tr> <tr> <td>Glen Thorn - Director</td> <td>20,500</td> <td>10.25%</td> </tr> <tr> <td>Yaver Ali Abidi - Director</td> <td>20,500</td> <td>10.25%</td> </tr> <tr> <td>Jame Davidson Fyvie - Director &amp; CEO</td> <td>20,500</td> <td>10.25%</td> </tr> <tr> <td>Kenneth Mair - Director</td> <td>20,500</td> <td>10.25%</td> </tr> <tr> <td>David James Yaw - Director</td> <td>500</td> <td>0.25%</td> </tr> <tr> <td></td> <td><b>200,000</b></td> <td><b>100.00%</b></td> </tr> </tbody> </table> <p><i>Source: Form – A dated 30 October 2010</i></p> </li> </ul>	Name of shareholder/ director	No of shares	% holding	Halcrow International Limited	97,000	48.50%	Junaid Hassan - Director	20,500	10.25%	Glen Thorn - Director	20,500	10.25%	Yaver Ali Abidi - Director	20,500	10.25%	Jame Davidson Fyvie - Director & CEO	20,500	10.25%	Kenneth Mair - Director	20,500	10.25%	David James Yaw - Director	500	0.25%		<b>200,000</b>	<b>100.00%</b>
Name of shareholder/ director	No of shares	% holding																											
Halcrow International Limited	97,000	48.50%																											
Junaid Hassan - Director	20,500	10.25%																											
Glen Thorn - Director	20,500	10.25%																											
Yaver Ali Abidi - Director	20,500	10.25%																											
Jame Davidson Fyvie - Director & CEO	20,500	10.25%																											
Kenneth Mair - Director	20,500	10.25%																											
David James Yaw - Director	500	0.25%																											
	<b>200,000</b>	<b>100.00%</b>																											

Introduction to organization  
 Management and organizational structure



## Financial statements analysis

### Financial Position

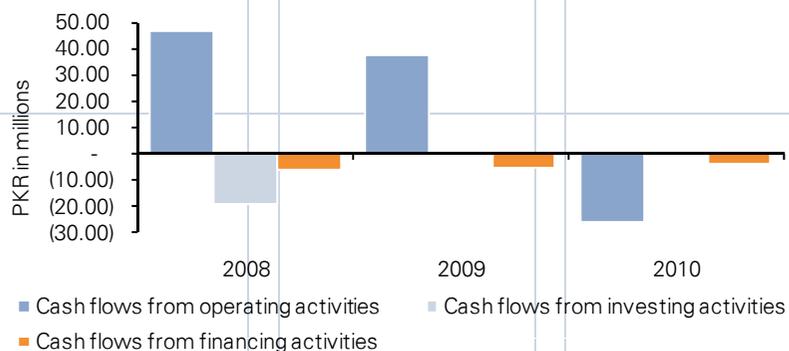
Halcrow Pakistan (Private) Limited			
Summary Balance Sheet			
Year ended 31 December	2008	2009	2010
Rupees in millions			
<b>Non-current assets</b>			
Property plant & equipment	33.01	25.62	21.18
Intangible assets	12.90	8.64	5.79
Long term deposits	2.23	1.46	0.67
<b>Current assets</b>			
Trade debts	105.02	56.16	70.86
Short term loans and advances	1.90	2.65	1.51
Prepayments & other receivables	8.41	3.82	4.34
Tax refunds due from government	10.46	12.77	13.99
Cash and bank balances	22.30	54.65	25.73
	148.09	130.05	116.43
	<b>196.23</b>	<b>165.77</b>	<b>144.07</b>
<b>Share capital and reserves</b>			
Paid-up capital	2.00	2.00	2.00
Accumulated profits	59.87	56.79	55.18
	61.87	58.79	57.18
<b>Non-current liabilities</b>			
Finance Lease Liability	5.71	2.19	-
Deferred taxation	-	-	0.30
<b>Current liabilities</b>			
Creditors/ accrued liabilities	123.94	101.28	84.32
Current lease liability	4.71	3.51	2.27
	128.65	104.79	86.59
	<b>196.23</b>	<b>165.77</b>	<b>144.07</b>

#### ● Overview and analysis

- In terms of overall financial position, the Company's net assets stand at PKR 57.18 million (USD 0.67 million) as of 31 December 2010.
- The net assets decreased from PKR 61.87 million (USD 0.73 million) as of 31 December 2008 to PKR 57.18 million (USD 0.67 million) as of 31 December 2010 representing a decrease of 8% over the period of two years. The decrease in net assets is represented by net losses during the year 2009 and 2010. Given the size of operation of the company in revenue terms, the said decrease appears marginal.
- Property plant and equipment represent furniture and fixtures (17%), vehicles (22%), office equipment (44%) and computer equipment (17%). 23% of property, plant and equipment comprise of assets acquired under finance lease arrangements while the rest are owned assets.
- Intangible assets represent the computer software, which is being amortized at the rate of 33%.
- Trade debts are unsecured debts and have been considered good by the management of the company. Trade debts also include trade receivables denominated in foreign currencies of AED 246,405, GBP 197,572 and USD 144,815 as of 31 December 2010.
- Short term loan and advances represent advances to directors, advances to employees/ staff and advances to suppliers.
- Cash and bank balances imply sufficient liquidity given the size of operations of the company and include foreign current accounts amounting to PKR 17.42 million (USD 10,331 and GBP 130,132).
- Accumulated profits represent free revenue reserves.
- Creditors/ accrued liabilities represent trade creditors, accrued liabilities, payables to Halcrow Group Limited, employees provident fund payables and other liabilities. Payable to Halcrow Group Limited amounts to PKR 51.56 million (USD 0.61 million), while payable to Halcrow International Partnership amounts to PKR 9.72 million (USD 0.11 million).

Halcrow Pakistan (Private) Limited			
Summary Profit & Loss Account			
Year ended 31 December	2008	2009	2010
Rupees in millions			
Revenue	271.90	237.30	185.74
Direct expenses	155.31	142.21	111.34
Gross Profit	116.59	95.09	74.40
Administrative expenses	106.50	93.96	67.64
Other income	0.25	0.50	0.60
Operating profit	10.34	1.63	7.36
Other expenses	4.59	2.24	0.50
Net exchange Loss/ (gain)	-	(2.54)	3.84
Finance Cost	1.26	1.34	0.79
Profit before taxation	4.49	0.59	2.23
Taxation	1.80	3.68	3.84
<b>Profit/ (loss) after taxation</b>	<b>2.69</b>	<b>(3.09)</b>	<b>(1.61)</b>

#### Cash flows - summary



#### Analysis of operating results

- In the year 2010, the company posted a net loss after tax of PKR 1.61 million (USD 0.02 million) as against the total turnover of PKR 185.74 million (USD 2.19 million).
- In terms of gross margins, the profitability of the company was constant over a two years period i.e. a gross profit margin of 40% for the year 2009 and 2010. In the year 2008, the gross margin was around 43%.
- From a growth perspective, there has been a considerable decline in terms of revenue i.e. on a year on year basis, the gross revenue decreased by 13% in the 2009 followed by a 22% decline in the year 2010.
- During the years 2009 and 2010, the company remained operating with losses, however the losses can be regarded as marginal given the size of operations of the company.
- The direct expenses primarily comprise of salaries and consultancy fee. Salaries and benefits represent 50% of direct costs while the consultancy fees represent 42% of direct expenses. 53% of administrative expenses represent salaries and benefits.

#### Cash flows analysis

- The net cash flows from operating activities have been positive for the years 2008 and 2009 followed by considerably high negative cash flows from operations.
- The primary reason for the negative cash flows appears to be the increasing backlog on trade debts. The debtor to turnover days increased to 139 for the year 2010 when compared with 86 days for the year 2009.
- The net cash flows from investing activities remained at nominal level for the years 2009 and 2010 when compared to the overall cash flows, however during the year 2008, the considerably high cash out flows represent purchase of intangible assets (computer software).
- The cash flows from financing activities represent the cash flows in relation to lease financing facilities.

---


## CORE FUNCTIONS ANALYSIS


---


**CORE FUNCTIONS ANALYSIS  
GOVERNANCE AND MANAGEMENT STRUCTURE**

**Overview of governance and management structure****1. Legal entity**

- Halcrow Pakistan (Private) limited was incorporated in Pakistan on May 24, 1993 as a private limited company under the Companies Ordinance, 1984. The company is principally engaged in providing infrastructure design, construction management, water resources, engineering, rural and development and environmental consultancy services. The ultimate parent company is Halcrow International Limited, United Kingdom. The registered office of the Company is situated at Nawa-e-Waqt House, Zero Point, Islamabad.

**2. Statutory filing requirements**

- Being a Company registered as private limited company under the Companies Ordinance 1984 (the Ordinance), the management of the company is required to submit following returns and documents to the Securities and Exchange Commission of Pakistan (SECP);
  - Form A – Annual Return under section 156 of the Ordinance;
  - Form 26 – special resolution under section 172 of the Ordinance;
  - Form 29 – particulars of directors and officers including CEO, managing agent, secretary, chief accountant, auditors and legal advisors and any change therein under section 205 of the Ordinance.
  - Audited financial statements

**3. Tax status**

- Halcrow (Private) Limited is registered with Federal Board of Revenue as 'company' under Income Tax Ordinance 2001.

**4. Governance and management structure****Shareholders**

- Under the company governance structure, the shareholders are vested with the overall powers to govern the strategic direction of company, to consider and approve the annual financial statements, elect directors and appoint and fix remuneration of auditors.

- Following are the details of shareholders of the company:

Name of share holder	No. of shares	% holding
Halcrow International Limited	97,000	48.50%
Junaid Hassan	20,500	10.25%
Glen Thorn	20,500	10.25%
Yaver Ali Abidi	20,500	10.25%
Jame Davidson Fyvie	20,500	10.25%
Kenneth Mair	20,500	10.25%
David James Yaw	500	0.25%
	<b>200,000</b>	<b>100.00%</b>

Source: Form – A dated 30 October 2010

**Board of directors (BoD)**

- BoD is responsible for managing the affairs of the Company. Primary responsibilities of the BoD include: a) establishment of policies and procedures; b) approval of projects/ service line areas and business plan; c) approval of financial statements; e) authorizing capital expenditure; f) approving annual budgets etc.
- The BoD of the company consist of six members.
- Following are the details of company's BoD as well as respective shareholding of the BoD members:

Name of Director	Nationality	No of shares
Glen Thorn	British	20,500
Junaid Hassan	Pakistani	20,500
Yaver Ali Abidi	Pakistani/ Canadian	20,500
Jame Davidson Fyvie	British	20,500
Kenneth Mair	British	20,500
David James Yaw	British	500

Source: Form – A dated 30 October 2010

- Please refer Annexure C for synopsis of Company's Memorandum of Association and Annexure D for Company's Articles of Association.

	<ul style="list-style-type: none"> <li>● <b>Operational management</b></li> <li>● The chief executive officer is not engaged in day to day management of operations of the company, where such responsibility rests with Managing Director (Operations Director) of the company.</li> <li>● The Managing director is supported by a Development Director (responsible for business development, marketing, bids and development support), the Project Directors and Managers on the ongoing projects and 13 specialized skill group leaders.</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Current status review:</b> The current status review includes historic analysis of last three years operating results and a detailed analysis of the current year performance with the forecasts. The current status review also identifies the status of ongoing projects along with identification of the prospective business opportunities in pipeline. It also analyzes in detail other aspects like client and staff feedback, resource plan and allocations, cost cutting initiatives and working capital management.</li> </ul>
	<ul style="list-style-type: none"> <li>● The skill group at the company include experts in specialty fields of bridges, highways, traffic, geotechnical, structural design, electrical, environment, GIS / RS, drainage, water supply, sanitation, contracts and quantity surveying.</li> <li>● The support functions include Finance, Human Resources, Management Systems, Administration and IT functions.</li> <li>● The operational management key team of the company is well experienced, qualified and is with the company for a quite long time. For detailed organizational structure, refer to “Introduction to Organization” section of this report.</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Market review:</b> The market review component analyzes the domestic market dynamics including the economy review, politics, security situation and industry environment (drivers and risks for sub-sectors/ components). It also analyzes the international work environment with specific reference to Halcrow Pakistan operations and the Halcrow Pakistan work shares.</li> <li>– <b>SWOT analysis:</b> The SWOT analysis is based on Halcrow Pakistan current performance and market environment. The SWOT analysis also analyzes the impact of market behavior on Halcrow Pakistan operations.</li> </ul>
	<p><b>5. Business principles</b></p> <ul style="list-style-type: none"> <li>● At Halcrow Pakistan, there is a defined set of business principles identifying a broad business philosophy and ethical standards. The business principles serve as a guide for Halcrow Pakistan management and staff on how to think, behave and operate while maintaining honesty, integrity and fairness in servicing the clients.</li> <li>● The business principles also define the ethical, environmental and social responsibilities for Halcrow Pakistan.</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Mission, vision and objectives:</b> The business strategy document also identifies the vision and mission along with re-definition of long term and short term business objectives of Halcrow Pakistan.</li> <li>– <b>Strategy:</b> The strategy segment of the business strategy document includes identification of development strategy (the initiatives for pursuing and securing business), the branding plan, indicative resource allocation plan, cost management, cash management and the risk profiling of Halcrow Pakistan business operations.</li> </ul>
	<p><b>6. Overall business strategy and planning</b></p> <ul style="list-style-type: none"> <li>● At Halcrow Pakistan, a three year business strategy document (business plan) is prepared followed by a yearly business plan (budget projections), which are approved by the board of directors. The business strategy document is updated and modified on a yearly basis or on requirement basis i.e. to cater for any changes in market dynamics and operational environment. The business strategy document covers the following areas:</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Financial forecasts:</b> The business strategy document also includes detailed financial forecasts identifying the backlog, the prospects and a scenario based forecast (the targets under pessimistic, cautious and optimistic scenarios). The financial forecast section also defines broad operational targets for three years.</li> </ul>

	<p><b>7. Business processes and systems</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan is separate legal entity with oversight by the board of directors. Being a Halcrow Group flag company, the Halcrow Integrated Management System (HIMS) are applicable to Halcrow Pakistan.</li> <li>● However, Halcrow Pakistan is not completely integrated with Halcrow Group. The Group’s financial system (Agresso) is not rolled out in Halcrow Pakistan as yet. Halcrow Pakistan maintains accounts on QuickBooks software. The commission management system is also not adopted in Pakistan.</li> <li>● Due to difference in setup of Halcrow Pakistan operations as an independent entity, Halcrow Group Business Requirements, in some instances, are not completely applicable to Halcrow Pakistan.</li> <li>● The deviation from Halcrow Group policies and procedures are managed through bridging documents and supplementary management instructions.</li> <li>● The key defined business processes and systems include Halcrow Business Principles Compliance, Environmental, Finance, Health and safety, MIS, Prospect Management, Project Management, Procurements (including non-project procurement) and contracting.</li> <li>● Halcrow Pakistan uses the PI insurances obtained by Halcrow Group for all its entities, where required.</li> <li>● Halcrow Pakistan utilizes majority of software licenses (CAD etc.) purchased by Halcrow Pakistan.</li> <li>● The authority levels are defined and documented (refer of Annexure G for authority limits at Halcrow Pakistan).</li> </ul> <p><b>8. Accountability environment</b></p> <ul style="list-style-type: none"> <li>● <b>External audit</b></li> <li>● The company is subject to external audits. External audits are carried out by independent firm of chartered accountants.(last audit on financial statements of the Company was carried out as of 31 December 2010.)</li> <li>● Currently A. F. Ferguson &amp; Co. (a member firm of Price Waterhouse Coopers) are the external auditors of the company.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Internal audit</b></li> <li>● The company has not established a full fledged in house audit department to carry out internal audit of its organization.</li> <li>● The internal audit of the systems is carried out on quarterly basis. An audit plan is prepared at the start of the year covering all skill groups and area of systems covering both Karachi and Islamabad offices.</li> <li>● The Halcrow Pakistan system audits are not fed into Audit Information System (AIS), since Halcrow Pakistan is not fully integrated with Halcrow Group. The internal audit records are maintained on Halcrow file server.</li> <li>● The Business Systems function is responsible for executing the systems’ audits. At Halcrow Pakistan, there are defined and documented policy and procedures for internal audit of business systems .</li> <li>● The financial transactions are not subject to internal audit.</li> </ul> <p><b>9. Registration with Pakistan Engineering Council</b></p> <ul style="list-style-type: none"> <li>● The company is registered with Pakistan Engineering Council as ‘Consulting Engineers’.</li> <li>● The type of ownership as identified under Pakistan Engineering Council Registration is “Private Limited Company”.</li> <li>● Project profile codes include 1201 to 1217 and 1226 (refer to Annexure AB for description of project codes).</li> </ul> <p><b>10. Other certifications/ accreditations</b></p> <ul style="list-style-type: none"> <li>● Both Islamabad and Karachi offices have valid ISO 9001 and ISO 14001 accreditation.</li> <li>● The scope under the said accreditations include advisory, design, supervisory, research, project management and other services in connection with the construction, operation and maintenance of the built environment and the protection, enhancement and maintenance of the natural environment.</li> <li>● The ISO 9001 and ISO 14001 accreditation certifications have been carried out by BUREAU VERITAS, France.</li> </ul>
--	---	--

	<p><b>11. Assessment of adequacy of function/ critical risk factors</b></p> <p><b>11.1 Legal status</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>The Company should be a legally registered entity in order to ensure that it has legal authority to carry out its business in Pakistan and enter into enforceable agreements.</li> <li>An entity should obtain registration with relevant governing authorities, as required in relevant laws and regulations, to carry out its operations within the authorized jurisdictions.</li> </ul>	<p><b>b) Observation</b></p> <ul style="list-style-type: none"> <li>The company enters into legal arrangements on need basis and is considered adequate for company's operations. On the basis of assessment procedures, no instance of legal dispute came to our attention.</li> </ul>
	<p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>The company is a legal entity registered under the Companies Ordinance, 1984. The Company was assessed to have adequate legal status and authority to enter into agreement with USAID.</li> <li>The Company was assessed to have adequate legal status and authority to enter into agreement with USAID.</li> <li>The signing authority for agreements with clients rests with Managing Director (up to PKR 50 million) and for agreement valuing over PKR 50 million pre-authorization from the Chief Executive Officer is required.</li> </ul>	<p><b>11.4 Compliance with filing requirements</b></p> <p><b>a) Risk area</b></p> <ul style="list-style-type: none"> <li>Adequate controls and mechanisms should be in place to ensure that the entity is in compliance with the provisions of applicable corporate laws pertaining to:             <ol style="list-style-type: none"> <li>Conducting operations;</li> <li>Holding governance meetings;</li> <li>Maintaining books of accounts;</li> <li>Filing of statutory returns with the SECP.</li> </ol> </li> <li>Appropriate controls should be in place to ensure compliance with filing requirements of Companies Ordinance, 1984.</li> </ul>
	<p><b>11.2 Tax status</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>The Company should have obtained registration under the Income Tax Ordinance, 2001, applicable in Pakistan.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>The company is registered with Federal Board of Revenue as 'company' under Income Tax Ordinance 2001 and was assessed to have adequate registration under the law.</li> </ul>	<p><b>b) Observation</b></p> <ul style="list-style-type: none"> <li>The company is in compliance with filing requirements under CO 1984, and Income Tax Ordinance 2001. There were certain late filings instances, which may not be regarded as significant.</li> </ul>
	<p><b>11.3 Dispute resolution mechanism</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Appropriate arrangements should be made to ensure that the entity is able to defend its contractual rights and legal actions instituted against the company.</li> <li>The entity should not have pending litigations which may affect the continuity of its business operations.</li> </ul>	<p><b>11.5 Governance structure</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>An adequate governance structure, with an inbuilt mechanism that ensures continuous monitoring of entity's operations, should be developed and implemented.</li> <li>Adequate segregation of roles and responsibilities should be introduced within the governance structure to ensure a mechanism for regular checks and balances.</li> <li>Regular review of entity's operations should be carried out by the governance forums to ensure that operations, quality of services and staff progress is regularly reviewed.</li> <li>Functional level roles and responsibilities should be documented and communicated to respective departmental heads and key management personnel to ensure a mechanism for accountability at departmental level.</li> </ul>

	<p><b>11.5 Governance structure – contd..</b></p> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>● An appropriate governance structure, comprising of BoD and management review forums, is in place to review overall performance of the Company.</li> <li>● The Company was assessed to have adequate governance structure and regular review of its operations by the BoD.</li> <li>● Detailed functional level roles and responsibilities have also been developed and implemented.</li> </ul>	<ul style="list-style-type: none"> <li>● Formal policies and procedures should be developed for internal audit. Further, the internal audit function should have sufficient human and infrastructural resources to discharge its responsibilities in accordance with the assigned tasks.</li> </ul>
	<p><b>11.6 External audit independence/ adequacy</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>● The entity should have adequate arrangements for independent audit of its financial statements and control environment.</li> <li>● The entity should comply with the applicable statutory requirements in respect of arranging an independent audit.</li> <li>● Auditing entities should be independent in fact and appearance and should independently carry out the responsibilities assigned to them.</li> </ul>	<p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>● The Company has not set-up an independent internal audit function.</li> <li>● The company has established Business Systems function for carrying out business systems audits at projects level (Please refer Annexure AF for summary of Audit Observations). The non-compliance with policy and procedures is reported to MD and the respective project director/ manager for corrective action.</li> <li>● Business Systems function was not assessed to be an independent oversight activity because of its limited scope of review and lack of dedicated resources.</li> <li>● The Business Systems manager was also the project director/ project manager on four projects during the last year and the internal business system audits of the projects under his domain were carried out by his delegate.</li> </ul>
	<ul style="list-style-type: none"> <li>● External audit be carried out through a reputed firm for ensuring quality of audit and enhancing the credibility of financial statements.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>● External audit of the Company financial statements is conducted by an independent reputable entity mandated to carry out the audit on an annual basis.</li> <li>● The Company was assessed to be compliant with the statutory requirements with respect to an independent audit.</li> </ul>	<ul style="list-style-type: none"> <li>● Furthermore, the internal business systems internal audit plan for the years identified 16 man days for all ongoing projects, indicating the extent of scope of this activity (the total ongoing project are 84).</li> <li>● The financial system or transactions are not subject to business systems audits.</li> </ul>
	<p><b>11.7 Internal audit</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>● An independent and effective internal audit mechanism should be in-built into the operating cycle.</li> <li>● An internal audit team with adequately qualified and skilled staff should be employed to carry out effective and efficient internal audit of entity's operations.</li> <li>● Scope of an internal audit function should cover all cross sections of an entity's operations.</li> </ul>	<p><b>11.8 Share registration with SBP (non-resident shareholders)</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>● Appropriate approvals from the State Bank of Pakistan be obtained to ensure that the shareholders rights are protected.</li> </ul> <p><b>b) Observation</b></p> <ul style="list-style-type: none"> <li>● It was observed that the equity held by non-resident shareholders is not registered with SBP as required under Foreign Exchange regulations, limiting the company's inability to repatriate dividends. The divestment proceeds, in case of any divestment decision by the shareholders, cannot be repatriated outside Pakistan though legal banking channels.</li> </ul>

---


**CORE FUNCTIONS ANALYSIS**  
**FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM**

	<p><b>1. Overview</b></p> <ul style="list-style-type: none"> <li>● A dedicated and centralized accounting and finance function has been established to carry out accounting and reporting of financial matters of the company.</li> <li>● Finance and accounts department is responsible for accounting and financial control, budgeting, insurance, loans and advances administration, income tax, corporate and secretarial, treasury management, payroll and raising invoices for various clients and budget preparation.</li> </ul>	<ul style="list-style-type: none"> <li>● Halcrow Pakistan follows the project costing mechanism of Halcrow Global. Under this system all directly allocable costs are allocated to different projects. Common costs and costs of support/service departments are treated as overheads and are not allocated to projects.</li> <li>● The responsibility for the preparation of budget rests with Managing Director. Manager finance is responsible for assisting the MD in budget preparations.</li> <li>● Finance department also generates the budget v/s actual profit and loss account and reports the same to managing director. Budgets are approved by BoD and are rigorously monitored by Halcrow management.</li> </ul>
	<ul style="list-style-type: none"> <li>● Functions of the finance department are governed by the finance policies and procedure manual, Halcrow Integrated Management System Business Requirements (HBRs) and Manual of Authority.</li> <li>● Accounting and finance function has a dedicated team of three employees, headed by the Finance Manager, who is charged with the responsibility for overall operations of the function and reports to managing director.</li> </ul>	<ul style="list-style-type: none"> <li>● The company is managing the fixed assets by maintaining a fixed assets register on MS excel.</li> <li>● For details on financial management and accounting systems, refer to Annexure E.</li> </ul> <p><b>2. Assessment of financial management and accounting system</b></p>
	<ul style="list-style-type: none"> <li>● The company has employed Quick Books Enterprise Solution (Multiuser Professional Services Edition 9) for its accounting functions and reporting. The key reporting generated by finance department include :             <ul style="list-style-type: none"> <li>– monthly and annual financial statements</li> <li>– monthly cash and liquidity position</li> <li>– project time reports,</li> <li>– time and cost utilization reports</li> <li>– project financial status reports (which includes contractual billings, direct expenses, payroll cost and contribution, etc).</li> </ul> </li> </ul>	<p><b>2.1 Structure/ segregation of duties</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>● Accounting and finance function should be structured in a way to ensure adequate segregation of duties with appropriate flow of authority and a mechanism of checks and balances on the accounting and finance function activities.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>● The company has a centralized finance function based in Islamabad with three staff members, headed by Finance Manager.</li> </ul>
	<ul style="list-style-type: none"> <li>● Quick Books is also used for generating/raising invoices to the customers. The Company maintains a centralised system for recording of project receipts and payments.</li> <li>● Payroll is prepared manually by the finance department using MS Excel, however, the company has purchased a “time import utility” software (QuickBooks add-in), which has enabled the allocation of HR time to different projects.</li> </ul>	<ul style="list-style-type: none"> <li>● Additional funding is expected to increase the work load of the accounting and finance function and would require additional resources, depending on the quantum and type of award.</li> <li>● We understand that the Halcrow management has already planned for induction of one additional resource in finance function.</li> <li>● Appropriate job descriptions have been developed for the finance team of the company. The said job descriptions are approved by the managing director of the company.</li> </ul>

<p><b>2.2 Adequacy of qualification, skills set and experience</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Accounting and finance team should be adequately skilled through their qualifications and experience to be able to maintain reliable and accurate financial records and to carry out the duties and responsibilities assigned to them through their specific job descriptions.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Finance Manager is part qualified chartered accountant with more than eleven years of experience.</li> <li>Finance manager leads a team of two senior accounts officers. One senior finance officer is qualified cost and management accountant, while the other senior finance officer has a master degree in business administration with finance subjects as majors. The senior accounts officer possess sufficient experience with reference to the identified job descriptions.</li> <li>The qualifications, skill set and experience of finance staff is considered adequate.</li> </ul>	<p><b>2.4 Employee Turnover</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Key management personnel should be retained for longer periods of time to ensure continuity and efficiency in departmental operations.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Finance Manager is with Halcrow Pakistan for more than eleven years.</li> <li>During the down sizing of 2009, two employees of the finance department were laid off, whereas another employee of the finance department resigned in 2010, after serving for approximately 10 years. Average tenure of the personnel of finance department is 7 years.</li> </ul>
	<p><b>2.5 Delegation of authority</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Accounting and finance function should be structured in a way to ensure adequate delegation of powers with appropriate flow of authority and a mechanism of checks and balances on the accounting and finance function activities.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Finance manger has authority to sign the cheques up to PKR 50,000, with no authority to approve any sort of expense. The said authority is subject to pre-authorization approvals and must be as per approved budget.</li> <li>At Halcrow Pakistan, most of the key decision making powers rests with the MD and CEO of the company. (Please refer Annexure G for Manual of Authority)</li> </ul>
<p><b>2.3 Policies and procedures</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Adequate policies and procedures should be developed in order to ensure that key processes are accurately performed against measurable performance standards.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Functions of the finance department are governed by the finance policies and procedure manual, Halcrow Integrated Management System Business Requirements (HBRs) and Manual of Authority. The finance manual along with the HBRs serves as the primary source of guidance and lays down the roles and responsibilities for the accounting and finance function. Manual of Authority sets the approval limits for employees &amp; BoD (Please refer Annexure G for Manual of Authority).</li> <li>Adequate policies and procedures have been developed by Halcrow Pakistan Management and the key processes are accurately performed as per defined policies and procedure.</li> </ul>	<p><b>2.6 Compliance with identified policies and procedure</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>The finance staff should comply with identified policies and procedures in spirit and essence in terms of financial power delegated by the Board of Directors.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>While carrying out the compliance testing of policies and procedures manual, we observed certain instance on non compliance. (Refer to Annexure H for detailed results of compliance tests).</li> </ul>

	<p><b>2.7 Fixed assets management</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Fixed assets register should be designed and maintained in accordance with identified policies and procedures and applicable regulatory requirements.</li> <li>All assets should be recorded in the fixed asset register along with their location and unique identification number (asset code).</li> <li>Physical verification exercise for the fixed assets should be carried out at least once a year in order to comply with the prudent accounting practices and finance policies and procedures manual.</li> </ul>	<p><b>2.9 Appropriateness of financial statement and disclosures</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Financial statements and the disclosures should adequately comply with the requirements of IFRSs and applicable laws and regulations.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Financial statements and the disclosures of Halcrow Pakistan comply with the requirements of IFRSs and applicable laws and regulations.</li> </ul>
	<p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>During the scrutiny of the printed copy of the fixed assets register provided to us, we have observed that the fixed assets register neither included the field for unique code of the asset nor it provided the location of the asset.</li> <li>In addition to the above, during the discussion with the management we were also informed that recently there was a reshuffling and transfer of the assets between Karachi and Islamabad offices and the fixed assets register has not been updated after the said reshuffling and transfers.</li> <li>We were also not provided with the documentation for last physical verification of the fixed assets carried out by the company. In the absence of the said documentation we were unable to establish whether the Company is in compliance with the provisions of finance policies and procedures manual pertaining to physical verification of the assets.</li> </ul>	<p><b>2.10 Project invoicing and costing</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Project revenues and costs should be appropriately and completely charged to relevant projects.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>The Company maintains a centralised system for recording of project receipts and payments. All invoices are generated by the finance department on the basis of instruction from project directors/ project managers. All receipts against invoices raised by the Company are received through banking channels. There are not cash receipts.</li> <li>Halcrow Pakistan follows the project costing mechanism of Halcrow Global. Under this system all directly allocable costs are allocated to different projects. Common costs and costs of support/service departments are treated as overheads and are not allocated to projects.</li> </ul>
	<p><b>2.8 Maintenance of bank accounts</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Adequate controls should be implemented over maintenance of bank accounts in order to ensure that funds are maintained and controlled as per the laid down policies and procedures.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Opening and operating the bank accounts in the name of the Company requires approval and signatures of CEO and approval of board of directors.</li> </ul>	<p><b>2.11 Bank reconciliation statements</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Adequate controls should be in place to ensure that bank reconciliations are prepared in timely manner, reviewed and approved by a competent authority.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Bank reconciliation statements are regularly prepared and reviewed by appropriate level of staff in respect of all bank accounts being maintained by the Company.</li> </ul>

	<p><b>2.12 Budget preparation and monitoring</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>• Adequate controls should be in place to ensure that reliable budgets are prepared in respect of project as well as administrative activities.</li> <li>• Budgets should be periodically reviewed by appropriate level of management to ensure their relevance and monitoring of actual utilization.</li> </ul>	<p><b>2.13 Accounting software</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>• Accounting software should be licensed and should be capable of generating accurate and timely information required for decision making by the management of the company.</li> </ul>
	<p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>• The responsibility for the preparation of budget rests with Managing Director. Manager finance is responsible for assisting the MD in budget preparations.</li> <li>• Budgeting process is initiated in the last quarter of the financial year of the company. The company has policy to adopt a strategy on the basis of a three years business plan. Annual budgets are prepared on the basis of the business plan.</li> <li>• The business plan of the company is prepared on a specified template developed by Halcrow Group is approved through a structured process. Business plan also includes market reviews, trends, country level review and sector reviews. Based on the said market reviews, quantum of the investments to be targeted are identified.</li> </ul>	<p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>• “Agresso”, an ERP, is used by the Halcrow Group around the world. Halcrow Pakistan is not completely integrated with Halcrow Group, as the said ERP (Agresso) and other MIS have not been rolled out in Pakistan. Accordingly the Company has employed Quick Books Enterprise Solution (Multiuser Professional Services Edition 9) for its accounting functions. Up to five users can access the software.</li> <li>• Payroll is prepared manually by the finance department using MS Excel, however, the company has purchased a “time import utility” software, which has enabled the allocation of HR time to different projects. Currently, the project wise time records are also maintained on MS Excel.</li> </ul>
	<ul style="list-style-type: none"> <li>• Annual budget is prepared for areas pertaining to projects and revenue generating activities, whereas monthly budgets are prepared for overheads.</li> <li>• Finance department generates the budget v/s actual profit and loss account and reports the same to managing director. Usually there are not significant overruns for overhead budget as the same are forecasted on defined assumptions.</li> <li>• Company’s budget v/s actual is reported by MD to the BoD on at least annual basis. However, the said reports are specifically prepared before every BoD meeting.</li> <li>• Budget v/s actual reports to BoD is in form of a summary which includes billings, project expenses, payroll costs, overheads and other income and expenses. The report also includes the explanations about the variations and prospects for achieving the budget targets.</li> </ul>	<ul style="list-style-type: none"> <li>• Quick Books is also used for generating/raising invoices to the customers. Each invoice generated by the software has a unique serial number, which also identifies the year of invoice. An invoice can only be generated once and in case of reprinting, all copies of invoices are printed with a duplicate mark by the system.</li> <li>• A receipt can only be entered in the Quick Books against specific invoice. Once the receipts are entered, the software automatically updates the outstanding invoices details and bank account balances.</li> <li>• The Quick Books Enterprise Solutions has a provision to generate various types of reports/documents. However, the company generally generates the following reports on regular basis:             <ul style="list-style-type: none"> <li>– Receivable aging summary and customers balance details and open Invoices reports</li> <li>– Trial Balance, Balance Sheet, Profit &amp; Loss account (Monthly/ Quarterly/ Annually)</li> <li>– Profit loss by Job, time by job summary , job detail, name, item</li> <li>– Memorized reports for utilization, banking, company, customers, employee, professional services, time reports vendors.</li> </ul> </li> </ul>

---


**CORE FUNCTIONS ANALYSIS  
PROCUREMENT SYSTEMS**

	<p><b>1. Overview of the procurement systems</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan is currently carrying out two types of procurements: <ul style="list-style-type: none"> <li>– Procurement of goods and services for general office purposes</li> <li>– Project specific procurement of goods and services</li> </ul> </li> <li>● Procurement of goods and services for general office purposes include the procurement for day to day affairs of the office administration i.e. general office equipment and services of administrative nature.</li> </ul>	<ul style="list-style-type: none"> <li>● Business Partners are the sub-contractors or JV partners engaged by Halcrow Pakistan for specific projects where they do not possess in house expertise for some part of the project.</li> <li>● The HSP provides guidance on management of business partners, business partners due diligence, selection of business partners, authorization &amp; appointment of new business partners, success fee arrangements, review of performance of business partners,</li> </ul>
	<ul style="list-style-type: none"> <li>● Project specific procurements mainly include the procurement of services relating to any additional expertise required for carrying out different projects. These procurements are carried out on project to project basis as the need arises. Halcrow Pakistan terms those suppliers of services as the key business partners. (Refer to Annexure I for details on procurement systems. )</li> <li>● Halcrow Pakistan also has the experience of handing procurements for IFIs (e.g. DFID and World Bank) under respective IFI procurement frameworks (procurements for and on behalf of clients)</li> </ul>	<p><b>2. Assessment of procurement systems</b></p> <p><b>2.1 Appropriateness of procurement policies and procedures</b></p> <p><b>a) Benchmarks</b></p> <ul style="list-style-type: none"> <li>● Comprehensive procurement policy should be developed which should provide rules and procedures for procurement of goods, works and services.</li> <li>● The procurement policy should provide detailed guidance as well as policies and procedures in respect of domestic and international procurements.</li> </ul>
	<ul style="list-style-type: none"> <li>● In addition, Halcrow Pakistan services offering include procurement assistance as a service skill set i.e. assistance in defining pre-qualification requirements, preparation/ review of tender documents, pre-bid assistance, pre-bid site visit, defining evaluation criteria and bid evaluation assistance (refer to Annexure J for details on procurement assistance provided by Halcrow Pakistan to various clients)</li> </ul> <p><b>A. Procurement of goods and services for general office purposes</b></p>	<ul style="list-style-type: none"> <li>● The procurement policy should adequately provide various procurement methods that may be employed in view of different types of procurement to be made in an open and transparent manner.</li> <li>● Procurement policy should include guidelines for different type of contracts, such as lump sum contract, framework contract and percentage based contract, depending on the nature of procurement and project (for hiring of professional services for the project).</li> </ul>
	<ul style="list-style-type: none"> <li>● Halcrow Pakistan has issued a SMI for guidance on general office procurements i.e. SMI_HPK-5. The SMI includes guidance on maintenance of approved suppliers, purchase requisition, procurement limits, emergency procurements, single sourcing, purchase orders and invoicing and payments. Following is a brief on the available guidance :</li> </ul> <p><b>B. Project specific procurement of goods and services</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan is using the support procedure issued by Halcrow Group for procurement &amp; management of business partners i.e. HSP13.</li> </ul>	<ul style="list-style-type: none"> <li>● Procurement policy should provide guidance in respect of contract management/ administration and clauses for remedies for breach of contract, liquidated damages, certification and payment, after sale services, contract modification and price adjustment, securities, dispute and claim resolution, etc.</li> <li>● Procurement manual should include detailed evaluation criteria for the selection of sub-contractor/ sub-consultants.</li> </ul>

	<p><b>2.1 Appropriateness of procurement policies and procedures – contd..</b></p> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>● Procurement policies do not provide methods for different types/ categories of procurements including a) procurement from local or international suppliers, b) circumstances in which an open competitive bidding may be used, and c) specific guidelines for applying different methods for procurement.</li> <li>● Procurement policies do not require open competition for any value of procurements.</li> </ul>	<p><b>2.2 Dedicated procurement function</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>● There should be a Separate function for procurement for specialized nature of procurements.</li> </ul> <p><b>b) Observation</b></p> <ul style="list-style-type: none"> <li>● A dedicated procurement function has not been established and the responsibility for procurements mainly rests with the Administration Manager and the MD.</li> </ul>	
	<ul style="list-style-type: none"> <li>● Procurement policies do not stipulate any requirement for procurement planning at the start of fiscal year.</li> <li>● Procurement policies do not provide any guidance relating to development of bids for high value procurements and advertising requirements.</li> <li>● Procurement policies do not provide evaluation criteria for the selection of vendors / consultants.</li> <li>● Procurement policies allows single sourcing for procurements above Rs. 50,000, however, the conditions are not very stringent and there is no detailed guidance in this regard.</li> </ul>	<p><b>2.3 Segregation of duties</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>● Procurement activities should be adequately segregated to ensure that a mechanism of checks and balances is introduced within the procurement cycle.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>● Responsibility for procurements mainly rests with the Administration Manager and the MD. Project procurements are under the domain of the Project Directors. There are no committees available for decision making in respect of high value procurements.</li> </ul>	
	<ul style="list-style-type: none"> <li>● Procurement policies allow over riding all policies with written or verbal approval of the MD in cases of emergency. This may result in management override of controls.</li> <li>● Procurement policies do not provide guidance on the type of contracts to be used in respect of major types of procurements. Further, there is no threshold defined for entering into contract and it is at the discretion of the Administration Manager to use a PO or a Contract.</li> <li>● Procurement policies do not require the constitution of any committees for carrying out procurements and the responsibility for procurement decision making mainly rests with the Administration Manager or the MD.</li> <li>● Procurement policies do not provide guidance over contract management/ administration and clauses for remedies for breach of contract, liquidated damages, certification &amp; payment, after sale services, contract modification and price adjustment, securities, dispute and claim resolution.</li> </ul>	<p><b>2.4 Compliance with policies and procedures/ laws and regulations</b></p> <p><b>a) Risk Area</b></p> <ul style="list-style-type: none"> <li>● Appropriate controls should be introduced to ensure that all transactions are carried out in accordance with applicable procedures as well as laws and regulations. An effective control environment should be evolved within an entity to ensure that non-compliances are prevented and/ or timely detected and rectified.</li> <li>● A guidance mechanism should be established to ensure that all personnel involved in procurement activities are apprised with best practices, applicable laws and regulations and revisions therein.</li> </ul> <p><b>b) Conclusion</b></p> <ul style="list-style-type: none"> <li>● While reviewing the board letter issued by the auditors of the Company for the year ended 31 December 2010, we noted that the auditors have reported that no quotations were called for all procurements (fixed assets) carried out during the year ended 31 December 2010. Total value of such procurements was PKR 447,618.</li> </ul>	

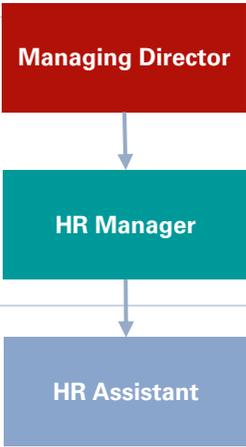
Core functions analysis  
Procurement systems – contd..

	<p><b>2.5 Adequate experience in procurement</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>● Personnel vested with the responsibility of procurement should be specialized, experienced, trained and capable of handling high value and specialized procurements, contract management and administration.</li> </ul> <p><b>b) Observation</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan staff does not possess experience of undertaking large value and / or specialized procurements, due to the nature of operations of the Company i.e. other than procurement of consulting services on projects and procurement assistance as a service, there is no significant procurement activity.</li> </ul>					
	<p><b>2.6 Legal advise on high value procurements</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>● Professional advise on legal documentation such drafting of agreements, employee and consultants should be carried out while awarding of contract.</li> </ul>					
	<p><b>b) Observation</b></p> <ul style="list-style-type: none"> <li>● There is no mechanism in place to seek legal advice on high value procurements, though there were no such procurements carried out by the Company due to the nature of its operations.</li> </ul>					
	<p><b>2.7 Conflict of Interest</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>● Conflict of interest checks with the suppliers should be established and carried out before carrying out procurements</li> </ul> <p><b>b) Observation</b></p> <ul style="list-style-type: none"> <li>● Procurement policies does not provide for conflict of interest checks with the suppliers regarding the employees involved in carrying out procurements.</li> </ul>					

---


**CORE FUNCTIONS ANALYSIS  
HUMAN RESOURCE FUNCTION**

Core functions analysis  
Human resource

	<p><b>1. Overview of the function:</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan has a centralised HR function based in Karachi and is managed by a team of two, headed by the HR Manager. The HR function operates under overall supervision of the Managing Director, which provides strategic guidance in framing the HR policies and procedures.</li> <li>● Table A provides an overview of the departmental structure as well as reporting lines within the HR function.</li> </ul>		<ul style="list-style-type: none"> <li>- Terms and condition of employment;</li> <li>- Staff benefits;</li> <li>- Training and development;</li> <li>- Disciplinary procedures;</li> <li>- Employee welfare;</li> <li>- Safety and security;</li> </ul>	
	<ul style="list-style-type: none"> <li>● Manager HR, assisted by an HR assistant, reports to the Managing Director, who is reportable to the board of directors of Halcrow Pakistan.</li> <li>● The responsibility of the HR function is to manage the day-to-day affairs of HR as well as policy level HR management of the organization.</li> <li>● Key responsibilities assigned to the HR function are as follows: <ul style="list-style-type: none"> <li>- Managing HR related issues of both permanent and contractual staff members, excluding the site staff (please refer to Annexure N for skills and location wise staff);</li> <li>- Developing and recommending modification of HR policies and procedures;</li> <li>- Supporting management in all permanent, temporary and contractual staff recruitment &amp; selection;</li> <li>- Assisting management with staff performance management;</li> <li>- Providing support on employee training and development matters and;</li> <li>- Any other responsibilities sanctioned by the management.</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>- Staff travel policy and recruitment policy.</li> </ul> <ul style="list-style-type: none"> <li>● An overview of the HR policies and procedures has been provided in Annexure L to this report.</li> <li>● Halcrow Pakistan has also developed terms of references / job descriptions for all the key management staff.</li> </ul>	
	<p>(Please refer Annexure O for detailed description of roles and responsibilities of HR staff).</p> <ul style="list-style-type: none"> <li>● A comprehensive staff hand book has been developed by Halcrow Pakistan which sets out organization's HR and Operational philosophy.</li> <li>● The staff hand book provides detailed guidance on policies &amp; procedures adopted by the company in respect of the following key HR functions of the organization:</li> </ul>		 <pre> graph TD     MD[Managing Director] --&gt; HRM[HR Manager]     HRM --&gt; HRA[HR Assistant]     </pre>	<p><i>Table A: HR departmental structure; Source: Management Information</i></p>

	<p><b>2. Assessment of Human resource function</b></p> <p><b>2.1 Appropriateness of policies and procedures</b></p> <p><b>a) Benchmarks</b></p> <ul style="list-style-type: none"> <li>An organization should have adequate policies and procedures in place to govern its HR function. The policies and procedures should be periodically reviewed for their appropriateness and relevance with respect to the size and nature of an entity’s operations.</li> </ul>	
	<ul style="list-style-type: none"> <li>HR policies and procedures should be complied in order to ensure that key operating resources are adequately managed and utilized towards achieving the entity’s goals and objectives.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>HR policies and procedures were reviewed to assess the appropriateness of their design and coverage of organization’s activities (please refer to Annexure L for detailed description of HR policies and procedures).</li> </ul>	<p><b>ii. Travelling</b></p> <ul style="list-style-type: none"> <li>Staff travel policy is comprehensive and covers both domestic and international trips including per diem rates. It further covers different types/ classes of travels that can carried out including incidental travel, travel causing disturbance to the staff member and travel to hard areas. (Please refer to Annexure W for detailed description of per diem rates).</li> <li>Compliance with travelling policy was checked on a sample basis and it was noticed that proper travel authorisation is sought on a “Travel Authorisation Form” stating the purpose and duration of visit in all cases before booking of air tickets and/ or per diem payments (Please refer Annexure W for detailed compliance observations).</li> <li>We observed that there are differences in “Company Car Policy” between the policy mentioned in the “Staff Hank Book” and the policy mentioned in the “Finance Policies and Procedures manual” of the company.</li> </ul>
	<ul style="list-style-type: none"> <li>Following areas were specifically assessed during our analysis:</li> </ul>	<p><b>iii. Employee severance and final settlements</b></p>
	<p><b>i. Payroll</b></p> <ul style="list-style-type: none"> <li>Adequate policies, procedures and segregation of duties as regards preparation, approval and processing of payroll are in place. (Please refer to Annexure R for more details)</li> <li>Payroll compliance on a sample of employees revealed that the payroll polices in place have been followed.(Please refer to Annexure S for payroll compliance).</li> </ul>	<ul style="list-style-type: none"> <li>A compliance on a sample of six leavers during the year was carried out. (Please refer to Annexure U for more details)</li> <li>There are no documented policies and procedures governing final settlements and the mandatory clearances to be obtained from HR, Administration, IT and Accounts departments in the “Staff hand book” on employee severance with the organisation.</li> </ul> <p><b>iv. Salary/ Pay scales</b></p>
	<ul style="list-style-type: none"> <li>Joiners are paid from the date of joining and leavers were found removed from the date of leaving the organisation and paid for upto the date of leaving accordingly. (Please refer to Annexure T &amp; U for joiners and leavers compliance).</li> <li>Salary payments for a sample of employees on the payroll were found in agreement with the salaries approved on the employment contracts and/or approved increment letters. (Please refer to Annexure S for payroll compliance).</li> </ul>	<ul style="list-style-type: none"> <li>The company has no defined / documented pay scales for each grade and salaries are decided based on the prevailing industry average (based on informal sources) relevant to the skill group in which the staff is being employed; the individual competence and quality of experience/ education and the company needs.</li> </ul> <p><b>v. Maintenance of Personal Files</b></p> <ul style="list-style-type: none"> <li>Personal files of a sample of ten employees were reviewed. (Please refer Annexure V for personal files compliance observations)</li> </ul>

	<p><b>2.2 Staff hiring process</b></p> <p><b>a) Benchmarks</b></p> <ul style="list-style-type: none"> <li>Hiring of personnel should be based on a comprehensive and systematic procedure. Transparent and competitive hiring procedures should be adopted to ensure identification and hiring of best available human resource.</li> <li>Policies and procedures related to staff hiring should be complied in order to ensure that suitable employees are identified and hired in a transparent and competitive manner.</li> <li>Adequate planning of HR should be carried out and reviewed on a regular basis in order to ensure that adequate staff remains available/ identified for ensuring smooth operation of organization’s activities.</li> <li>Complete documentation, as stipulated in the policies and procedures, should be maintained in respect of all employees.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Following observations were made during the evaluation of Company’s staff hiring process: <ul style="list-style-type: none"> <li>Competitive hiring procedures have not been adopted by the company. Positions are filled either through selection of candidates from Internal CV database or candidate recommended from within the organization (internal referrals).</li> <li>The company recruits consultants / contract employees from time to time, however, Policy / procedures in respect of hiring of Consultants / contract employees have not been developed. We understand from our discussion with the management of the Company that all the policies and procedures applicable to permanent employees except provident fund are applicable to the contract employees of the Company. However, the same has not been documented in the staff handbook of the organization.</li> <li>We selected a sample of five employees hired during the year and performed compliance with Company’s policies and procedures in this regard. (Please refer to Annexure T for recruitment process compliance observations)</li> </ul> </li> </ul>	<p><b>2.3 Adequacy of staff qualification, skills set and experience</b></p> <p><b>a) Benchmarks</b></p> <ul style="list-style-type: none"> <li>Key governance and management staff should possess adequate skills and experience to effectively set entity’s goals and objectives, strategize operations towards achievement of those goals and objectives, as well as effectively monitor and manage the operations in view of the adopted strategy.</li> <li>A formal mechanism should be in place to ensure that appropriate staff is allocated to a project in order to ensure that client requirements and entity’s objectives are successfully achieved.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Profiles of key management staff were reviewed to assess the adequacy of relevant education, experience and skill set towards carrying out responsibilities assigned to the employees. On the basis of our review it was concluded that: <ul style="list-style-type: none"> <li>The key management at Halcrow Pakistan (Pvt.) Ltd is adequately qualified and almost all of them have a post graduate qualification form internationally renowned universities in their respective fields;</li> <li>It was noted that the staff members at key positions possess a minimum of approximately 14 years of experience in their relevant practice areas including international exposure and involvement in multi sector cross functional projects.</li> <li>Almost all of the staff members have undergone local and international trainings including project management, risk management, presentation skills, effective managerial skills and technical trainings relevant to respective area of specialization.</li> <li>Please refer Annexure Z for detailed profiles of key management staff.</li> <li>Formal mechanism as regards allocation of staff to different projects is in place under which the Project director is required to fill in a PD’s authority form to assign duties under a project to the staff members.</li> </ul> </li> </ul>
--	--	---

	<p><b>2.4 Staff accountability and performance evaluation</b></p> <p><b>a) Benchmarks</b></p> <ul style="list-style-type: none"> <li>• A mechanism should be implemented ensuring adequate dissemination of staff responsibilities as well as accountability and evaluation of employee progress against KPIs.</li> <li>• Job descriptions should be carefully developed in respect of each staff position to ensure efficient utilization of human resources. Performance evaluations should be strictly based upon job descriptions and targets assigned to the employees.</li> <li>• Performance evaluation framework should be developed which should include KPIs at individual and project level to evaluate the performance of each individual and substantiate the contribution of individuals towards achievement of goals.</li> <li>• Salary increments and incentives should be based on performance evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>• There is no formal documented mechanism for evaluation of performance of contract employees during the period of performance under the contract. However, we understand that the performance under the previous contract is evaluated before re-hiring a contract employee.</li> </ul>
	<p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>• Standardized job descriptions have been developed for all positions. However, we observed that the company has no formal/ documented performance evaluation framework in place to evaluate performance at individual and project levels. We understand that performance evaluation is a requirement of Halcrow Group, however, the same has not been documented in the staff handbook of the Company.</li> <li>• Furthermore no goal setting exercise has been carried out setting KPIs against which individual staff members performance can be evaluated;</li> </ul>	<p><b>2.5 Staff retention and employee turnover</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>• An entity should develop effective staff retention policies, linked with careful performance evaluation process in order to ensure that critical staff is retained and the organization does not suffer from capacity gaps due to high staff turn over.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>• Majority of Halcrow’s Pakistan key staff has been associated with the company for an average period of more than seven years. (Please refer to Annexure Z for length of management stay with the company).</li> <li>• According to the staff attrition calendars, attrition rate for the FY 2010 remained at 21% in comparison with 63% and 27% in respect of year 2009 and 2008 respectively.</li> </ul>
	<ul style="list-style-type: none"> <li>• We understand from our discussion with the management that an annual performance evaluation is carried out under which every staff member meets with a manager/ director to discuss his/her performance, however, we could not find any supporting documents in the personal files of employees in this regard.</li> <li>• We understand that salary increments and bonuses are based on those performance evaluations.</li> </ul>	<p><b>2.6 Training and development</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>• Training need assessment should be carried out regularly to identify the need for capacity development of staff which helps in adequate planning of staff development plan and allocation of adequate budget.</li> <li>• Based on need assessment, annual training plan should be developed duly indentifying resources and time lines for the required trainings. Trainings included in the plan should be in accordance with the company policy and should contribute towards achievement of company’s goals.</li> </ul>

	<p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Based on our sample tested, it was observed that the staff training and development needs are assessed based on the annual career development review whereby every member of the staff meets with a senior manager to discuss and agree actions, however, the policy is not formally documented.</li> <li>An action plan in the form of "Training Development Plan" has been developed for the year 2011 based on 2010 annual staff career development review. (Please refer to Annexure Y for detailed training plan – 2011)</li> </ul>						
	<p><b>2.7 Adequacy of leadership and succession planning</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Key personnel should possess adequate leadership skills and experience to establish and guide operations aligned with strategic direction of Halcrow Pakistan.</li> <li>A succession planning mechanism should be adopted in order to ensure continuity of policies and procedures in the best interest of organization.</li> </ul>						
	<p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Key personnel at Halcrow Pakistan are considered to possess adequate leadership skills and experience to establish and guide Halcrow Pakistan operations.</li> <li>Managing Director and Development Director have been associated with Halcrow Pakistan for approximately fourteen (14) years.</li> <li>We understand that formal succession planning is not being carried out which might enable Halcrow Pakistan top management to identify suitable human resource to acquire key management positions in future.</li> </ul>						

---


**CORE FUNCTIONS ANALYSIS**  
**ABSORPTIVE CAPACITY ANALYSIS**

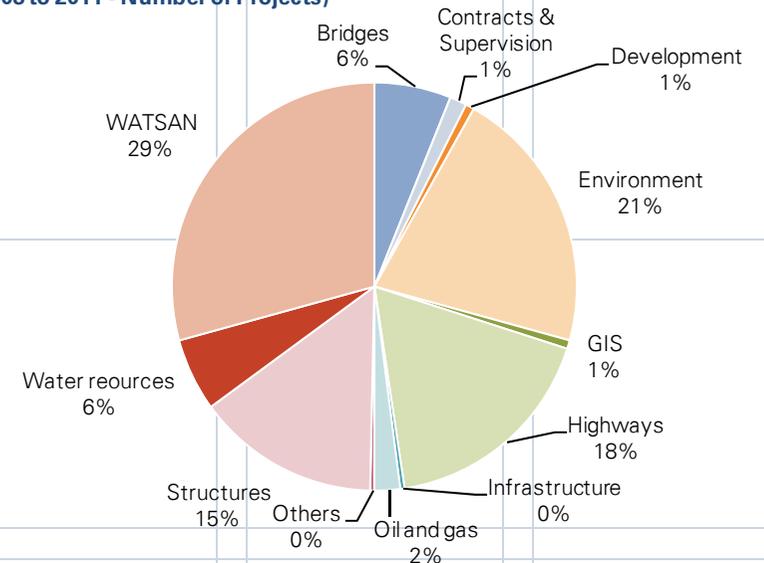
**1 Halcrow Pakistan operations**

- Halcrow Pakistan is a engineering consulting firm principally engaged in providing infrastructure design, construction management and supervision, water resources, engineering, rural and development, procurement assistance and environmental consultancy services. Halcrow Pakistan is not a construction contractor.
- Halcrow Pakistan registration with Pakistan Engineering Council also defines the type of services that Halcrow Pakistan can provide (refer to Annexure AB for details on allowed services).
- The skill profile segmentation of Halcrow Pakistan include bridges, highways, traffic, geotechnical, structural design, electrical design, environment, GIS / RS, drainage , water supply, sanitation, contracts and quality surveying.

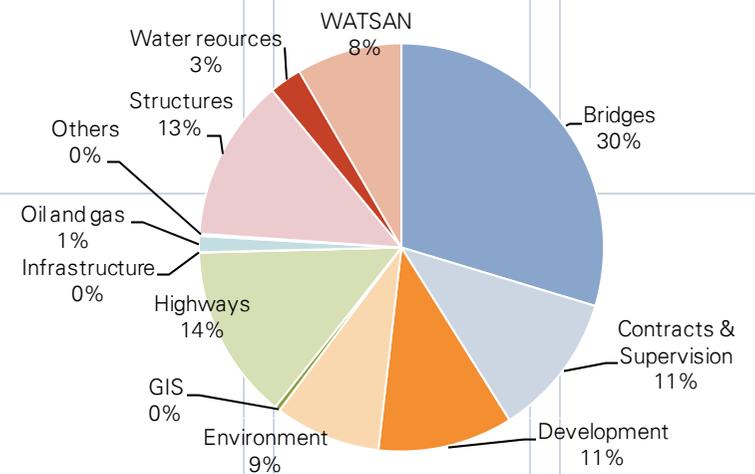
**1.1 Analysis of completed projects**

- As per the list of projects provided by the management of Halcrow Pakistan, Halcrow Pakistan has completed 294 projects from the year 2008 to the 2011 with a total contract value of PRK 518 million (USD 6.1 million).
- The analysis of market segment wise composition of the completed projects in terms of number of projects implies that the key market segment from Halcrow Pakistan business perspective include bridges, environment, highways, structures and WATSAN representing 89% of completed projects.
- In terms of contract value, the analysis of market segment wise composition of the completed projects implies that the key market segment from Halcrow Pakistan business perspective include bridges, contract and supervision, development, environment, highways, structures and WATSAN representing 95.5% of completed projects (contract value).
- As per the latest status update submitted by operational management to senior management, the market segments where Halcrow Pakistan do not have brand image or competitive advantage include power, energy, dams, barrages and the public sector.

**Market segment wise break-up of completed project (2008 to 2011 - Number of Projects)**



**Market segment wise break-up of completed project (2008 to 2011 - Contract Value)**



**1.1 Analysis of completed projects – contd..**

- A contract value benchmarking of the projects completed by Halcrow Pakistan from the year 2008 to the year 2011 has been carried out by defining the value brackets and identifying the number of projects and total contracts value under each bracket, as follows:

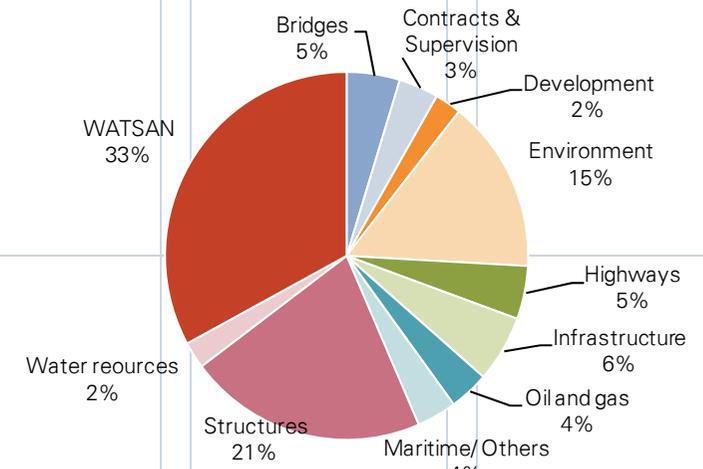
Contract value bracket	Total contracts value		No of projects
	PKR (M)	USD (M)	
less than PKR 1 million	80	0.94	214
greater than PKR 1 M & less than PKR 5 M	121	1.42	69
greater than PKR 5 M & less than PKR 15 M	60	0.70	7
greater than PKR 15 M & less than PKR 50 M	56	0.66	2
greater than PKR 50 M & less than PKR 100 M	55	0.65	1
greater than PKR 100 M & less than PKR 150 M	147	1.73	1
greater than PKR 150 M	-	-	-
	<b>518</b>	<b>6.09</b>	<b>294</b>

- It is evident from the above analysis, that a large number of projects (283 out of total of 294) are with contract value of less than 5 million (USD 59 K), while Halcrow Pakistan has completed 11 project with contract value of more than PKR 5 million (USD 59 K) for the period from 2008 to 2011.
- The above analysis is limited to the extent of Halcrow Pakistan capacity with reference to the number of projects and projects size in term of contract value. The technical nature and complexity of the projects completed by Halcrow Pakistan has not been discussed under this analysis.
- It is pertinent to note that Halcrow Pakistan has access to the expertise and resources from Halcrow Group and Halcrow Group companies. The ability of Halcrow Pakistan to draw resources from Halcrow Group is primarily dependent on Halcrow Group assessment of security situation in Pakistan and the economic sense from financial perspective.

- Halcrow Pakistan has been assisting Halcrow Group on a number of offshore project i.e. out of 294 projects completed from the year 2008 to the year 2011, 206 projects (total contracts value of PKR 164 million (USD 1.9 million)) are with Halcrow Group, while Halcrow Group is sub-contractor of Halcrow Pakistan on two projects.
- With reference to Halcrow Pakistan experience of working with IFIs (DFID, World Bank and Asian Development Bank), Halcrow Pakistan has completed three projects from the year 2008 to the year 2011 with total contracts value of PKR 203 million (USD 2.4 million) representing 39% of total contracts value of project completed in the said period.

**1.2 Analysis of ongoing projects**

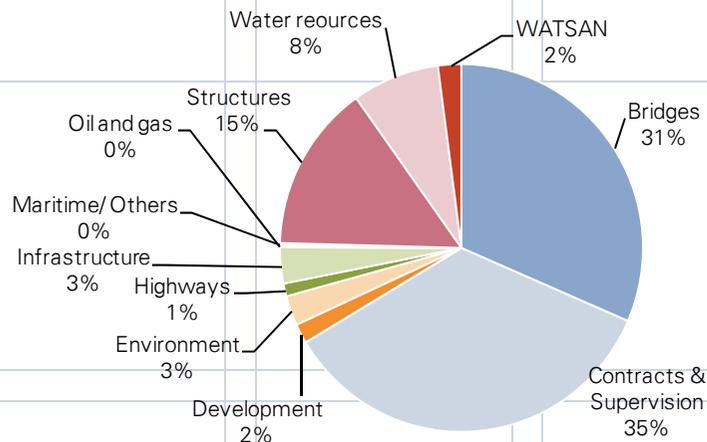
- The total number of ongoing projects of Halcrow Pakistan is 84 with a total contracts value of PRK 816 million (USD 9.6 million). An analysis of market segment wise composition of the ongoing projects in terms of number of projects implies that the key market segment from Halcrow Pakistan business perspective include environment, structures and WATSAN representing 70 % of ongoing projects.



**Market segment wise break-up of ongoing project (Number of Projects)**

**1.2. Analysis of ongoing projects – contd..**

- In terms of contracts value, the analysis of market segment wise composition of the ongoing projects implies that the key market segment include bridges, contract and supervision and structures representing 81% of ongoing projects (contract value).



**Market segment wise break-up of ongoing project (Contracts value)**

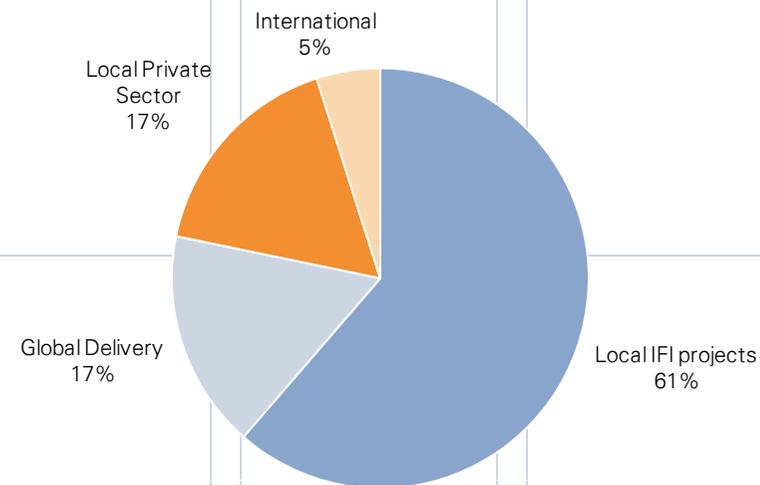
- A contract value benchmarking of the ongoing projects of Halcrow Pakistan has been carried out by defining the value brackets and identifying the number of projects and total contracts value under each bracket.
- As per the analysis, large number of projects (67 out of total of 84) are with contract value of less than 5 million (USD 59 K), while 17 ongoing projects are of contract value of more than PKR 5 million (USD 59 K).
- Halcrow Pakistan has access to the expertise and resources from Halcrow Group and Halcrow Group companies. The ability of Halcrow Pakistan to draw resources from Halcrow Group is primarily dependent on Halcrow Group assessment of security situation in Pakistan and the economic sense from a financial perspective.

- Halcrow Pakistan has been assisting Halcrow Group on a number of offshore project i.e. out of 84 ongoing projects, 45 projects (total contracts value of PKR 50 million (USD 0.59 million)) are with Halcrow Group, while Halcrow Group is sub-contractor of Halcrow Pakistan on two ongoing projects (contract value of PKR 192 million (USD 2.26 million)).
- Halcrow Pakistan current experience of working with IFIs (DFID and World Bank, includes two projects with total contracts value of PKR 251 million (USD 3 million) representing 31% of total contracts value of ongoing projects.

**1.3 Analysis of current revenue composition**

- The client segment wise breakdown of earnings for the period from January 2011 to June 2011 is given below. The DFID project is the largest fee earner, representing 60% of the total billings (Total revenue of PKR 112 million (USD 1.3 million)).

**Client segment wise breakdown of earnings for the period from January 2011 to June 2011**



**1.3 Analysis of current revenue composition - contd..**

- The analysis to skill category wise breakdown of earnings for the period from January 2011 to June 2011, as detailed, below implies that the roads/ bridges segment represents 61% of total revenue for the said period followed by building/ structures (12%) and water/ waste water segment (10%).

Sector	Local (PKR M)	G. Delivery (PKR M)	Int. (PKRM)	Total (PKR M)	%
Roads/ bridges	65	1	2	69	61%
Buildings/ structures	2	11	–	13	12%
Water/ waste water	–	8	3	11	10%
Infrastructure	7	–	–	6	5%
Environment	6	–	–	6	5%
Water resources	4	–	–	4	4%
O&G Civil works	4	–	0	4	4%
<b>Total</b>	<b>88</b>	<b>19</b>	<b>6</b>	<b>112</b>	
<b>Total %</b>	<b>79%</b>	<b>17%</b>	<b>5%</b>		

**2 Governance and management structure**

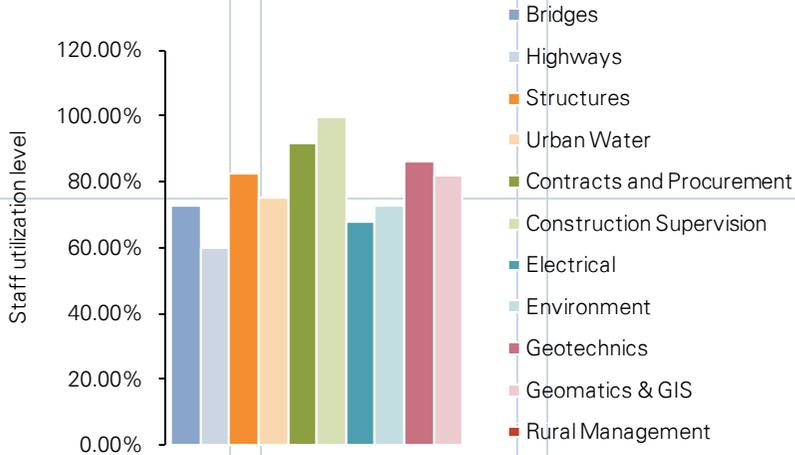
- Halcrow Pakistan has adequate governance and management structures. Regular monitoring of Company's progress is carried out by the BoD. Furthermore, there exists sufficient and documented evidence of BoD and senior management involvement in defining the overall strategic direction of the company and business plans. Project management structures are developed, documented and implemented for small to medium size projects (medium size: up to USD 3 million).
- With regard to the accountability environment, there exists a need towards inducing a rigorous mechanism that ensures implementation of a stringent control environment. Establishment of an independent internal audit function is expected to strengthen the overall control environment within the organization. Currently managing director is entrusted with various responsibilities including, by and large, all of the key management functions.

**3 Financial management and accounting systems**

- The financial management systems are adequate, while finance staff is considered to be appropriately qualified to manage the existing portfolio of the Company. Additional funding from USAID is expected to increase the work load of the accounting and finance function and would require additional resources, depending on the quantum and type of USAID award. We understand that the Halcrow management has already planned for induction of one additional resource in finance function, which in addition to its existing resource, depending however on the volume and complexity of the expected transactions, the company may be able to discharge its financial management and accounting obligations.

**4 Procurements systems**

- Halcrow Pakistan is currently carrying out two types of procurements i.e. procurement of goods and services for general office purposes and project specific procurement of goods and services. With regard to procurement of goods and services for general office purposes, Halcrow Pakistan do not have any experience of handing significant procurements, where the requirement for such procurements remains insignificant due to the nature and type of operations of the company.
- Project specific procurement of goods and services includes procurements of sub-consultants on the projects and procurement of goods on behalf of the clients. Halcrow Pakistan also has the experience of handing procurements for IFIs (e.g. DFID and World Bank) under respective IFI procurement frameworks (refer to Annexure J & AC for details on key procurements of sub-consultants and procurements of goods on project for and on behalf of clients).
- In addition, Halcrow Pakistan services offering include procurement assistance as a service skill set i.e. assistance in defining pre-qualification requirements, preparation/ review of tender documents, pre-bid assistance, pre-bid site visit, defining evaluation criteria and bid evaluation assistance (refer to Annexure J for details on procurement assistance provided by Halcrow Pakistan to various clients)

	<p><b>4 Procurements systems – contd..</b></p> <ul style="list-style-type: none"> <li>Based on the factors identified under preceding paragraphs and subject to the successful completion of proposed capacity building measures including modification of existing policies and procedures, introduction of adequate segregation of duties within the procurement process, Halcrow Pakistan is expected to attain the level for effectively managing the USAID funds. However, keeping in view the requirements laid down by the USAID regulations, the Company may require to modify its existing policies and procedures for ensuring alignment with/ compliance of USAID rules and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>An analysis of staff utilization levels (from January 2011 to July 2011) imply that Halcrow Pakistan may have the available capacity to manage few small to medium size projects, however they may require additional strengthening of human resource at different levels.</li> </ul>
	<p><b>5 Human resources</b></p> <ul style="list-style-type: none"> <li>Halcrow Pakistan has a total staff strength of 141 out of which 29 represent management and support services, while the rest comprise of technical staff. Halcrow Pakistan has a centralised HR function based in Karachi and is managed by a team of two persons headed by the HR Manager. HR policies and procedures are in place and are being implemented on regular basis.</li> </ul>	<p><b>6 Monitoring and evaluation functions</b></p> <ul style="list-style-type: none"> <li>As mentioned in relevant section of the report, an independent dedicated unit has not been established for monitoring and evaluation of administrative and project activities. The company's existing monitoring and evaluation framework operates at various tiers both with reference to the decision making authority levels and from functional perspective. Absence of an independent monitoring unit may affect Company's ability to rigorously monitor and verify reported results. However, if the proposed capacity building measures are adequately implemented, the Company may be able to discharge its monitoring and evaluating responsibilities adequately.</li> </ul>
	<ul style="list-style-type: none"> <li>An analysis of staff utilization levels (from January 2011 to July 2011) for various skill sets is given below:</li> </ul> 	<p><b>6 Conclusion</b></p> <ul style="list-style-type: none"> <li><del>Based on various consideration discussed in the preceding paragraphs of this section, it may be concluded that from an operational perspective, Halcrow Pakistan may be categorized as small to medium size organization in term of its ability to manage projects. (Medium size projects are defined as the projects with contract value of and up to USD 3 millions).</del></li> <li><del>In case of multiple medium size awards from USAID or large USAID awards, additional resources and strengthening measures would be required with reference to financial management systems, procurement systems and monitoring &amp; evaluation systems, which would primarily be dependent on size and type (complexity) of USAID award (s).</del></li> </ul>

---


**CORE FUNCTIONS ANALYSIS  
MONITORING AND EVALUATION SYSTEMS**

	<p><b>1 Overview</b></p> <p><b>a) Prospect and project management systems</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan is using Halcrow Integrated Management System for prospect and project management systems, which provide detailed guidance for prospect and project management i.e. from identification of business opportunity to project closure under a structured approach.</li> <li>● The overall guidance for identifying and pursuing business opportunities comes from the business strategy document. At Halcrow Pakistan, on receipt of an invitation or identification of an opportunity, the recipient employee forwards the relevant documents or correspondence to the Development Director for his necessary action or decision.</li> <li>● To determine the merits in proceeding with the prospect, a go/no go evaluation is prepared by the prospect leader. In respect of significant prospects, a Business Risk Register is also filled by prospect leader.</li> <li>● For pursuing the high risk prospects (Level 6), the Group CEO approval is mandatory (the Group retains certain key controls to ensure compliance with business principles and policies).</li> <li>● Prospect planning checklist and Business Risk Register are used as guiding documents for prospect planning. Advice from finance manager is sought by prospect leader on credit history of the client.</li> <li>● On an intimation of Halcrow Pakistan selection on a prospect, the Managing Director selects a PD or PM.</li> <li>● The PD/ PM confirms that an Agreement is in place with the Client before project registration. Project may be registered with the approval of MD if an agreement is not in place.</li> <li>● PD/ PM with the required competence is appointed by the OD/ MD for each project. Where a PD is appointed, he delegates the authorities to the PM using the Delegation of PD's Authority form.</li> <li>● The PM is responsible for managing the work in accordance with the Task Order and carrying out the communications in accordance with the communications plan of the project.</li> <li>● The PM completes the project closure checklist and ensure that all project activities have been finalized including financial closing of the project, Project Performance Internal Review (PPIR) and archiving.</li> <li>● Refer to Annexure AD for details on the prospect and project management systems.</li> </ul>	<p><b>b) Monitoring and evaluation systems</b></p> <ul style="list-style-type: none"> <li>● An independent dedicated and centralized unit has not been established for monitoring and evaluation of administrative and project activities. The company's existing monitoring and evaluation framework operates at various tiers both with reference to the decision making authority levels and from functional perspective.</li> <li>● The Board of Directors retains governance oversight over the company and monitors the company's performance against agreed objectives and targets.</li> <li>● A three year strategy is prepared outlining the company's business strategy and high level objectives and targets is identified and approved by the Board of Directors (refer to 'Governance and Management Structure' section of this report for details). Each year, an annual business plan is prepared in line with the approved strategy.</li> <li>● The board meets at least once every year to review current year's performance and approve budgets for next year.</li> <li>● Profit and loss (P &amp; L) statement is generated every month) where the profit and other P&amp;L items are tracked against budgets. A Monthly Management Report (MMR) is also generated with cash, payables, receivables and other information.</li> <li>● Compliance with business systems is monitored every quarter through internal system audits.</li> <li>● Performance of projects against budgets is monitored on a quarterly basis or less as required using a Project Monitoring Sheet.</li> <li>● Staff utilization on projects, staff attrition rate, results of staff exit interviews, results of staff engagement surveys and budgets staff performance appraisal, spent on training and development are prepared by HR manager. (refer to Annexure AD for details on monitoring and evaluation systems)</li> </ul> <p><b>c) Overview of selected project</b></p> <ul style="list-style-type: none"> <li>● We selected 8 major completed/ on going projects of the Company. Detailed understanding regarding the project management and monitoring systems was obtained and compliance of set policies and procedures was checked on the basis of review of project files. Project briefs are given in Annexure AD.</li> </ul>
--	--	--

	<p><b>2. Assessment of M&amp;E function</b></p> <p><b>2.1 Structure and independence of monitoring and evaluation function</b></p> <p><b>a) Benchmark/ Criteria</b></p> <ul style="list-style-type: none"> <li>Monitoring and evaluation function should be independent in fact and appearance and should be an independent overseeing authority, tasked with ensuring continuous checks on compliance with stated policies and procedures.</li> <li>Monitoring and evaluation function should be structured in a way to ensure adequate segregation of duties with appropriate flow of authority and a mechanism of checks and balances on the monitoring and evaluation activities.</li> <li>Monitoring and evaluation function should employ sufficient number of staff to efficiently and effectively carry out its designated responsibilities. Appropriate need assessment of staff should be carried out taking into account the turnover, expected growth in scale of operations, succession planning, etc.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>An independent monitoring and evaluation function has not been developed. Project monitoring is assigned to respective project directors/ project managers.</li> <li>Halcrow Pakistan has established a Business Systems function responsible for carrying out internal business systems audits at projects level. The non-compliance with project management policy and procedures is reported to Managing Director and the respective project director / manager for corrective action.</li> <li>Business Systems function was not assessed to be an independent oversight activity because of its limited scope of review and lack of dedicated resources.</li> <li>The Business Systems manager was also the project director/ project manager on four projects during the last year and the internal business system audits of the projects under his domain were carried out by his delegate.</li> <li>Furthermore, the internal business systems internal audit plan for the years identified 16 man days for all ongoing project business system audits, indicating the extent of scope of this activity.</li> </ul>	<p><b>2.2 Adequacy of policies and procedures/ job description</b></p> <p><b>a) Benchmark</b></p> <ul style="list-style-type: none"> <li>Policies and procedures for monitoring and evaluation activities should be adequately laid down to ensure efficient execution of duties by M&amp;E personnel.</li> <li>Roles and responsibilities of monitoring and evaluation personnel should be clearly defined and should be set with the objective to achieve effective monitoring and evaluation.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>Halcrow Pakistan policies and procedures for project management have been developed in line with Halcrow Group Integrated Management Information Systems.</li> <li>There exists no separate set of policies and procedure for monitoring and evaluation activity, however, the operational level project monitoring and evaluation procedures have been built in to the business systems of Halcrow Pakistan.</li> <li>Policies and procedures for an independent oversight over the project team performance, with reference to efficiency &amp; quality in delivery of contacted services, are not in place. The responsibility of ensuring quality in service delivery rests with project director/ project managers who are also involved in day to day operations and management of projects.</li> </ul> <p><b>2.3 Reporting requirements under policies and procedures</b></p> <p><b>a) Benchmark/criteria</b></p> <ul style="list-style-type: none"> <li>A robust reporting system should be in place to ensure timely reporting of issues identified thereby assisting the management to take timely corrective actions.</li> <li>The report should formally be prepared on defined format with reporting responsibilities and reporting lines clearly defined.</li> <li>Reports/plans should be developed in compliance of project management guidelines and M&amp;E guidelines.</li> </ul>
--	--	---

	<p><b>2.3 Reporting requirements under policies and procedures – contd..</b></p> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan has developed comprehensive reporting guidelines including reporting formats, which are, by and large, being followed on projects. The reports/ plans are developed in compliance with project management guidelines, while there are no separate M &amp; E guidelines.</li> <li>● In addition to the formal reporting systems, the informal reporting of status and issues is also carried out.</li> </ul>			<p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>● Quality Management plan is required to be prepared on standard format in accordance with the requirements of policies and procedures of HIMS. However, it is not defined as a mandatory requirement. While performing projects compliance, we observed that the Quality Management Plan is not prepared for all projects which may result in lack of monitoring and quality control through out the implementation of the project (refer to Annexure K for details).</li> </ul>
	<ul style="list-style-type: none"> <li>● Halcrow Pakistan prepares project wise management accounts and comparisons between actual and budgeted costs, targets / milestones achieved, project delays etc highlighting problems faced and actions taken to address them.</li> </ul> <p><b>2.4 Project management</b></p> <p><b>a) Benchmark/criteria</b></p>			<ul style="list-style-type: none"> <li>● Project Monitoring Sheet is required to be prepared in accordance with the requirements of policies and procedures of Halcrow Pakistan. However, it is not defined as a mandatory requirement.</li> <li>● While performing projects compliance, we observed that the Project Monitoring Sheet is not prepared for all projects which may result in lack of monitoring and quality control through out the implementation of the project (refer to Annexure K for details).</li> </ul>
	<ul style="list-style-type: none"> <li>● Reports/plans should be developed in compliance with project management policies and procedures to manage the project smoothly and efficiently.</li> <li>● Project implementation plan should be developed and should be in line with the agreement. Deadlines and commitment should be followed however in case of change in plans, scope, deadlines and cost proper documentation should be maintained.</li> <li>● Effective project management function should be in place to carry out the following activities:</li> </ul>			<p><b>2.5 Checking Level 4 / External Check</b></p> <p><b>a) Benchmark/criteria</b></p> <ul style="list-style-type: none"> <li>● External checks should be carried out on work performed by the staff of Halcrow Pakistan in order to ensure that the work is performed to the highest level of quality and all standard benchmarks of project management have been applied and the quality of deliverable is ensured.</li> </ul> <p><b>b) Observations</b></p>
	<ul style="list-style-type: none"> <li>– Overseeing delivery to ensure that project objectives are achieved through the service offered by Halcrow Pakistan.</li> <li>– Ensuring timely supply of services to the rightful recipients.</li> <li>– Obtaining continuous feedback from the clients to assess impact of the services to ensure achievement of the project objectives.</li> <li>– Establishing rigorous follow up system to ensure timely implementation of findings and recommendations of M&amp;E staff.</li> </ul>			<ul style="list-style-type: none"> <li>● Halcrow business processes include four levels of verification and checking, where level four represent the highest level of check i.e. external check.</li> <li>● The level of check is to be defined by the project director / project manager at the start of project and there is no mandatory requirement for carrying out any specific level of check on the basis of nature or risk level of the project.</li> <li>● Further, no external checks have been performed on any projects completed during last three years.</li> </ul>

	<p><b>2.6 Compliance of policies &amp; procedures – project management</b></p> <p><b>a) Benchmark/criteria</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan uses the Halcrow Integrated Management System (HIMS) for day to day project management and reporting. HIMS identifies certain requirements which must be complied with.</li> <li>● Further, progress reporting, deliverables and billing management should be carried out in accordance with project management benchmarks.</li> </ul>	<p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>● We observed that client satisfaction survey is a requirement of HIMS, however, it is not a mandatory requirement. During our projects compliance, we observed that the client satisfaction survey is not filled in all cases.</li> </ul> <p><b>2.9 Adequacy of policies and procedures relating to bidding stage</b></p> <p><b>a) Benchmark/criteria</b></p>
	<p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>● KPMG performed compliance on HIMS and other standard project management benchmarks and observed certain shortcomings.</li> <li>● Refer Annexure K for observations.</li> </ul> <p><b>2.7 Observations of Internal Audit</b></p> <p><b>a) Benchmark/criteria</b></p>	<ul style="list-style-type: none"> <li>● Adequate policies and procedures should be in place to prepare and tender bids to clients in order to ensure standardization, accuracy, uniformity and appropriate business rational.</li> <li>● Further the standard charge out rates should be developed and implemented in all cases, at least at bidding stage.</li> </ul> <p><b>b) Observations</b></p>
	<ul style="list-style-type: none"> <li>● Halcrow Pakistan uses the Halcrow Integrated Management System (HIMS) for day to day project management and reporting. HIMS identifies certain requirements which should be complied with. An internal systems audit function is established to check the compliance with HIMS.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>● The internal auditor has observed certain non-compliances with the policies and procedures of HIMS. These are given in Annexure AE with regard to the 8 projects selected for projects compliance.</li> </ul>	<ul style="list-style-type: none"> <li>● We understand from our review of bids submitted by the Halcrow Pakistan that there is no standardized content for submission of bids. Further, the charge out rates are not standardized and are quoted on client to client basis.</li> <li>● We noted that the bid stage documentation is not followed for projects awarded by Halcrow Group.</li> </ul> <p><b>2.10 Agreements with clients</b></p> <p><b>a) Benchmark/criteria</b></p>
	<ul style="list-style-type: none"> <li>● We understand from our review of the documentation that these shortcomings were addressed after the audit.</li> </ul> <p><b>2.8 Client satisfaction survey</b></p> <p><b>a) Benchmark/criteria</b></p> <ul style="list-style-type: none"> <li>● Client satisfaction survey should be circulated to each client after completion of the project and appropriate follow up mechanism should be developed to obtain feedback from client.</li> </ul>	<ul style="list-style-type: none"> <li>● Adequate policies and procedures should be in place to require the signing of contract for all client relationships and mandatory standard terms and conditions should be identified and annexed to all business relationships.</li> </ul> <p><b>b) Observations</b></p> <p>c) We observed that on an instance letter of acceptance was considered as substitute for formal agreement. Further, there is a master agreement with Halcrow Group which is used for all professional work carried out by Halcrow Pakistan for Halcrow Group.</p>

	<p><b>2.11 Monitoring performance of Business Partners</b></p> <p><b>a) Benchmark/criteria</b></p> <ul style="list-style-type: none"> <li>• Adequate policies and procedures should be in place for carry out regular monitoring of Business Partners, hired for the purpose of sub-consultancy under projects where expertise are not available in house.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>• We understand that there is no formal documented mechanism in place to monitor and track the performance of business partners hired as sub-contractors during the course projects for expertise not available in house.</li> </ul>			
	<p><b>2.12 Integration between operations and finance functions</b></p> <p><b>a) Benchmark/criteria</b></p> <ul style="list-style-type: none"> <li>• There should be adequate integration among operations and finance function in order to ensure that accurate and up to date records are maintained at both departments and there should be no duplication of effort at both departments.</li> </ul> <p><b>b) Observations</b></p> <ul style="list-style-type: none"> <li>• We observed that the operations and finance department are not centralized and excel work sheets are shared among both departments for the purpose of reporting and processing. i.e. operations department submits relevant information to the finance department for processing of bills in the form of excel sheets.</li> <li>• Further, the budgets are not centrally linked among finance and operations department and budgets revisions are not updated on regular basis in finance records.</li> </ul>			

---


# ANNEXURES


## Annexure A

### List of key documents reviewed

Sr. No	Name	Sr. No	Name
1	Company Registration Documents	29	Copies of audited financial statements covering period of last three years
2	Memorandum and articles of Association	30	Copies of external audit reports covering period of last three years
3	Organizational Structure Booklet of Halcrow	31	Copies of management letters submitted by the external auditors in respect of previous three financial years.
4	Corporate Profile Booklet	32	Follow-up reports in respect of the recommendations made by the external auditors
5	Documents filed with the registrar (Form A)	33	A description of accounting system currently in place including identification of reports generated by the system
6	Registration with tax authorities	34	Copies of latest budget vs. actual reports
7	Income Tax Returns	35	Fixed Asset Register
8	Business Plans for the last two years	36	Bank Reconciliation statements for the last six months
9	Copies of agreements with legal advisors	37	List of authorized signatories
10	Halcrow Memorandum of Authority document providing information about methods of assigning authority and responsibility	38	List of bank accounts bifurcated into local and foreign currency
11	Master Agreement entered into with Halcrow Group	39	Copies of accounting forms – Receipts, and Cheque/cash payment vouchers
12	Copies of sub consultants hired during the last three years	40	Segment wise revenue break-up of HPL for the last three years
13	Copies of internal control policies and procedures	41	Supplier and all creditors age analysis
14	Insurance policy documents in respect of: a) professional indemnity insurance; b) fixed assets; c) Medical insurance etc	42	Receivable age analysis
15	Copies of software's licenses	43	List of all the projects completed during the last three years
16	List of Employees	44	Copies of project agreements for key ongoing and completed projects
17	Resumes of Key Management Personnel's	45	Project Progress reports
18	Job Descriptions of Key Management Personnel's	46	Copies of deliverables/completion reports and other documentation for deliverables submitted under projects completed during last three years
19	Staff Hand book and related HR policies	47	Project completion certificates
20	Department wise staff turnover reports in respect of previous two years	48	Project management guidelines
21	Staff Attrition calendars for the last three years	49	Process of project designing and evaluation
22	Payroll Sheets for the last 12 months	50	Details of procurements made under the project
23	Personnel files including employee contract, interview sheets and other documentation etc.	51	Human resource management analysis/report along with details of hiring of staff made under the project
24	Timesheets for a sample of employees	52	Quality management plans
25	Training plan for the year 2011	53	Quality management review reports
26	Finance Policies and Procedures Manual	54	Follow-up actions from previous management reviews
27	Latest Chart of Accounts and Trial Balance		
28	Management Accounts		

## Annexure B

### List of key personnel interviewed

Name	Designation	Department
Mr. Junaid Hasan	Managing Director	Management
Mr. Usman Mumtaz	Development Director	Management
Mr. Ali Khan	Project Manager	Project Management/ Structural Engineering
Mr. Zulfikar Hasan	Project Manager	Project Management/ Structural Engineering
Mr. Asim Mahmood	Manager Finance	Accounting & Finance
Mr. Muhammad Nadeem Ahmed	HR/ Admin Officer	HR/ Administration
Mr. Shahzad Saleem	Senior Accounts Officer	Accounting & Finance

## Annexure C

# Synopsis of Memorandum of Association

	<p><b>Name of the Company:</b> Halcrow Pakistan (Private) Limited</p> <p><b>Registered Office:</b> Islamabad Capital Territory</p> <p><b>Legal Status:</b> Company limited by Shares incorporated under section 38/39 of the Companies Ordinance, 1984</p> <p><b>Objects:</b></p> <ul style="list-style-type: none"> <li>● The key objects of the company for which the company is established are to undertake the following business: <ul style="list-style-type: none"> <li>❖ To carry on all or any of the business of consulting engineers, in civil, structural, precision, gas oil, heating, mechanical, light, heavy, motor marine, nautical, aeronautical, service, electrical, telecommunication,, chemical and general engineering, and of designers, installers, servicer, developer, distributor, hirer, letters on hire and agents for sale of and dealers of plant, tools and machinery, and to carry out researches, investigations and experimental work of every description in relation to any materials, substances or subject in connection with or calculated to benefit any of the businesses of the Company; and to buy, sell, market import, export and deal in plant, machinery, implements, goods appliances, articles, commodities, apparatus and things capable of being used in any of the businesses or likely to be required by any of the customers of or persons having dealings with the Company.</li> <li>❖ To undertake, aide, promote and coordinate projects studies, to arrange collaboration, extend technical assistance and services, prepare schemes, project reports, market research studies, to arrange the technical and financial agreements, to make agreements and arrangements to provide management and personnel, to supervise and set-up production techniques, assists in findings markets for manufactured goods in Pakistan and foreign origin, secure sound investments of foreign capital in Pakistani undertakings and enterprises and to act as agents or render assistance to any person, firm, company, association, embassy or government.</li> <li>❖ To complete schemes, drawings, plans and estimates including layout of plants and machinery and establish and assist in the establishment of such concerns.</li> <li>❖ To advise clients on comparative merits or otherwise of equipment required by them and pass on their indents to the approved suppliers and/or manufacturers and to import on behalf of the clients, and for the company necessary items of machinery and tools needed for the works and to erect, test , run all machinery and equipment for clients and the company and employ experts from any part of the world to inspect products on behalf of the company.</li> <li>❖ To provide personnel and recruitment services and to carry out the business of industrial consultants and providing management services and personal services as supervisors of work.</li> </ul> </li> </ul> <p><b>Share Capital</b></p> <ul style="list-style-type: none"> <li>● The authorized share capital of the company is Rs 2,000,000 divided in to 200,000 shares of Rs 10 each.</li> <li>● Shares were issued to the following persons as subscribers to the company: <ul style="list-style-type: none"> <li>– David Richard Birch, 500 ordinary shares of Rs. 10 each (British National)</li> <li>– William Newcombe , 500 ordinary shares of Rs. 10 each (British National)</li> </ul> </li> </ul>
--	--

## Annexure D

# Synopsis of Articles of Association

	<p><b>Private Limited Company</b></p> <ul style="list-style-type: none"> <li>● The number of the members of the company (Exclusive of persons who are for the time being in the employment) shall not at any time exceed 50.</li> <li>● The company shall not at any time offer any of its shares or debentures, or debenture stock to the public for subscription.</li> <li>● The right to transfer shares of the company is restricted.</li> </ul> <p><b>Shares</b></p> <ul style="list-style-type: none"> <li>● Share rights <ul style="list-style-type: none"> <li>❖ The shares of the company shall be under the control of the Directors, who may allot or otherwise dispose of the same to such persons, on such terms and conditions, and at such times and for such consideration as the Directors think fit</li> <li>❖ The shares in the capital of the company may be allotted or issued in payment or part payment for any land, building, machinery or goods supplied or services rendered to the Company in promotion and establishment thereof or in the conduct of its business. Any shares so allotted may be issued as fully paid up and not otherwise.</li> <li>❖ In case of increase in share capital of the company, the shares shall be offered to the members in proportion of existing shares held by each member and incase of decline by a member, the board may dispose off such shares in the manner it may consider most beneficial for the company.</li> </ul> </li> <li>● Transfer of shares <ul style="list-style-type: none"> <li>❖ The instrument of transfer of any share in the company shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain holder of the shares until the name of transferee is entered in the register.</li> <li>❖ The directors may decline to register the transfer of shares or refuse to register a transfer to a transferee, whom they do not approve. The registration of transfer shall be the conclusive evidence of transfer.</li> <li>❖ If the shareholder wishes to sell his shares in the company, such shares will be first offered to the company so that the secretary of the company may offer the same to other shareholders of the company in accordance with the rules in this regard made by the board of directors.</li> <li>❖ In case of refusal of transfer by the directors, an intimation of refusal shall be sent with in one month of the date of request for transfer.</li> </ul> </li> <li>● Transmission of shares <ul style="list-style-type: none"> <li>❖ The executor, administrators , heirs, or nominees as the case may be, of a deceased sole holder of the share shall be the only person recognized by the Company as having any title of the share.</li> <li>❖ In case of the shares registered in the names of two or more holders, the survivor or survivors shall be the only persons recognized by the Company as having any title to the share.</li> <li>❖ A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share</li> </ul> </li> <li>● Alteration of Capital <ul style="list-style-type: none"> <li>❖ The Company may, from time to time, by ordinary resolution, increase the share capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe.</li> <li>❖ The new shares shall be subject to same provisions with reference to transfer, transmission and otherwise as the shares in original share capital</li> <li>❖ Share capital can be reduced by special resolution by any reason</li> </ul> </li> </ul>
--	---

## Annexure D

### Synopsis of Articles of Association – contd..

	<p><b>Meeting and proceedings</b></p> <ul style="list-style-type: none"> <li>● General meetings <ul style="list-style-type: none"> <li>❖ Annual General meeting: A AGM shall be held, in accordance with the provision of section 158, within 18 months from the date of incorporation of the company and there after once at least every year within a period of six months following the close of its Financial year.</li> <li>❖ Extra ordinary meetings: Directors may whenever they think fit, call an extra-ordinary general meeting, and extra-ordinary general meetings shall also be called on such requisition.</li> </ul> </li> <li>● Notice and proceedings <ul style="list-style-type: none"> <li>❖ 21 days notice at least specifying the place, the day and the hour of meeting and in case of special business, the general nature of that business, shall be given in the manner provided by the ordinance for general meeting.</li> <li>❖ No business shall be transacted at any general meeting unless quorum of members is present at the time when meeting proceeds to business\</li> <li>❖ Chairman of BoD , if any , shall preside as chairman of every general meeting of the Company, if at any meeting he is not present or is unwilling to act as chairman, any one of the Directors present may be elected to be chairman, if none of the director present or is unwilling members can chose one of there member as chairman</li> <li>❖ If poll is demanded, it shall be taken in accordance with the manner laid down in section 168.</li> </ul> </li> <li>● Votes of members <ul style="list-style-type: none"> <li>❖ Every member present in present shall have one vote except for election of directors in which case the provision of section 178 shall apply</li> <li>❖ On a poll every member shall have voting rights as laid down in section 160.</li> <li>❖ The instrument of appointing a proxy shall be in writing under hand of the appointer or of his attorney duly authorized in writing and must be deposited at the office not less then 48 hrs before the time of holding the meeting.</li> <li>❖ A proxy must be a member of the Company.</li> </ul> </li> </ul> <p><b>Management and Administration</b></p> <ul style="list-style-type: none"> <li>● Board of Directors <ul style="list-style-type: none"> <li>❖ Unless otherwise determined by the company in general meeting, the number of directors shall not be less than 2 nor more than 9, and chief executive of the company shall be appointed in accordance with section 198 and 199. The first directors of the company shall be: <ol style="list-style-type: none"> <li>1. David Richard Birch</li> <li>2. William Newcombe</li> </ol> </li> <li>❖ The remuneration of directors shall be determined by the board as approved in general meeting. However, it shall not exceed Rs. 200 per meeting. Travelling allowance may be allowed by the board if the director has to come from abroad.</li> <li>❖ The Directors may sanction the payment of such additional sums a.; they may think fit to any Director for any special service he may render or be thought capable or rendering either by fixed sum or percent or profit or otherwise as may be determined by directors and subject to approval in the general meeting.</li> </ul> </li> </ul>
--	---

## Annexure D

### Synopsis of Articles of Association – contd..

	<ul style="list-style-type: none"> <li>● Disqualification of Directors           <ul style="list-style-type: none"> <li>❖ Subject to the provisions of section 188 of the Ordinance, the office of the director shall be vacated if the director:               <ol style="list-style-type: none"> <li>1. is not a member of the Company, and is a minor.</li> <li>2. b) is found to be of unsound mind by a Court of competent jurisdiction, or</li> <li>3. is adjudged insolvent, or</li> <li>4. has been convicted by a court of law for an offence involving moral turpitude</li> <li>5. is removed from office by resolution of the Company in general meeting.</li> <li>6. Absents himself from three consecutive meetings of the board or continuous period of three months which ever is longer without leave of absence from the board.</li> <li>7. is concerned or has participated in the profits of any contract with the company without knowledge in directors</li> <li>8. has betrayed lack of fiduciary behavior and a declaration of this effect has been made by a court under section 217 at any time during preceding five years.</li> </ol> </li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>● Election and Removal of Directors           <ul style="list-style-type: none"> <li>❖ The Directors shall be elected by the members of the Company in accordance with the ordinance at any general meeting in the following manner:               <ol style="list-style-type: none"> <li>1. A member shall have such number of votes as is equal to the product of the number of voting shares or securities held by him and the number of Directors to be elected.</li> <li>2. A member may give all votes to a single candidate or divide them among more than one of the candidates in such a manner as he may choose; and</li> <li>3. The candidate who gets the highest number of votes shall be declared elected as Director and then the candidate who gets the next highest number of votes shall be so declared and so on until the total of directors to be elected have been so elected.</li> </ol> </li> <li>❖ Each director and chief executive shall hold the office for three years</li> <li>❖ The Company may remove a director but only in accordance with the provisions of the Ordinance.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>● Proceeding of Directors           <ul style="list-style-type: none"> <li>❖ The necessary quorum to conduct a meeting of board shall be two directors present in person.</li> <li>❖ The Directors may meet together for dispatch of business, adjourn and otherwise regulate their meetings, as they think fit</li> <li>❖ Questions arising at any meeting shall be decided by a majority of votes</li> </ul> </li> </ul>

## Annexure D

### Synopsis of Articles of Association – contd..

	<p><b>Power and duties of Directors</b></p> <ul style="list-style-type: none"> <li>● Subject to the provisions of Section 196 of the Companies Ordinance 1984, the business of the Company shall be managed by the Directors who may pay all expenses including those which may be preliminary and incidental to the promotion, formation, establishment and registration of the company and do on behalf of the company such acts as may be done and exercised by the company. Key power and duties of directors include the following: <ul style="list-style-type: none"> <li>❖ To issue debentures or participation term certificates, borrow money otherwise than debentures and debentures and invest funds of the company.</li> <li>❖ To acquire or lease assets and to dispose off the property of the company.</li> <li>❖ To enter into all types of financial arrangement with banks and open bank accounts.</li> <li>❖ To enter into contracts, import plant and machinery.</li> </ul> </li> </ul>
	<p><b>Dividends and Reserves</b></p> <ul style="list-style-type: none"> <li>● The company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors.</li> <li>● No dividend shall be paid otherwise than out of profits of the year or any other undistributed profits.</li> <li>● No unpaid dividend shall bear interest against the company.</li> <li>● The Directors may carry forward any profits which they may think prudent not to distribute without setting them aside as a reserve.</li> </ul> <p><b>Accounts:</b></p> <ul style="list-style-type: none"> <li>● Proper books of account, as required by section 230 of the Ordinance</li> </ul>
	<ul style="list-style-type: none"> <li>● Income and expenditure accounts, balance sheets and reports as referred by Section 233 of the Companies Ordinance, 1984 shall be prepared.</li> </ul> <ul style="list-style-type: none"> <li>● A copy of balance sheet and profit and loss account and reports of directors and auditors shall, at least 21 days preceding the meeting, be sent to the persons entitled to receive notices of general meetings.</li> </ul> <p><b>Audit:</b></p> <ul style="list-style-type: none"> <li>● Auditors shall be appointed and their duties regulated in accordance with Sections 252 to 255 of the Ordinance</li> </ul> <p><b>Winding up:</b></p> <ul style="list-style-type: none"> <li>● If the company is wound up, the liquidator may, with the sanction of Special resolution of the Company and any other sanction required by law, divide amongst the members in specie or kind the whole or any part of the assets of the company.</li> </ul>
	<p><b>Secrecy</b></p> <ul style="list-style-type: none"> <li>● Every Director, Manager, adviser, auditor, trustee, member of a committee, officer, servant, agent, accountant, or other person employed in the business of the company shall, if so required by the directors before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the company with its customers and the state of account with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties.</li> <li>● No member or other person (not being a director) shall be entitled to enter upon the property of the company or examine the company's premises or properties without the permission of a director .</li> </ul>

## Annexure E

# Financial management and accounting system

	<p><b>1. Introduction</b></p> <ul style="list-style-type: none"> <li>A dedicated and centralized accounting and finance function has been established to carry out accounting and reporting of financial matters of the company.</li> </ul> <p><b>2. Scope and function</b></p> <ul style="list-style-type: none"> <li>Finance and accounts department is responsible for accounting and financial control, budgeting, insurance, loans and advances administration, income tax, corporate and secretarial, treasury management, payroll and raising invoices for various clients and budget preparation.</li> <li>Finance department is also responsible for preparation of payroll and allocation of the direct costs to different projects on the basis of time sheets.</li> <li>Functions of the finance department are governed by the finance policies and procedure manual, Halcrow Integrated Management System Business Requirements (HBRs) and Manual of Authority. The finance manual along with the HBRs serves as the primary source of guidance and lays down the roles and responsibilities for the accounting and finance function. Manual of Authority sets the approval limits for employees and BoD.</li> <li>Finance and accounts manual is required to be updated as and when the need arises. The proposed changes are submitted to the Board of director, along with due justification, for evaluation and approval.</li> <li>Appropriate job descriptions have been developed for the finance team of the company. The said job descriptions are approved by the managing director of the company, keeping in view the specific requirements in consultation with the finance manager.</li> </ul>	<ul style="list-style-type: none"> <li>Third tier of accounting and finance function comprise of admin/accounts officers, who handles the petty cash and other such minor finance related activities of the Karachi Office.</li> <li>We were informed during the discussions the management intends to increase the strength of finance department by hiring another employee. This will result in the revision of the job descriptions of the existing finance staff and will streamline the finance function of the company.</li> <li>Finance manager does not have the authority to approve any expenses. All the expenses/payments require the approval/ pre authorization of managing director.</li> <li>Approval limits defined in Manual of Authority are summarized in Annexure G. Limits stated in the manual of authority are applicable to each transaction. Individuals have authority for those transactions only for which the sanctioned budget exists. Expenditure which becomes necessary but is not included in the sanctioned budget requires a budget amendment to be approved by Managing Director, Chief Executive or Board of directors.</li> </ul>
	<p><b>3. Structure of accounting and finance function</b></p> <ul style="list-style-type: none"> <li>Accounting and finance function has a dedicated team of three employees, headed by the Finance Manager, who is charged with the responsibility for overall operations of the function and reports to managing director. Manager Finance is part qualified chartered accountant with more than eleven years of experience.</li> <li>Finance manager leads a team of two senior accounts officers. One senior finance officer is qualified cost and management accountant, while the other senior finance officer is has a master degree in business administration with finance subjects as majors.</li> </ul>	
		<p style="text-align: center;"><b>Departmental Structure</b></p> <pre> graph TD     FM[Finance Manager] --- SAO1[Senior Accounts Officer]     FM --- SAO2[Senior Accounts Officer]     SAO1 --- AAO[Admin/Accounts Officer (Karachi Office)]     SAO2 --- AAO     </pre>

	<p><b>4. Preparation of Financial statements</b></p> <ul style="list-style-type: none"> <li>Financial year of the Company ends on 31 December. Financial statements of the Company are prepared in accordance with approved accounting standards as applicable in Pakistan, which comprise of International Accounting and Financial Reporting Standards issued by the ICAP and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 prevail (please refer Annexure F for detailed description of Company’s accounting policies).</li> <li>Finance department prepares the monthly and annual accounts for group reporting and monthly report encompassing P&amp;L, backlogs, cash flows, debtors, earnings and utilizations.</li> </ul> <p><b>5. Accounting software</b></p> <ul style="list-style-type: none"> <li>“Agresso”, an ERP, is used by the Halcrow Group around the world. Halcrow Pakistan is not completely integrated with Halcrow Group, as the said ERP and other MIS have not been rolled out in Pakistan. Accordingly the Company has employed Quick Books Enterprise Solution (Multiuser Professional Services Edition 9) for its accounting functions. Up to five users can access the software.</li> <li>Payroll is prepared manually by the finance department using MS Excel, however, the company has purchased a “time import utility” software, which has enabled the allocation of HR time to different projects. Currently, the project wise time records are also maintained on MS Excel. Payroll is not dependent on time sheets and time sheets are only used for the purposes of billing and allocating the man hours to each project.</li> <li>Quick Books is also used for generating/raising invoices to the customers. Each invoice generated by the software has a unique serial number, which also identifies the year of invoice. An invoice can only be generated once and in case of reprinting, all copies of invoices are printed with a duplicate mark by the system.</li> <li>A receipt can only be entered in the Quick Books against specific invoice. Once the receipts are entered, the software automatically updates the outstanding invoices details and bank account balances.</li> </ul>	<ul style="list-style-type: none"> <li>The employed accounting software does not generate the vouchers and all vouchers are prepared manually.</li> <li>The Quick Books Enterprise Solutions has a provision to generate the various types of reports/documents. However, the company generates the following types of reports on regular basis: <ul style="list-style-type: none"> <li>Accounts receivable aging summary</li> <li>Customers balance details</li> <li>Open Invoices</li> <li>Profit and Loss account (Monthly/Quarterly/Annually)</li> <li>Balance Sheet (Monthly/Quarterly/Annually)</li> <li>Profit loss by Job</li> <li>Sales by Item</li> <li>Time by job summary , job detail, name, item</li> <li>Trial Balance</li> <li>General ledger</li> <li>Transaction details by accounts</li> <li>Memorized reports for utilization, banking, company, customers, employee, professional services, time reports vendors.</li> </ul> </li> <li>In addition to the above, following reports are prepared manually by the finance team on the basis of raw data exported from the accounting software: <ul style="list-style-type: none"> <li>Revenue reports</li> <li>Time reports to project manager</li> <li>Monthly management report</li> <li>Time and cost utilization report</li> <li>Project financial status report which includes contractual billings , direct expenses, payroll cost and contribution, etc.</li> <li>Cash budget report</li> </ul> </li> <li>A scheme of Chart of Accounts has been designed to allocate account codes for classifying various transactions, keeping in view the nature of the business conducted by the Company. The scheme is logical, scientific and flexible enough to incorporate new accounts with the increase of operations and requirements without disturbing the original scheme of account.</li> </ul>
--	--	---

	<p><b>6. Financial management system</b></p> <p><b>A. Cash management system</b></p> <ul style="list-style-type: none"> <li>The Company does not have a separate treasury function and responsibility of cash management rests with the Finance Manager under supervision of the Managing Director.</li> <li>For each collection, like refund of advances given to employees/suppliers or any other collection on behalf of company, a cash receipt voucher is prepared to record the transactions in the Quick Books.</li> <li>Customer receipts are always through the banking channels i.e. either in form of crossed cheques or bank transfers. All receipts from the customers are acknowledged by the Finance Manager. Likewise, all the payments, except for petty expenses, are made through banking channels using the crossed cheque or bank transfers. The banks pay in slip is enclosed with the cash receipt voucher as evidence of deposit into the bank account.</li> <li>The day to day cash requirements of the Company are met through the petty cash fund. This fund has a capping of PKR. 100,000. Petty cash system in place allows the company to make the cash payments up to PKR 5,000 per transaction against verifiable evidence. Manager Finance is responsible for execution of petty cash payments in accordance with the Manual of Authority. Petty cash transactions are posted in the GL on monthly basis.</li> <li>Cash management system of the Company is completely centralized &amp; all expenses of Karachi office are managed through Islamabad Office. Karachi office only maintains petty cash fund by regularly reporting and sending original bills to Islamabad office for accounting and reimbursement. Senior accounts officer of Islamabad office and the Admin/Accounts officer at Karachi are the custodians of the petty cash.</li> </ul> <p><b>B. Bank accounts management</b></p> <ul style="list-style-type: none"> <li>Opening and operating the bank accounts in the name of the Company requires approval and signatures of CEO and approval of board of directors.</li> <li>As per the finance policies and procedures manual, all bank accounts of the company should be interest bearing accounts. All foreign currency denominated bank and cash transactions and balances should be translated and valued in Pak Rupees.</li> </ul>	<p><b>B. Bank accounts management – contd..</b></p> <ul style="list-style-type: none"> <li>As at 31 December 2010, the company was maintaining the following bank accounts.</li> </ul> <table border="1" data-bbox="1352 331 2132 643"> <thead> <tr> <th>Name of Bank</th> <th>Type of Account</th> <th>Particulars</th> </tr> </thead> <tbody> <tr> <td>Standard Chartered Bank, F-7 Islamabad</td> <td>PKR (Current A/C)</td> <td></td> </tr> <tr> <td>Faysal Bank, 15, F-7 Markaz, Islamabad</td> <td>USD (Saving FE-25)</td> <td></td> </tr> <tr> <td>Faysal Bank, 15, F-7 Markaz, Islamabad</td> <td>PKR (Saving A/C)</td> <td>Master account</td> </tr> <tr> <td>Faysal Bank, 15, F-7 Markaz, Islamabad</td> <td>PKR (Saving A/C)</td> <td>Child Account Karachi</td> </tr> <tr> <td>Faysal Bank, 15, F-7 Markaz, Islamabad</td> <td>PKR (Current A/C)</td> <td>Bank Guarantee Account</td> </tr> <tr> <td>Faysal Bank, 15, F-7 Markaz, Islamabad</td> <td>USD (FE-8)</td> <td></td> </tr> <tr> <td>Faysal Bank, 15, F-7 Markaz, Islamabad</td> <td>GBP (FE-8)</td> <td></td> </tr> <tr> <td>Faysal Bank, Upper Mall, Lahore</td> <td>PKR (Saving A/C)</td> <td>Dormant</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>In order to properly monitor bank accounts, bank statements are received by finance department on daily basis and bank reconciliations are carried at regular intervals. The bridging document specifically states the Halcrow Pakistan does not hedge its foreign currency receipts, inter bank exchange rate be used for translation</li> </ul> <p><b>7. Payroll management</b></p> <ul style="list-style-type: none"> <li>Finance department of the company is responsible for preparation of the payroll. Accounting software employed by the company does not generate the payroll hence it is prepared manually using Microsoft Excel.</li> <li>Payroll preparation is the responsibility of Senior Accounts officer. While preparing the payroll, the deductions for advance against salary, tax and provident fund are made</li> <li>HR officer of the company is required to inform the finance department about leavers, joiners, final settlements, increments, payment of arrears and any deduction on the account of leave without pay on or before 25th of each month. Up on receipt of the said information, finance department, is required to prepare the payroll summary and salary slips for each employee .</li> <li>In case of new employee, salary is only disbursed when staff ID is generated by "Cordis", an online utility on Halcrow 's global intranet.</li> <li>Payroll also includes contractual employees and staff specifically hired for the projects.</li> </ul>	Name of Bank	Type of Account	Particulars	Standard Chartered Bank, F-7 Islamabad	PKR (Current A/C)		Faysal Bank, 15, F-7 Markaz, Islamabad	USD (Saving FE-25)		Faysal Bank, 15, F-7 Markaz, Islamabad	PKR (Saving A/C)	Master account	Faysal Bank, 15, F-7 Markaz, Islamabad	PKR (Saving A/C)	Child Account Karachi	Faysal Bank, 15, F-7 Markaz, Islamabad	PKR (Current A/C)	Bank Guarantee Account	Faysal Bank, 15, F-7 Markaz, Islamabad	USD (FE-8)		Faysal Bank, 15, F-7 Markaz, Islamabad	GBP (FE-8)		Faysal Bank, Upper Mall, Lahore	PKR (Saving A/C)	Dormant
Name of Bank	Type of Account	Particulars																											
Standard Chartered Bank, F-7 Islamabad	PKR (Current A/C)																												
Faysal Bank, 15, F-7 Markaz, Islamabad	USD (Saving FE-25)																												
Faysal Bank, 15, F-7 Markaz, Islamabad	PKR (Saving A/C)	Master account																											
Faysal Bank, 15, F-7 Markaz, Islamabad	PKR (Saving A/C)	Child Account Karachi																											
Faysal Bank, 15, F-7 Markaz, Islamabad	PKR (Current A/C)	Bank Guarantee Account																											
Faysal Bank, 15, F-7 Markaz, Islamabad	USD (FE-8)																												
Faysal Bank, 15, F-7 Markaz, Islamabad	GBP (FE-8)																												
Faysal Bank, Upper Mall, Lahore	PKR (Saving A/C)	Dormant																											

	<p><b>7. Payroll management – contd..</b></p> <ul style="list-style-type: none"> <li>• Time sheets are only used for allocation of man hours to different projects and they are not the requisite for the salary disbursement.</li> <li>• The payroll is reviewed by the Finance Manager before approval by the Managing Director. Salaries are paid through direct bank transfers or through crossed cheques.</li> <li>• Per diems to meet expenses during visit/travel away from base office are also transferred with the salary, after approval from MD/PD/PM and deduction of tax. Staff is required to submit the expense form to administration department before 20<sup>th</sup> of each month. The said forms are then submitted by the administration to Finance Department before 22<sup>nd</sup> of each month.</li> <li>• EOBI contributions for Employees are required to be made by the Company and are not deducted from their salaries.</li> <li>• The company has also established a recognized Contributory Provident Fund under a Trust Deed for the benefit of its employees. All permanent employees have option to join this scheme and are required to subscribe 8.33% of the basic salary with equal contribution from the company on monthly basis. Finance department is responsible to make the cheque in favor of the fund after posting the company’s contribution to general ledger.</li> </ul> <p><b>8. Project costing mechanism</b></p> <ul style="list-style-type: none"> <li>• The Company maintains a centralised system for recording of project receipts and payments. All invoices are generated by the finance department on the basis of instruction from the project directors/project managers.</li> <li>• All receipts against invoices raised by the Company are received through banking channels. There are not cash receipts.</li> <li>• Halcrow Pakistan follows the project costing mechanism of Halcrow Global. Under this system all directly allocable costs are allocated to different projects. Common costs and costs of support/service departments are treated as overheads and are not allocated to projects.</li> <li>• Directly allocable costs mainly include the man hours which are allocated to each project on the basis of time sheets. Time sheets are approved and sent to finance department by the team leads.</li> </ul>	<ul style="list-style-type: none"> <li>• The time sheets prepared on a customized excel based template, which are then fed into “time import utility” of Quick Books. The accounting software allocates the time of each staff to different project on the basis of project codes.</li> </ul> <p><b>i) Invoices</b></p> <ul style="list-style-type: none"> <li>• Halcrow Pakistan provides services to its clients mainly under two types of contracts, namely: <ul style="list-style-type: none"> <li>– Time based billings</li> <li>– Fixed price contracts (involving milestone based billings).</li> </ul> </li> <li>• Quick books enterprise solution, the accounting software employed by the company, is used for generating the invoices.</li> <li>• In case of time based billing, accounting software generates a “time by job summary”. The said time by job is sent to each project director/project manager through email. Project managers calculates the amount to be billed to the client and intimates the finance department through an email. Finance department generates the invoice and send it back to the project directors/project manager. Project manager approves the said invoice routes them back to finance department for dispatch to customers.</li> <li>• In case of fixed price contracts involving milestone based billing, project directors/project manager sends an intimation about the achievement of the milestone to Finance department. Finance department generates the invoice and sends it back to the project directors/project manager for approval. After approval, the invoice are dispatched through finance department. Inter-group invoices are also generated in the similar way.</li> </ul> <p><b>ii) Receipts</b></p> <ul style="list-style-type: none"> <li>• All receipts against invoices raised by the Company are deposited in the master account or FE-8 account. However, in case of FE-8 accounts 65% of the foreign incoming remittances are transferred immediately to master accounts at inter bank exchange rate. Remaining 35% of the foreign incoming remittances can be withheld in FE 8 account and are only transferred to master account on the receipt of advice from the company.</li> </ul>
--	---	---

## Annexure E

### Financial management and accounting system – contd..

	<p><b>iii) Expenditures</b></p> <ul style="list-style-type: none"> <li>All direct costs, which mainly include salaries, life insurance, vehicles rentals and allowances, are charged to relevant project.</li> <li>Salaries of contractual employees specifically hired for the project are booked against the project.</li> <li>Indirect expenses representing head office and other offices administration expenses are charged to the overheads. The said overheads are not allocated to the projects, conforming to the practice adopted by the Halcrow Group.</li> <li>All project related expenses, including the payments to consultants and such consultants, are approved by the project manager if the same was accounted for in sanctioned budget. However, if an expenses was not foreseen in the sanctioned budget, it requires approval of MD, CEO or BoD, in accordance with the manual of authority.</li> </ul> <p><b>9. Budgeting system and functions</b></p> <p><b>A. Budget preparation</b></p> <ul style="list-style-type: none"> <li>The responsibility for the preparation of budget rests with Managing Director. Manager finance is responsible for assisting the MD in budget preparations.</li> <li>Budgeting process is initiated in the last quarter of the financial year of the company. The company has policy to adopt a strategy on the basis of a three years business plan. Annual budgets are prepared on the basis of the business plan.</li> <li>The business plan of the company is prepared on a specified template developed by Halcrow Group is approved through a structured process. Business plan also includes market reviews, trends, country level review and sector reviews. Based on the said market reviews, quantum of the investments to be targeted are identified.</li> <li>At the time of the annual budget preparation, three years business plan is also reviewed .</li> <li>Annual budget is prepared for areas pertaining to projects and revenue generating activities, whereas monthly budgets are prepared for overheads.</li> </ul>	<ul style="list-style-type: none"> <li><b>Income Projections</b></li> <li>Annual budgets of the company are approved by the board of directors prior to start of the new financial year.</li> <li>The mechanism deployed in the projection of income and expenses forming part of the budget is as follows: <ul style="list-style-type: none"> <li>Budgets are prepared by the MD on the basis of expected billing for the existing projects, after obtaining input of all project managers .</li> <li>Managing Director of the company forecasts the revenue based on the market trends, quantum of investment and the market targeted by the Company .</li> </ul> </li> <li><b>Expenses projections</b></li> <li>Expenses projections are also prepared on the basis of the targeted sectors and expected costs for the execution of the projects which broadly include, project specific staff payroll, travelling, boarding and lodging etc.</li> <li>Finance department assists in estimation of over heads costs on the basis of increments and costs escalations as proposed by each head of department.</li> </ul> <p><b>B. Budget approval</b></p> <ul style="list-style-type: none"> <li>As per the manual of authority, board of directors are authorized to approve the Company's annual budgets.</li> <li>Project specific budgets are documented in the project proposal on the basis of cost estimates. The said budgets are approved by the managing director for amounts up to PKR 50 million and chief executive in case of the amounts exceeding PKR 50 million.</li> <li>Un-forecasted and unbudgeted expenditures, both for Company and projects, require an approval on the basis of request and justification by head of department/project director/project manager. The said approval is made in accordance with the manual of authority</li> </ul> <p><b>C. Budget monitoring</b></p> <ul style="list-style-type: none"> <li>Monitoring of the project budget is the responsibility of project director/project manager. Finance department is assists the project director/project manager by providing expenses details for each category and sub-category of the project budget.</li> </ul>
--	--	--

	<p><b>C. Budget monitoring – contd..</b></p> <ul style="list-style-type: none"> <li>● Finance department also generates the budget v/s actual profit and loss account and reports the same to managing director. Usually there are not significant overruns for overhead budget as the same are forecasted on defined assumptions.</li> <li>● Company's budget v/s actual is reported by MD to the BoD on at least annual basis. However, the said reports are specifically prepared before every BoD meeting.</li> </ul>	<ul style="list-style-type: none"> <li>● Off shore insurers are approved by the Halcrow Group and under the finance manual, the share of charge is allocated to the company. We have been given to understand by the management of the company that the company is not paying any share of charge to Halcrow Group, however the company is availing the benefit of Halcrow Group PI insurance coverage. Onshore insurers are approved by the managing director.</li> <li>● Filing, processing and follow-up of an insurance claim is the responsibility of the manager administration.</li> </ul>
	<ul style="list-style-type: none"> <li>● Budget v/s actual reports to BoD is in form of a summary which includes billings, project expenses, payroll costs, overheads and other income and expenses. The report also includes the explanations about the variations and prospects for achieving the budget targets.</li> </ul> <p><b>10. Insurance</b></p> <ul style="list-style-type: none"> <li>● Finance policies and procedures manual of the company and HBR-3a professional indemnity insurance address the insurance covers required to be obtained by the Company and accounting treatments for insurance expenditure.</li> </ul>	<p><b>11. Fixed Assets</b></p> <ul style="list-style-type: none"> <li>● The company is managing the fixed assets by maintaining a fixed assets register on MS excel. Fixed assets register contains the following particulars: <ul style="list-style-type: none"> <li>– Date of purchase</li> <li>– Description of assets</li> <li>– Type/category of assets</li> <li>– Costs, accumulated depreciation and book value</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>● As per the finance policies and procedures manual, the company is required to obtain off-shore insurance encompassing third party liability insurance to cover the liability of the company arising out of its operations, marine insurance for conveyance of goods, merchandise and cargo of all types and professional indemnity insurance.</li> <li>● In addition the manual also makes mandatory for the company to obtain onshore insurance encompassing vehicle insurance for pool and employee driven cars, general insurance against fire and nature disasters, and fidelity insurance for cash in transit and petty cash.</li> </ul>	<ul style="list-style-type: none"> <li>● Finance policies and procedure manual sets out the policies, principles and responsibilities relating to the capitalization, initial recognition, subsequent measurement, impairment and revaluation which is inline with the International Accounting and Financial Reporting Standards .</li> <li>● In addition, finance manual sets a monetary floor for capitalization of an asset, stating that an administrative purchase costing more than PRK 10,000 and other purchase costing more than PKR 25,000 should be eligible for capitalization. Cost of an asset is posted to GL through JV.</li> </ul>
	<ul style="list-style-type: none"> <li>● In accordance with the HBR-3a and bridging document, Halcrow Pakistan is using the PI insurance of Halcrow Group. Bridging document makes it mandatory for the bid leader to obtain the approval of MD before proposing or agreeing to any PI insurance.</li> <li>● Finance manager is responsible to ensure that fixed assets of the company are adequately insured at all the time , whereas administration department is required to provide details on fixed assets of the company required to be insured.</li> </ul>	<ul style="list-style-type: none"> <li>● Normal repairs and maintenance are charged to profit and loss account and deprecation is charged on reducing balance method. Fully depreciated assets are required to be valued at a nominal value of Rs. 1 until they are disposed off.</li> <li>● Finance policies and procedures manual makes it mandatory to obtain insurance cover for all the assets. Manager finance is responsible to ensure that all assets are adequately insured, against all risk of physical damage.</li> </ul>

	<b>11. Fixed Assets – contd..</b>					
	<ul style="list-style-type: none"> <li>All fixed assets are required to be coded and the code must include the unique serial number of the asset and departmental code, for referring the department in which the asset is being used.</li> <li>Transfer of fixed assets from one department to another department is done through fixed assets register with the approval of MD. Change of departmental code is also required. However, unique code of the asset is never changed. Only manager finance has the authority to make changes in the fixed assets register.</li> </ul>					
	<ul style="list-style-type: none"> <li>In addition to the above all IT equipment of the company is also registered with Halcrow Group and tagged with the group assets code tags. The said tags are printed by Halcrow Group and dispatched to the Halcrow Pakistan on intimation of purchase of assets.</li> <li>Finance policies and procedure manual also makes it mandatory for the company to carry out the physical verification of fixed assets at least annually.</li> <li>Fixed assets of the company also includes intangible assets comprising of computer software and patents and licenses.</li> </ul>					
	<ul style="list-style-type: none"> <li>Capitalization, measurement, recognition, de-recognition and amortization policy for the intangible assets are to be inline with International Accounting and Financial Reporting Standards . In addition, finance manual sets a monetary floor for capitalization of an intangible asset, stating that a purchase costing more than PKR 25,000 should be eligible for capitalization.</li> </ul>					

## Annexure F

### Accounting Policies

	<ul style="list-style-type: none"> <li>• The financial statements are prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of accounting and financial reporting standards (AFRS) for medium-sized entities (MSEs) issue.</li> <li>• All items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Pakistan Rupee.</li> <li>• The financial statements are prepared under the historical cost convention except for financial instruments which are stated at fair value.</li> <li>• Property, Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged to profit and loss account using the reducing balance method. Full year's depreciation is charged on additions during the year, while no depreciation is charged on assets disposed off during the year. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company</li> </ul>
	<ul style="list-style-type: none"> <li>• Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in full. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.</li> <li>• Gains and losses on disposal of property, plant and equipment are charged to the profit and loss account.</li> <li>• Assets subject to finance lease are stated at the lower of present value of minimum lease payments at inception of the lease period or their fair value less accumulated depreciation</li> <li>• Intangibles are stated at cost less accumulated amortization and impairment losses. Amortization is charged to profit and loss account using the reducing balance method.</li> </ul>
	<ul style="list-style-type: none"> <li>• For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks and other short term highly liquid investments that are readily convertible to known amounts.</li> <li>• Revenue comprises the fair value of the consideration received or receivable for rendering of services in the ordinary course of the Company's activities. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue on contracts for the performance of specific task is recognized when the task is performed and invoiced to the customer.</li> <li>• The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date. Provision for current taxation is based on taxable income at applicable tax rates. Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of tax.</li> </ul>
	<ul style="list-style-type: none"> <li>• The Company operates an approved defined contribution provident fund. A defined contribution plan is a plan under which the Company pays fixed contributions into a separate fund.</li> <li>• Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss account on a straight line basis over the period</li> <li>• Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are charged to profit and loss account.</li> </ul>

## Annexure G

### Halcrow Pakistan – Manual of Authority

DELEGATION OF FINANCIAL AND LEGAL AUTHORITIES							
Financial and Legal Authorities	Board	Chief Executive	Managing Director	Development Director	Commercial/ Project Director	Finance Director / Manager	Others
Annual company budget	Approve	-	-	-	-	-	-
Agreements	-	> PKR 50.0 million	Up to PKR 50.0 million	-	Up to PKR 1.0	-	-
Performance bond / guarantees	-	> PKR 2.0 million	Up to PKR 2.0 million	-	-	-	-
Lease agreements	-	> PKR 2.0 million	Up to PKR 2.0 million	-	-	-	-
Property rental agreements (3 year lease)	-	Approve	-	-	-	-	-
Property rental agreements (1year lease)	-	> PKR 1.0 million	Up to PKR 1.0 million	-	-	-	-
Annual renewal of rental agreements	-	-	Approve	-	-	-	-
Opening/Closing of bank account	-	Approve	-	-	-	-	-
Cheque signing authority (up to PKR 1.0million)	-	Up to PKR 1.0 million	Up to PKR 1.0 million	-	-	Up to PKR 50k	Office manager up to 50k
Cheque signing authority (> PKR 1.0million)	-	Joint Signatures		-	-	-	-
Loans from financial institutions	Approve	-	-	-	-	-	-
Sale/Purchase of assets	-	> PKR 2.0 million	Up to PKR 2.0 million	-	-	-	-
Donations	-	-	Approve	-	-	-	-
Debt write off	> PKR 1.0million	Up to PKR 1.0million	Up to 500k	-	-	-	-
Monthly payroll	-	-	Approve	-	-	-	-
Payments of authorized invoices/bills	-	-	Approve	-	-	Approve	-
Payments –site account funding/advances	-	-	Approve	-	-	Approve	-
Invoices to Client	-	-	-	-	Approve	-	-
Purchase requisition: project	-	-	> 50k	-	Up to 50k	-	-
Purchase requisition: non project	-	-	> 50k	Up to 50k	Up to 50k	-	Admin/MIS/Office manager up to 50k
Purchase order	-	-	Approve	-	-	-	-
Petty cash purchases	-	-	> PKR 50K	-	-	-	Admin manager up to 50k

DELEGATION OF MANAGEMENT AND HR AUTHORITIES							
Management and HR Authorities	Board	Chief Executive	Managing Director	Commercial Director / Project Director	HR Director / Manager	Line Managers	Others
Strategy and business plan	Approve	-	-	-	-	-	-
HR policies	Approve	-	-	-	-	-	-
HR procedures	-	-	-	-	Approve	-	-
Management procedures (in line with Group procedures)	-	-	Approve	-	-	-	-
Annual recruitment and training and development budget	Approve	-	-	-	-	-	-
Appointment/Removal/Promotion of management team	-	Approve	-	-	-	-	-
Appointment/Removal/Promotion of all other staff	-	-	Approve	-	-	-	-
Staff salary increments/rewards/bonuses	-	-	Approve	-	-	-	-
Staff expense and allowance claims – project, reimbursable	-	-	-	Approve	-	-	-
Staff expense and allowance claims – project, non reimbursable	-	-	> 50k	Up to 50k	-	-	-
Staff expense and allowance claims – non project	-	-	Approve	-	-	-	-
Timesheet/Overtime/Leaves	-	-	-	-	-	Approve	-
Long leave of absence/request for loan/further education sponsorship	-	-	> 50k	-	Up to 50k	-	-
Training courses	-	-	> 100k	-	Up to 100k	-	-
Special allowances	-	-	Up to 50k	-	-	-	-
Staff travel and accommodation – project reimbursable	-	-	-	Approve	-	-	-
Staff travel and accommodation – project non reimbursable	-	-	Approve	-	-	-	-
Staff travel and accommodation – non project	-	-	Approve	-	-	-	-
Staff travel and accommodation – international (project/non project)	-	-	Approve	-	-	-	-

## Annexure H Payments Compliance

	Date (dd/mm/yy)	Particular	Amount	Voucher Number	Cheque Number	Copy of Cheque Attached	Open/ Crossed Cheque	Supporting Documents	Tax Withheld	Approval as per MOA	Remarks/Observations
1	05/01/11	Computer purchase	173,000	BPV/01/07	8619071	Yes	Crossed	Yes	Yes	Yes	Nil
2	10/01/11	Karachi office Rent	2,244,000	BPV/01/12	8619077 8619078 8619079	Yes	Crossed	Yes	Yes	Yes	Payment made on the basis of budget approved by Board of Directors
3	10/01/11	Tax deducted on rent	181,900	BPV/01/13	8619080	Yes	Crossed	Yes	Yes	Yes	Nil
4	25/01/11	Tax on office rent	145,000	BPV/01/59	8747662	Yes	Crossed	Yes	Yes	Yes	Nil
5	08/02/11	Advance for site visit	150,000	BPV/02/18	8747714	Yes	Open	Yes	N/A	Yes	Nil
6	23/06/11	Advance for site visit	100,000	BPV/02/28	8891380 8891379	Yes	Open	Yes	N/A	Yes	Approved by MD
7	05/05/11	Lease Payment for vehicles	82,930	BPV/05/01	3695633	Yes	Crossed	Yes	N/A	Yes	Nil
8	05/05/11	Lease Payment for vehicles	52,110	BPV/05/02	4238009	Yes	Crossed	Yes	N/A	Yes	Nil
9	02/05/11	Rent F10/4 Office	75,000	BPV/05/03	9277723	Yes	Crossed	No	Yes	Yes	Nil
10	27/05/11	Advertisement payment	82,499	BPV/05/33	9729531	Yes	Crossed	Yes	Yes	Yes	Original new paper not attached with the invoice of advertisement agency
11	27/05/11	Payment to subconsultants	109,525	BPV/05/13	9379541	Yes	Crossed	Yes	Yes	Yes	Nil
12	15/06/11	Advance for network in karachi office	75,000	BPV/06/23	9592102 9592103	Yes	Crossed	Yes	No	Yes	Approved by MD
13	20/06/11	Prepaid rent & security deposit for Karachi office	7,000,000	BPV/06/25	9592106 9592107 9592108 9592109 9592110 9592111 9592112	Yes	Crossed	No	Yes	No	Payment made on the basis of Board Resolution to relocate the Karachi Office
14	30/06/11	Salary of short term employee	1,603,904	BPV/06/70	9686863 9686864	Yes	Crossed	Yes	Yes	Yes	Approved in budget
15	10/03/11	Petty Cash	40,000	BPV/03/64	8374297	Yes	Open	N/A	N/A	Yes	Nil
16	18/01/11	Petty Cash	30,000	BPV/01/15	8374266	Yes	Open	N/A	N/A	Yes	Nil

	<p><b>A. Procurement of goods and services for general office purposes</b></p> <ul style="list-style-type: none"> <li>Halcrow Pakistan has issued a SMI for guidance on general office procurements i.e. SMI_HPK-5. The SMI includes guidance on maintenance of approved suppliers, purchase requisition, procurement limits, emergency procurements, single sourcing, purchase orders and invoicing and payments. Following is a brief on the available guidance :</li> <li><b>Approved suppliers</b></li> <li>A list of approved suppliers (other than project business partners) is required to be maintained by the Administration Manager. The list is to be approved by the Managing Director (MD). It is preferred to have at least three (3) approved suppliers for each type of services or goods. The list is updated and approved on annual basis.</li> <li>The Administration Manager is responsible for monitoring performance and acts to maintain supplier performance on programme, cost, safety, environment and quality. Administration Manager is responsible to notify the users and/or supplier when significant problems affect the deliverable objectives.</li> <li>When received, the Administration Manager verifies and documents that the deliverables from the supplier are as per the company's requirements. If not satisfied, remedial measures are taken within the terms and condition stipulated in the PO and the contract.</li> <li>Where issues are identified in the delivery of services or goods related to quality, adherence to programme, cost, safety and environment, the requestor / Project Manager informs the Administration Manager for recording observations in the supplier's history.</li> <li><b>Purchase requisition</b></li> <li>For all procurement of services and goods of value greater than Rs 5,000 (excluding travel and accommodation, daily consumables), it is mandatory to have an approved Purchase Requisition (PR).</li> <li>PR is required to be appropriately filled by the requestor and is to be submitted to Administration Manager for confirmation on provision in budget and availability of funds. The Administration Manager seeks such confirmation from Finance department and returns the signed PR to the Requestor.</li> </ul>	<ul style="list-style-type: none"> <li>Upon receipt of confirmation of budget provision, the requestor proceeds with obtaining quotations and carrying out the evaluation and recommendation of award.</li> <li>Approval of PR is as per the following approval levels:</li> </ul> <table border="1" data-bbox="1368 375 2132 676"> <thead> <tr> <th>Description</th> <th>Authorization</th> </tr> </thead> <tbody> <tr> <td>Rs 50,000 and within approved office budget</td> <td>Admin Manager</td> </tr> <tr> <td>Rs 100,000, within approved project budget, and re-imbursable to client</td> <td>Project Manager (PM)</td> </tr> <tr> <td>Greater than Rs 50,000 or Not re-imbursable from client</td> <td>MD or delegate</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li><b>Procurement limits</b></li> <li>For procurement of services and goods of value up to Rs 50,000, it is not mandatory to obtain a minimum of three (3) quotations from suppliers, provided the order is placed to an approved supplier. In such case, the requestor obtains quotation(s) from at least one (1) supplier (supplier to be from the approved suppliers list). If satisfied, the requestor initiates a PR.</li> <li><b>Procurement limits – contd..</b></li> <li>The requestor is required to evaluate the quotation(s) ensuring that the company gets best value for money and pays fair market value of the services or goods it is procuring.</li> <li>The requestor submits the PR along with an evaluation and recommendation for approval.</li> <li>For procurement of services and goods of value greater than Rs 50,000, it shall be mandatory to obtain a minimum of three (3) quotations from suppliers. These suppliers should preferably be from within the approved suppliers.</li> <li>The requestor may obtain quotation(s) from supplier(s) outside of the approved suppliers list. In such case, the evaluation is required to also include the pre-qualification of the suppliers that are not part of the approved suppliers list. Such pre-qualification is required be carried out by Administration Manager.</li> </ul>	Description	Authorization	Rs 50,000 and within approved office budget	Admin Manager	Rs 100,000, within approved project budget, and re-imbursable to client	Project Manager (PM)	Greater than Rs 50,000 or Not re-imbursable from client	MD or delegate
Description	Authorization									
Rs 50,000 and within approved office budget	Admin Manager									
Rs 100,000, within approved project budget, and re-imbursable to client	Project Manager (PM)									
Greater than Rs 50,000 or Not re-imbursable from client	MD or delegate									

## Annexure I Procurement systems – contd..

	<p><b>A. Procurement of goods and services for general office purposes – Contd..</b></p> <ul style="list-style-type: none"> <li>● The requestor is responsible to evaluate the quotation(s) ensuring that the company gets best value for money and pays fair market value of the services or goods it is procuring. The Requestor is to submit the PR along with an evaluation and recommendation for approval.</li> <li>● <b>Emergency procurements</b></li> <li>● In case of emergency situations, where the time does not permits the formal measures for procurement, written or verbal approval of the MD is required for proceeding with the procurement. Notwithstanding this, in due course, all formal documentation process is required to be completed.</li> <li>● <b>Single source procurement</b></li> <li>● The requestor may recommend adopting the single source procurement procedure for the procurement of certain services or goods. As a guideline, single source procurement shall be discouraged. However, where it is considered beneficial for the company to adopt this procedure, the requestor shall prepare an evaluation citing reasons for adopting this procurement approach. Some of the reasons may be: <ul style="list-style-type: none"> <li>– Urgency to procure</li> <li>– Only supplier offering the services/goods</li> <li>– Supplier holds the patent of supply of the desired services/goods</li> </ul> </li> <li>● The PR and PO shall be approved as per the procedure for procurement from approved supplier or through competitive bidding. All single source procurement shall be approved by the MD.</li> <li>● <b>Purchase order</b></li> <li>● All orders for services and goods (except air tickets and hotel accommodation) made on behalf of the company shall be confirmed through an approved PO that will be prepared by the Administration Manager. For air tickets and hotel accommodation, approval in the form of email/fax/letter shall be acceptable.</li> <li>● Where necessary, a contract shall be signed between the company and the supplier. The decision regarding the requirement of the contract shall be taken by the requestor of the PR. All POs (except air tickets and hotel accommodation) shall be approved by the MD or his delegate.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Invoices and settlement of accounts</b></li> <li>● All invoices received against the delivery of services or goods shall be forwarded by Admin Manager to the requestor for verification of: <ul style="list-style-type: none"> <li>i. Delivery of services or goods (quality and quantity)</li> <li>ii. Amount claimed in invoice against order price</li> </ul> </li> <li>● Upon receipt of the requestor’s verification, Admin Manager shall submit the verified invoices to Finance Department for payment to the supplier.</li> </ul>
		<p><b>B. Project specific procurement of goods and services</b></p> <ul style="list-style-type: none"> <li>● <b>Management of business partners</b></li> <li>● A list of Business Partners is maintained at the centralized database of Halcrow Group which is accessible to Halcrow Pakistan.</li> <li>● Halcrow Pakistan is required to check every new business partner in the list of business partners and if the list does not contain that business partner, a due diligence exercise is required be carried out on the business partner.</li> </ul>
		<ul style="list-style-type: none"> <li>● <b>Business partners due diligence</b></li> <li>● Halcrow Pakistan is required to establish the scope of services and fill a basic questionnaire available at the Halcrow Integrated Management Systems (HIMS). A risk grading is then allotted to the prospective business partner and further due diligence is carried out in accordance with that rating.</li> <li>● Risk grades are allotted from grade 1 to 6, with risk grade 6 as the highest level of risk. For all business partners above risk grade 5, enhanced due diligence is required by the HIMS.</li> </ul>
		<ul style="list-style-type: none"> <li>● <b>Selection of business partners</b></li> <li>● Based on the due diligence, if the HIMS allows Halcrow Pakistan to proceed with the Business Partner, then Halcrow Pakistan shall fill a Business Partners Assessment / Appointment form.</li> <li>● In cases of emergency, and with the approval of the Project Director, the due diligence process may not be carried out, however, it should be filled out at later stage.</li> </ul>

Annexure I  
 Procurement systems – contd..

	<p><b>B. Project specific procurement of goods and services – contd..</b></p> <ul style="list-style-type: none"> <li>● <b>Authorization and appointment</b></li> <li>● If the client is authorized, the particulars shall be sent to the list controller and appointment documents shall be prepared defining the scope of services and the specific requirements for time, cost, quality, identification of deliverable, health and safety, environment, business integrity and verification.</li> </ul>					
	<ul style="list-style-type: none"> <li>● Halcrow Group maintains a Legal Agreements Website, where standard agreements are used for formalizing the supply/ service arrangements and a copy of business principles is attached with the agreement.</li> <li>● Prior approval of Regional MD is required to be obtained for entering into agreements where remuneration is success based.</li> <li>● <b>Review of performance</b></li> <li>● Performance of business partners is required to be reviewed annually or on conclusion of services / supply and record in HIMS.</li> </ul>					

## Annexure J

### Procurement assistance provided by Halcrow Pakistan

Clients	Procurement Value	Number of projects	Prequalification	Preparation/Re view of tender documents	Pre-bid assistance	Pre-bid site visit	Evaluation criteria	Bid evaluation
Premier Exploration Pakistan Ltd	50-100 million	14	X	X	X	X	X	X
Lasmo Oil Pakistan Limited	50-100 million	3	X	X	X	X	X	X
BHP Petroleum (Pakistan) Pty Ltd	50-100 million	4	X	X	X	X	X	X
Petronas Carigali (Pakistan) Ltd	50-100 million	30	X	X	X	X	X	X
Dublin International Petroleum (Syria) Limited	50-100 million	1	X	X	X	X	X	X
Tullow Pakistan (Developments) Limited	50-100 million	2	X	X	X	X	X	X
ENI Pakistan Limited	50-100 million	1	X	X	X	X	X	X
MOL Pakistan Oil & Gas Company B.V.	50-100 million	2	X	X	X	X	X	X
Emaar Pakistan Group	50 million to 1.5 billion	10	X	X	X	X	X	X
Arif Habib REIT Management	135 million	1	X	X	X		X	X
Institute of Business Administration Karachi	200 million to 750 million	2	X	X	X	X	X	X

## Annexure K. Projects Compliance

Mandatory Requirements Compliance																								
Sr. No.	Market Sector	Client	Status	Contract Value	Bidding					Agreement Review			Planning, Delivery and Close out											
					PKR	BRA	BRR	PR	BEC	HCBP	OS	BRA	BRR	HCBP	PrR	PBR	DOA	PWO	PII	PCC	LLR	D	PRp	B
1	Bridges	DFID	Complete	147,073,000	×	×	×	×	×	×	×	×	×	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	
2	Bridges	DFID	Ongoing	238,000,000	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	×	N/A	N/A	✓	✓	✓
3	Contracts & Supervision	EMAAR	Complete	55,096,000	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	×	×	×	✓	✓	✓
4	Contracts & Supervision	KNPCT	Ongoing	192,211,000	×	×	×	×	×	×	×	×	×	✓	✓	✓	✓	✓	×	N/A	N/A	×	×	✓
5	Contracts & Supervision	EMAAR	Onhold	27,160,000	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	×	×	×	×	×	×
6	Structures	Al-Nahr	Ongoing	32,219,000	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	×	N/A	N/A	✓	✓	✓
7	Water Resources	NESPAK	Ongoing	59,203,750	✓	×	✓	✓	✓	✓	✓	×	✓	✓	✓	×	N/A	×	N/A	N/A	✓	✓	✓	✓
8	WATSAN	HGL	Ongoing	4,077,357	×	×	×	×	×	×	×	×	×	✓	×	×	✓	✓	N/A	N/A	✓	×	✓	✓

BRA	Business Risk Assessment
BRR	Business Risk Register
PR	Prospect Registration
BEC	Business Ethics Checklist
HCBP	Halcrow Compliance with Business Practices
OS	Offer Submission
PrR	Project Registration
PBR	Project Budget Registration
DOA	Delegation of Authority
PWO	Professional Work Orders
PII	Professional Indemnity Insurance
PCC	Project Closure Checklist
LLR	Lessons Learnt Record
D	Deliverables
PRp	Progress Reports
B	Billing

# Annexure L

## Overview of the HR policies and procedures

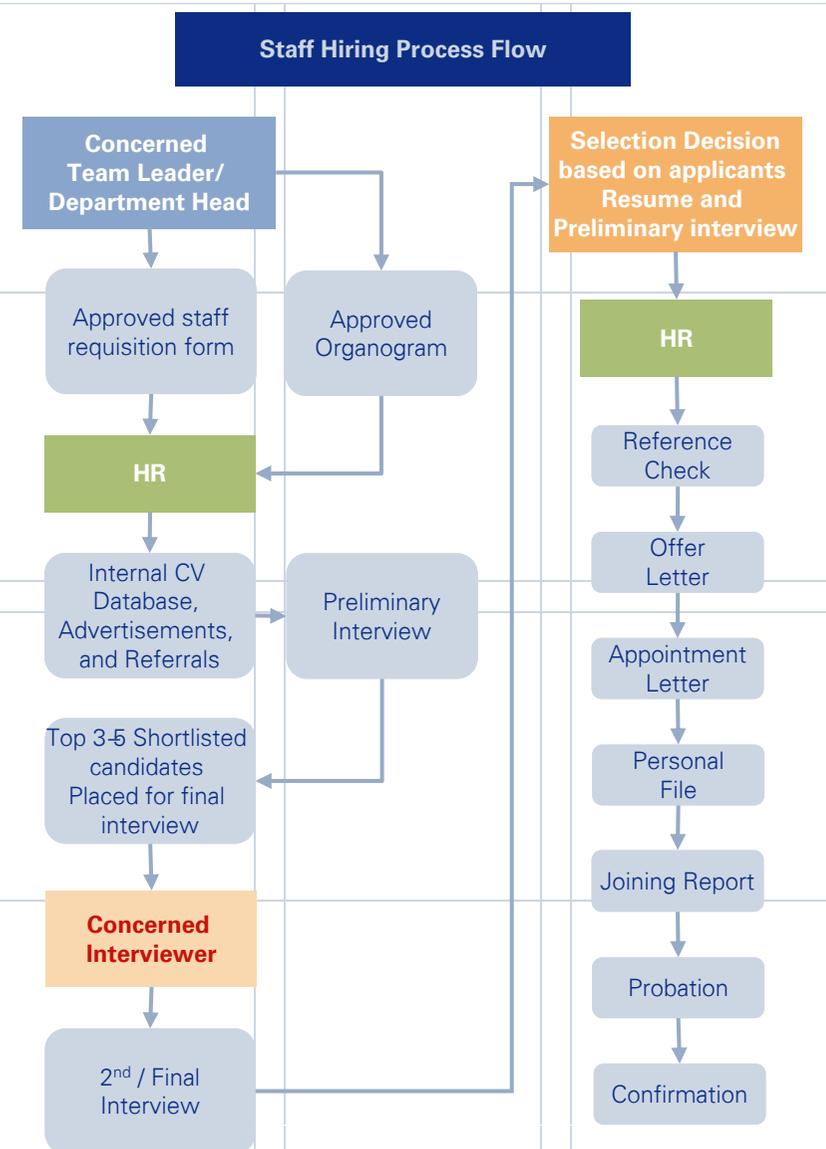
### Employment Overview

The company has two types of employee categories as follows:

- **Permanent Employees:** These employees are hired on permanent/ full time basis. They are defined as those who work for 37.5 hours a week for the company except site based staff required to work for 66 hours a week and compensated by additional site allowance.
- **Contractual Staff:** Employment type limited to a specific time period and where the employee is not entitled to all the benefits available to the permanent staff members.
- Overall the staff of the company is divided into two categories. Consulting/ Technical staff members (employed within a practice area including bridges, highways, rural development, structures and water and sanitation etc. engineers dealing directly with clients) and Support staff (i.e. those that perform administrative duties relating to human resources, finance, Management information system and admin staff etc).
- The company maintains an employee grade scale system with up to 10 grades available (2-10, Please refer to Annexure M for more details).
- Despite the grading system in place the company has no fixed/ documented pay scales and salaries are decided based on the prevailing industry average relevant to the skill group in which staff is being employed; the individual competence and quality of experience/ education and the company needs.

### Recruitment Process

- In case of new recruitment, the concerned team leader/ department head raises requisition to the HR on a "Staff requisition Form" once the vacancy for a position has been duly approved on the organization chart by the RMD/ MD.
- On receipt of the requisition, HR obtains potential employee profiles from sources of recruitment including Internal CV database maintained, candidate recommended from within the organization and advertisement in case of recruitment for higher grades and shortlists candidates for a preliminary interview.
- A preliminary interview is conducted by a panel comprising of the concerned manager, human resources manager and in case of recruitments for grade 6 and above by the concerned manager, human resources manager and department head using Interview assessment



Overview of the HR policies and procedures – contd..

	<p>form with the results of the top 3 to 5 candidates forwarded to the RMD/ MD in case of hiring's for grade 6 and above, to the DH/ RMD in case of hiring's for grade 3, 4 and 5 and to DH in case of grade 2 or below for a final interview.</p> <ul style="list-style-type: none"> <li>● The second interview is conducted by the concerned interviewer as mentioned above, who after evaluating the applicant resume and taking into consideration the preliminary interview reach a decision on the suitability of the applicant.</li> <li>● HR if require i.e. only in the case of senior management hiring's then obtains contact details of professional referees, from the selected candidate's. A Reference Check Form is then sent to the referees to obtain employee history to further strengthen the selection decision on reference check form.</li> </ul>	<ul style="list-style-type: none"> <li>- Staff requisition form</li> <li>- Interview assessment form;</li> <li>- Complete Bio-Data/ Resume;</li> <li>- Photocopy of educational certificates,</li> <li>- Photocopy of experience certificates,</li> <li>- Photocopy of NIC,</li> <li>- Photocopy of national tax certificate,</li> </ul>	
	<ul style="list-style-type: none"> <li>● On receipt of satisfactory references from the previous employers, a formal offer letter is issued to the successful candidate. A signed copy must be returned by the candidate to the HR as formal acceptance of the offer.</li> <li>● Following acceptance, an appointment letter along with a copy of Joining report, PID form, Employee record and emergency locator form, health declaration form for health insurance, designation of beneficiary form and EOBI registration form is sent to the successful candidate for submission to the HR upon joining.</li> </ul>	<ul style="list-style-type: none"> <li>- Passport size photographs;</li> <li>- Certificate of last pay/ emoluments drawn and certificate if last company where served</li> <li>- Joining report;</li> <li>- PID form;</li> <li>- Employee record and emergency locator form;</li> <li>- Health declaration form for health insurance,</li> <li>- Designation of beneficiary form and;</li> </ul>	
	<ul style="list-style-type: none"> <li>● At time of joining, the employee is required to submit to the HR a copy of complete Bio-Data/ resume, photocopies of educational certificates, photocopies of experience certificates, photocopies of NIC, photocopy of national tax certificate, passport size photographs and certificate of last pay/ emoluments drawn and certificate if last company where served.</li> <li>● New joiners are subjected to probation of three months period from the date of commencement of service which may be extended if required.</li> </ul>	<ul style="list-style-type: none"> <li>- EOBI registration form.</li> </ul> <p><b>Policies governing Payroll, retirement and other benefits</b></p> <p><b>a) Payroll Policy</b></p> <ul style="list-style-type: none"> <li>● Halcrow Pakistan (Pvt.) Ltd has detailed policy and procedures governing the preparation of payroll on monthly intervals in accordance with the procedures set out in Staff Handbook.</li> <li>● The Company ensures that income tax deductible at source is properly deducted and deposited with the Tax authorities within the stipulated time.</li> </ul>	
	<ul style="list-style-type: none"> <li>● Upon satisfactory completion of the probationary period or extended period of probation the service of concerned employee may be confirmed on the basis of "staff performance review" by the relevant department head.</li> </ul> <p><b>Maintenance of Personal Files</b></p> <ul style="list-style-type: none"> <li>● Personal files are maintained by HR function which includes following information:</li> </ul>	<ul style="list-style-type: none"> <li>● Provident fund contribution, recovery of provident fund loans and other contributions are deposited with the Trustees/ Trustees' bank account within the specified period of time.</li> <li>● Salaries are disbursed in the first week of each month.</li> <li>● Proper segregation of duties regarding payroll preparation, review, approval and processing is in place. (Please refer to Annexure R for payroll segregation of duties matrix).</li> </ul>	

	<ul style="list-style-type: none"> <li>Detailed procedures regarding payroll preparation and processing are laid down on page # 5-19 of Halcrow’s “Finance Policies and Procedures Manual”</li> </ul> <p><b>b) EOBI Policy</b></p> <ul style="list-style-type: none"> <li>The company has an EOBI scheme in place for its employees under which the company makes EOBI contributions on employees behalf for which no deductions are made from their salaries.</li> <li>The detailed procedures regarding EOBI contributions are laid down on page # 5-20 of Halcrow’s “Finance Policies and Procedures Manual”</li> </ul>	<ul style="list-style-type: none"> <li>Upon approval by the MD/PD/PM the claim is forwarded to the Finance Department before 22<sup>nd</sup> of each month for processing.</li> <li>Finance Department processes the claims and arranges payment with salary after deduction of tax as per applicable tax laws.</li> <li>please refer to Annexure X for details of per diems as per grades.</li> </ul> <p><b>e) Site/field allowance Policy</b></p> <ul style="list-style-type: none"> <li>Staff working on projects located in remote areas are entitled for the site/field allowance as per schedule below:</li> </ul>															
	<p><b>c) Provident Fund Policy</b></p> <ul style="list-style-type: none"> <li>The Company has established a recognized Contributory Provident Fund (the Fund) under a Trust Deed for the benefit of its permanent Employees. The Fund is governed by the Company’s Employees Provident Fund Rules (the Rules).</li> <li>All permanent employees of the Company have the option to become a member of the fund after completion of probation.</li> <li>Every member subscribes monthly to the Fund @ 8.33% of his/her current basic salary. Company make an equal contribution to the fund. Employee subscriptions are deducted by the Company from the salary payments each month.</li> <li>The detailed procedures regarding Provident Fund contributions are laid down on page # 5-21 of Halcrow’s “Finance Policies and Procedures Manual”</li> </ul>	<table border="1" data-bbox="1379 529 2114 778"> <thead> <tr> <th colspan="3">Site/ Field Allowance</th> </tr> <tr> <th>Category</th> <th>Staff Level</th> <th>Amount (PKR.)</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>Sr. Site Staff</td> <td>1,500</td> </tr> <tr> <td>B</td> <td>Mid Level Site Staff</td> <td>750</td> </tr> <tr> <td>C</td> <td>Jr. Site Staff</td> <td>500</td> </tr> </tbody> </table>	Site/ Field Allowance			Category	Staff Level	Amount (PKR.)	A	Sr. Site Staff	1,500	B	Mid Level Site Staff	750	C	Jr. Site Staff	500
Site/ Field Allowance																	
Category	Staff Level	Amount (PKR.)															
A	Sr. Site Staff	1,500															
B	Mid Level Site Staff	750															
C	Jr. Site Staff	500															
	<p><b>d) Per-diems Policy</b></p> <ul style="list-style-type: none"> <li>To meet expenses during visit/ travel away from base office, Halcrow allows per diems to the permanent employees.</li> </ul>	<ul style="list-style-type: none"> <li>Staff claiming site/ field allowance is required to complete the expense claim form duly signed by the respective Team Leader and submitted to the Administration Department before 20<sup>th</sup> of each month, if not submitted n time then the claimable amount is processed next month.</li> <li>Administration Department after initial review of the claim forwards it for approval to the MD/PD/PM and finally to the Finance Department for processing of the claim.</li> <li>Finance Department processes the claim and arranges payment with salary after deduction of tax as per applicable tax law.</li> </ul>															
	<ul style="list-style-type: none"> <li>Staff members are required to complete “expense claim form” stating in the purpose of travel and plans for the travel arrangements duly signed/ authorised by the respective Team Leader for submission to the Administration Department before 20<sup>th</sup> of each month, if not submitted then claimable amount is processed next month.</li> <li>Administration Department on receipt verify the claim as correct and within the allowed limits as per grades and forwards it for approval to the MD/PD/PM.</li> </ul>	<p><b>f) Project allowance Policy</b></p> <ul style="list-style-type: none"> <li>All Project staff, on the discretion of the Team Leader and by the approval of Managing Director can be awarded a fix allowance per month from a specific project which may be stopped at any time and cancelled after completion of the project.</li> <li>In case of project allowance the TL/PD/PM leader after seeking approval from the MD forwards the name of the employee’s to the HR.</li> <li>HR prepares a letter and sends a copy to the Finance Department for information.</li> </ul>															

## Overview of the HR policies and procedures – contd..

	<ul style="list-style-type: none"> <li>Finance Department then processes the allowances and arranges payments with salary after deduction of tax as per applicable tax law.</li> </ul> <p><b>g) Overtime allowance Policy</b></p> <ul style="list-style-type: none"> <li>Overtime is compensated as per schedule below as set out in the "Staff Handbook" and bridging document with Halcrow Integrated Management Systems:</li> </ul> <table border="1" data-bbox="488 443 1258 644"> <thead> <tr> <th colspan="2">Overtime Allowance</th> </tr> <tr> <th>Staff Level</th> <th>Amount (PKR.)</th> </tr> </thead> <tbody> <tr> <td>Sr. CAD Technicians &amp; CAD Supervisors</td> <td>150</td> </tr> <tr> <td>CAD Technicians</td> <td>125</td> </tr> <tr> <td>Junior / Trainee CAD Technician</td> <td>100</td> </tr> </tbody> </table> <p><b>h) Relocation Allowance Policy</b></p> <ul style="list-style-type: none"> <li>The purpose of the relocation policy is to compensate the financial cost incurred by an employee who is required to relocate to a new location in order to take up their duties.</li> <li>It is applicable to employees having grades 6 and below and it will only be effective if the tenure of the transfer is exceeding six (6) months that necessitates a change in the employee's residence address. This will only apply when the transfer is from one town to another.</li> <li>The admissible expenses which an employee can claim in terms of relocation expenses are as follows: <ul style="list-style-type: none"> <li>One way fares for self and family (spouse &amp; children only) at actual.</li> <li>Stay in a hotel/guest house (3 star maximum) for self only up to 15 days till the employee finds a suitable residential apartment/house for him/her and family.</li> <li>Meals for self at actual while staying in the hotel/guest house.</li> <li>Packing of household items / personal effects at actual but not exceeding to Rs. 10,000/-</li> <li>Freight charges for household items/personal effects at actual but not exceeding to Rs. 20,000/-</li> <li>Trucking charges for one personal car at actual but not exceeding to Rs7,000/-(one time).</li> </ul> </li> </ul>	Overtime Allowance		Staff Level	Amount (PKR.)	Sr. CAD Technicians & CAD Supervisors	150	CAD Technicians	125	Junior / Trainee CAD Technician	100	<ul style="list-style-type: none"> <li>Salary uplift as agreed with the management</li> <li>One time house furnishing allowance of up to 2 time's gross salary.</li> </ul> <ul style="list-style-type: none"> <li>Detailed procedures regarding "Relocation Allowance" are laid down on page # 5-24 of Halcrow's "Finance Policies and Procedures Manual"</li> </ul> <p><b>i) Outpatient Medical Care Policy</b></p> <ul style="list-style-type: none"> <li>To increase the benefit under medical insurance available to Halcrow Pakistan's employees, the Outpatient Medical Care Policy has been initiated besides the existing Inpatient Medical Care Hospitalization plan.</li> <li>The purpose is to reimburse the medical expenses that normally incurred while visiting the doctors, laboratory tests or during purchasing the prescribed medicines and drugs. Under this policy, all Halcrow Pakistan's permanent staff, their spouses and children (children should be dependent and below age 20) will be covered. The employees who are on probation are not entitled to enrol themselves for the OPD treatment plan.</li> <li>Below are the approved limits for each calendar year and any un-utilized limits will not be carried forward to next year entitlement. <ul style="list-style-type: none"> <li>Grades 1 &amp; 2 : Up to Rs. 8,800/- at actual per calendar year</li> <li>Grade 3 : Up to Rs. 11,000/-at actual per calendar year</li> <li>Grade 4 : Up to Rs. 13,200/-at actual per calendar year</li> <li>Grade 5 : Up to Rs. 16,500/-at actual per calendar year</li> <li>Grade 6 : Up to Rs. 20,000/-at actual per calendar year</li> <li>Grade 7 &amp; 8 : Up to Rs. 25,000/- at actual per calendar year</li> <li>Grade 9 : Up to Rs. 30,000/-at actual per calendar year</li> <li>Grade 10 &amp; above : Up to Rs. 35,000/-at actual per calendar year</li> </ul> </li> <li>Under this policy however, Halcrow Pakistan is not liable to bear: <ul style="list-style-type: none"> <li>The cost of optical appliances including spectacles or eyeglasses or lenses.</li> <li>Any expense incurred for treatment of certified mental/neurological disease.</li> <li>Any expense(s) incurred in respect of illness or disability arising from attempted suicide, performance of any unlawful act, provoked assault, misuse of drugs, excessive consumption of alcohol, or participation in any hazardous activity except when endeavouring to save human life.</li> </ul> </li> </ul>
Overtime Allowance												
Staff Level	Amount (PKR.)											
Sr. CAD Technicians & CAD Supervisors	150											
CAD Technicians	125											
Junior / Trainee CAD Technician	100											

	<ul style="list-style-type: none"> <li>Detailed procedures regarding claims under "Outpatient Medical care policy" are laid down on page # 5-25 of Halcrow's "Finance Policies and Procedures Manual"</li> </ul> <p><b>j) Personal loans Policy</b></p> <ul style="list-style-type: none"> <li>The purpose of this policy is to provide financial assistance to the employees in case of any emergencies.</li> <li>The main points of this policy are as follows: <ul style="list-style-type: none"> <li>All permanent employees are eligible for this benefit.</li> <li>Employees serving any notice periods or facing disciplinary actions are not be eligible for a loan under any circumstances.</li> <li>Loan amount must not exceed an equivalent of 3 gross monthly salaries.</li> <li>No employee is entitled for more than one loan at a time.</li> <li>Employee can only apply for loan for the second time after one year of the last installment paid against previous loan.</li> <li>Loan amount is recovered in equal monthly installments. The recovery of loan amount begins from the next calendar month from the month of disbursement of loan, from the monthly salary payable at the month end. The tenure of loan amount recovery must not exceed 18 months in any case.</li> <li>If the retirement age (60 years) is less than a year ahead then the loan is recovered latest by your last working month.</li> <li>Loan disbursement is only made in the respective employee name by cross cheque or bank transfer.</li> <li>In case an employee resigns or is terminated from the services of the company for any reason whatsoever, the remaining outstanding against personal loan is recovered from the amounts due (including Salary, PF, allowances, per diems, encashment or reimbursements of any kind) to him against his full &amp; final settlement.</li> </ul> </li> <li>The procedure for applying for a personal loan is as follows: <ul style="list-style-type: none"> <li>Staff member submits a loan application to their department heads.</li> <li>Team Leader make comments and recommendation on staff loan application and forwards it to the Human Resources Department</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>HR Department submits the loan application to the MD for approval and upon approval forwards it to the Finance Department for loan disbursement.</li> <li>Finance Department prepares cheque or transfers the approved loan amount into the employee bank account.</li> </ul> <p><b>k) Company Car Policy</b></p> <p><b>New Car</b></p> <ul style="list-style-type: none"> <li>Based on seniority, business needs, management discretion and talent retention strategy staff members are provided with company's car as per schedule below: <ul style="list-style-type: none"> <li>Managing director – company maintained /insured 1600cc car;</li> <li>Grade 7 to 9 1800cc (Base Model) car, staff maintained, value not exceeding Rs. 800,000/-</li> <li>All vehicles are leased for a period of three years.</li> <li>In case employee wants to have an expensive car than his authorization limit he must pay the full difference in between his approved car price and car he wanted to have on the onset of lease.</li> </ul> </li> <li>The company sale the car to the employee at the expiry of the lease agreement at 15% of the vehicle prime cost.</li> <li>All cost including Freight, Registration, Capital Value tax, Annual token fee or any other charges imposed by the government from time to time shall be borne by the employee. No claims for rights will be admissible.</li> <li>The insurance cost of the vehicle during the tenure of the lease is distributed between the company and employee in the following manner: <ul style="list-style-type: none"> <li>Company Contribution – 85% of the insurance cost</li> <li>Employee Contribution – 15% of the insurance cost</li> <li>All maintenance cost including fuel/oil, service/tuning, minor repairs etc not covered via insurance will be borne by the employee.</li> </ul> </li> </ul> <p><b>Company Pool Car</b></p> <ul style="list-style-type: none"> <li>Based on the seniority, business needs and management discretion some staff members may be provided with the company pool car as per following conditions:</li> </ul>
--	---	---

	<ul style="list-style-type: none"> <li>- All maintenance, fuel/oil/tuning, taxation, insurance etc is borne by the company.</li> <li>- Staff member is liable to return the company pool car along with all accessories, spare keys, spare wheels, tools, original documents of ownership and insurance/tax etc to the company as soon as they are demanded without delay and prejudice.</li> </ul> <p><b>Car Allowance Policy</b></p> <ul style="list-style-type: none"> <li>● Based on talent retention strategy and business needs, company may opt to pay "Car Allowance" per month for a few employees, in order to subsidize their vehicle running expenses. This is not payable to any staff who has been provided with a company car.</li> </ul>	<ul style="list-style-type: none"> <li>● The authority to approve such advance rests with the MD or the Director operations.</li> <li>● Accounts/ Administration make the advance salary payment after it has received an approval for the same and after ensuring that there are no outstanding liabilities against the concerned employee.</li> </ul> <p><b>o) Annual Bonus Policy</b></p> <ul style="list-style-type: none"> <li>● Based on the overall company performance, the company may grant an annual bonus to its confirmed/ full time employees who have completed 12 months of continuous service at 31st December of the year.</li> <li>● The bonus payable is proportionate to the business performance and is restricted to one month gross salary. For senior and middle management it is linked to their financial and non financial targets with a minimum upto one gross salary.</li> <li>● Confirmed employees who at the time of payment are in service for less than continuous 12 months in service are paid on a pro-rata basis.</li> <li>● New employees on probation and employees with less than a year's service with the company and are serving out their notice of termination of employment are not eligible for the payment of bonus.</li> </ul>
	<p><b>l) Insurance Policy</b></p> <ul style="list-style-type: none"> <li>● The company has taken up various insurance policies to provide greater feeling of safety and security to employees concerning their health and lives. Details of the insurance policies in place are:</li> </ul> <p><b>Medical insurance coverage</b></p> <ul style="list-style-type: none"> <li>● The company has a group health insurance policy in place covering the employee and his/her family including spouse and children's. Coverage is only applicable where hospitalization is recommended.</li> </ul>	
	<p><b>Group life insurance</b></p> <ul style="list-style-type: none"> <li>● The company provides and pay for group life insurance cover for all its full time employees.</li> </ul> <p><b>Insurance claim</b></p> <ul style="list-style-type: none"> <li>● In case of a claim by an employee under the company's insurance policies the employee is required to inform his/her supervisor or Admin/ HR to obtain insurance claim form for coverage of insurance on his/her hospital bills in accordance to the respective plan.</li> </ul>	<p><b>p) Leaves Policy</b></p> <ul style="list-style-type: none"> <li>● The company offers its employees with several different types of leaves as follows:</li> </ul> <p><b>Annual Leaves</b></p> <ul style="list-style-type: none"> <li>● Confirmed employees are entitled to a 20 days paid annual leaves in one calendar year (1ST Jan to 31st Dec).</li> <li>● For new joiners the leave entitlement is calculated on a pro rata basis. Unless there is an emergency, annual leaves shall be applied for atleast 4 weeks in advance.</li> </ul>
	<p><b>m) Mobile phones, cards and connection Policy</b></p> <ul style="list-style-type: none"> <li>● The company considers providing hand phones/ pre-paid/ post paid connections to its employees on a need basis and the limit in each case is decided at the management's discretion.</li> </ul> <p><b>n) Advance Salary Policy</b></p> <ul style="list-style-type: none"> <li>● Advances against salary is only paid on or after the 15th of each month and is restricted to 50% of the employee's gross monthly salary.</li> </ul>	<ul style="list-style-type: none"> <li>● Employees are allowed to carry forward a maximum of one year entitlement to the first quarter of the following year.</li> <li>● The company encourages all its staff members to avail their annual leaves however where staff is not allowed to avail his/her leaves due to work pressures, the company allows leaves encashment as per the following formula [( annual basic salary/220)*number of leaves not availed]</li> </ul>

	<p><b>Sick Leaves</b></p> <ul style="list-style-type: none"> <li>• Every employee on top of the paid leaves is entitled to an eight (8) days paid sick leaves in an year.</li> <li>• Such leaves if not availed can not be carried forward.</li> <li>• For more than 7 days of continuous sick leaves, proper medical certificate is required to be submitted with the leave application form to the HR department.</li> </ul>	<ul style="list-style-type: none"> <li>• Staff are encouraged and assisted to develop their competence, experience and where appropriate obtain formal qualifications. Assistance with identifying career paths is given.</li> <li>• A key element in this is annual career development review whereby every member of the staff meets with a senior manager to discuss and agree actions.</li> <li>• Training and development plans are prepared, implemented and evaluated in the light of the business needs. External courses and specific training activities are used as appropriate.</li> </ul>
	<p><b>Casual Leaves</b></p> <ul style="list-style-type: none"> <li>• Every employee is entitled to ten (10) days paid casual leaves in a calendar year . Such leaves however cant not be granted for more than three (3) days at a time and can not be accumulated.</li> </ul> <p><b>Compensatory leaves</b></p> <ul style="list-style-type: none"> <li>• For staff not entitled to overtime or who do not receive any allowance in lieu of time sent working during holidays or weekends are entitled to equivalent number of days of hours off as compensatory leaves or allowances.</li> </ul>	<ul style="list-style-type: none"> <li>• Please refer to Annexure Y for detailed Training and development plan for the year 2011 based on the 2010 annual performance evaluation.</li> </ul> <p><b>r) Disciplinary Procedures</b></p> <ul style="list-style-type: none"> <li>• The company has the following procedures in place to resolve disputes: <ul style="list-style-type: none"> <li>– Discuss the problem with the employee’s immediate supervisor.</li> <li>– If the employee is not happy with his advice after 3 days, he may discuss the problem with his division head.</li> <li>– If he is not satisfied with the results after another 3 days, then he may discuss the problem with the HR department.</li> <li>– And if the employee is still dissatisfied, then he/ she is referred to the directorate and the decision henceforth is final and binding on all parties.</li> </ul> </li> </ul>
	<p><b>Maternity leaves</b></p> <ul style="list-style-type: none"> <li>• Female employees are entitled to paid maternity leaves of 60 days per calendar year provided she has been in continuous employment with the company for atleast 180 calendar days.</li> </ul> <p><b>Compassionate leaves</b></p> <ul style="list-style-type: none"> <li>• The line manager may grant upto a maximum of three days paid leave to a staff member in case of grave illness of dependants or death in the immediate family (spouse, parent or child).</li> </ul> <p><b>Unpaid leaves</b></p> <ul style="list-style-type: none"> <li>• Staff may be granted unpaid leave for approved study purpose or other exceptional or statutory reasons subject to approval of the MD.</li> </ul>	
	<p><b>q) Staff Training and Development Policy</b></p> <ul style="list-style-type: none"> <li>• Halcrow takes staff development seriously and seek to proactively manage and develop its staff to ensure that every individual is fully competent in all aspects of their job and have suitable development opportunities for the future.</li> <li>• These objectives are achieved by a combination of on-the-job experience and formal training and development activities.</li> </ul>	

## Annexure M Staff Grades

S.No	Position	Starting Grade	Maximum Grade
1	Managing Director	9	10
2	Operations Director/ Manager, Business Development Director/ Manager, Regional Manager	7	8
3	Team Leader	6	8
4	Technical Manager/ Principal Engineer	6	8
5	Project Manager/ Project Director, CAD Manager	6	7
6	Senior Engineer/ Scientist, CAD Supervisor	6	6
7	Engineer/ Scientist, CAD Supervisor	5	5
8	Assistant Engineer/ Scientist, Senior CAD Technician	4	4
9	Junior Engineer/ Scientist, CAD/GIS Technician	3	3
10	Trainee Engineer	2	2

Annexure N  
Skill and location-wise staff – September 2011

Skill	Staff employed by location			Total
	Islamabad	Karachi	Site	
Management	2	1	–	3
Bridges	–	7	28	35
Highways & Transportation	–	12	1	13
Geotechnical	–	1	3	4
Structures	2	17	6	25
Electrical	-	4	-	4
Environment	5	3	3	11
GIS/RS	–	2	–	2
Drainage, Water Supply & Sanitation	10	–	2	12
Contracts and Quantity Surveying	-	4	2	6
Support services	12	14	–	26
<b>Total</b>	<b>31</b>	<b>65</b>	<b>45</b>	<b>141</b>

## Description of roles and responsibilities of Key management staff

Job descriptions of Executive Management	
Designation	Roles and Responsibilities
Managing Director/ Country Manager	<p><b>Strategic Leadership</b></p> <ul style="list-style-type: none"> <li>• Define the country strategy in alignment with the regional and group strategy</li> <li>• Develop client retention strategies and approaches to opportunities arising from market change in a mature country</li> <li>• Develop a focused and growth oriented marketing and business development led strategy, in a growth country</li> <li>• Deliver the country strategy and business plan</li> </ul> <p><b>Operational and Technical Leadership</b></p> <ul style="list-style-type: none"> <li>• Produce the country business plan and gain buy-in for this</li> <li>• Prepare and deliver monthly reports against the country business plan</li> <li>• Align all relevant practice area resource plans with the country business plan</li> <li>• Ensure projects are delivered efficiently and effectively</li> </ul> <p><b>Client Management and Reputation</b></p> <ul style="list-style-type: none"> <li>• Manage the top five clients in the country</li> <li>• Identify and respond positively to clients needs</li> <li>• Ensure high level of clients satisfaction</li> <li>• Monitor the strength of the brand in the country</li> </ul> <p><b>People Leadership</b></p> <ul style="list-style-type: none"> <li>• Align Halcrow staff with the Halcrow culture and values</li> <li>• Take responsibility for attraction, recruitment, development and retention of staff in partnership with practice areas</li> <li>• Monitor and enhance staff satisfaction and engagement</li> <li>• Take responsibility for the effectiveness of the country management team</li> </ul> <p><b>Corporate Leadership</b></p> <ul style="list-style-type: none"> <li>• Build peer relationships with other country directors and practice management</li> <li>• Maintain a close relationship with a wide network of other internal and external stakeholders</li> <li>• Shape government policy and promote thought leadership in country</li> <li>• Maintain and monitor business integrity throughout the country operation</li> </ul> <p><b>Commercial Leadership</b></p> <ul style="list-style-type: none"> <li>• Be accountable for profit and loss, balance sheet and cash flow in the country</li> <li>• Maximize the quality and quantity of sales turnover, profitability and cash flow</li> </ul>

## Description of roles and responsibilities of Key management staff – contd..

Job descriptions of Executive Management	
Designation	Roles and Responsibilities
Development Director/ Marketing Director	<p><b>Strategic Leadership</b></p> <ul style="list-style-type: none"> <li>• Develop a deep understanding of the segment including the industry context, stakeholders, market drivers, sizing, segmentation, competitive environment, procurement, legal and regulatory constraints</li> <li>• Understand and analyze Harlow strengths and weaknesses globally</li> <li>• Develop and define a strategic marketing plan for the segment</li> </ul> <p><b>Operational and Technical Leadership</b></p> <ul style="list-style-type: none"> <li>• Implement all aspects of the strategic marketing plan</li> <li>• Define and promote effective delivery models and routes to market</li> <li>• Develop pricing strategies and</li> <li>• Develop and deliver positioning campaigns and marketing collateral</li> </ul> <p><b>Client Management and Reputation</b></p> <ul style="list-style-type: none"> <li>• Understand clients business strategy, drivers and context</li> <li>• Develop trusted relationships with target clients and key stakeholders</li> <li>• Represent and raise the profile of Halcrow with the external segment market place</li> <li>• Evaluate client experiences and manage clients satisfaction within the segment</li> </ul> <p><b>People Leadership</b></p> <ul style="list-style-type: none"> <li>• Manage and coordinate sales and client directors to ensure the overall segment plan is met</li> <li>• Define people resources required to respond to the needs and opportunities of the segment</li> <li>• Ensure alignment of all employees in the practice area with Halcrow culture and values</li> <li>• Encourage employee entrepreneurship and innovation</li> </ul> <p><b>Corporate Leadership</b></p> <ul style="list-style-type: none"> <li>• Represent Halcrow to clients, partners, stakeholders and industry bodies influencing the segment market place and building a strong reputation</li> <li>• Share market knowledge and best practice with practice areas, regional and project teams</li> <li>• Share prospects within the business in a proactive, timely manner</li> </ul> <p><b>Commercial Leadership</b></p> <ul style="list-style-type: none"> <li>• Define investment needs to profitability implement the marketing strategy</li> <li>• Formulate pricing strategies</li> <li>• Contribute to the development of profitable delivery models</li> </ul>

## Description of roles and responsibilities of Key management staff – contd..

Job descriptions of Executive Management	
Designation	Roles and Responsibilities
Project Director	<p><b>Strategic Leadership</b></p> <ul style="list-style-type: none"> <li>Analyze and communicate the project context including the clients business goals and key external and internal drivers</li> <li>Set the overall project strategy to deliver the foals of the client and Halcrow</li> <li>Communicate project direction to the client, Halcrow staff and to partners and suppliers</li> <li>Ensure that Halcrow maintains a strong position relative to competitors with the client</li> </ul> <p><b>Operational and Technical Leadership</b></p> <ul style="list-style-type: none"> <li>Develop and review delivery strategies at bid stage</li> <li>Ensure that project is delivered to cost, quality and time requirements</li> <li>Ensure the adoption of best practice project management tools, processes and techniques</li> <li>Promote global delivery, innovation, value management, continuous improvement, knowledge sharing and sustainable solutions</li> </ul> <p><b>Client Management and Reputation</b></p> <ul style="list-style-type: none"> <li>Build and maintain relationships of trust with key client personnel</li> <li>Obtain and act on client feedback and survey results</li> <li>Identify and action opportunities to trade up and cross-sell</li> <li>Deal efficiently with major clients issues including performance shortfalls and disputes</li> </ul> <p><b>People Leadership</b></p> <ul style="list-style-type: none"> <li>Provide overall leadership to the project team</li> <li>Ensure understanding of the project vision and set the values for the project organization</li> <li>Select and appoint project manager and key staff and manage their performance</li> </ul> <p><b>Corporate Leadership</b></p> <ul style="list-style-type: none"> <li>Take responsibility for the positive public relations and profile of Halcrow with the client and in the wider market place</li> <li>Establish and assure compliance with country specific and regional policies</li> <li>Coordinate all external communications relating to the project</li> </ul> <p><b>Commercial Leadership</b></p> <ul style="list-style-type: none"> <li>Manage project profitability, capital employed and cash flow</li> <li>Minimize risks to Halcrow wherever possible</li> <li>Successfully negotiate claims and variations</li> <li>Manage insurance and bonding</li> </ul>

## Description of roles and responsibilities of Key management staff – contd..

Job description of Project Manager and Admin Manager	
Designation	Roles and Responsibilities
Project Manager	<ul style="list-style-type: none"> <li>• Understanding what is important for Halcrow and for the client</li> <li>• Providing the day to day interface between the client and project team</li> <li>• Managing the commercial return to Halcrow</li> <li>• Managing the project budget</li> <li>• Managing the project forecast</li> <li>• Maintaining the client relationships by meeting or exceeding their expectations</li> <li>• Meeting statutory and regulatory requirements</li> <li>• Being aware of and acting on business opportunities when they arise on their project</li> <li>• Planning the project inputs and deliverables to meet the requirements of Halcrow and the client</li> <li>• Appointing and monitoring the performance of their work package Managers</li> <li>• Assembling the project team</li> <li>• Managing the project team</li> <li>• Managing the interface with third parties</li> <li>• Managing change control within the project risk level</li> <li>• Delivering the agreed service delivery requirements (for the output and parts thereof)</li> <li>• Clearly specifying and delegations of their authority and ensuring roles are well defined</li> <li>• Seeking continual improvement and applying and/ or adding to corporate knowledge</li> </ul>
Admin Manager	<ul style="list-style-type: none"> <li>• Supervises day to day administration of office premises</li> <li>• Ensure the highest quality of service is maintained in all areas of work falling under him/her</li> <li>• Ensure that all staff falling under his/ her direct supervision are performing their duties to the best of their abilities</li> <li>• Acquire new office space for the company as and when required and execute contracts</li> <li>• Manage renovations and all repair works of partitions, furniture, fixtures, fittings, etc at the office premises</li> <li>• Ensure all company vehicles are well maintained in a sound and road worthy condition</li> <li>• Prepare vehicle inspection checklists and ensure their compliance</li> <li>• Ensure that all telephone lines are operational at all times</li> <li>• Ensure that the company assets issued to him/her remain in an operational condition at all times</li> <li>• Procurement responsibilities and government liaison</li> </ul>

## Description of roles and responsibilities of Key management staff - contd..

Job description s of Finance and HR department	
Designation	Roles and Responsibilities
Finance Manager	<ul style="list-style-type: none"> <li>• Finalization of company's financial statements on monthly and annual basis, both for external and management purposes</li> <li>• Assisting the managing director in preparing P&amp;L and earnings budgets</li> <li>• Advising all the debt related queries especially inter-company and coordination with business groups coordination's for timely recovery and address issues if any on the onset</li> <li>• Management, coordination and preparation of all company tax documentations. Attending tax hearings (if required) at various levels of income tax department in consultation with the tax consultants</li> <li>• Banking and leasing arrangements, insurance arrangements, payroll management, provident fund management</li> <li>• Vetting of sub consultants agreements and company's contracts from the taxation and insurance point of view.</li> </ul>
HR Manager	<ul style="list-style-type: none"> <li>• Strategic and tactical management of human resources within the company;</li> <li>• Advise statutory and market trend related changes to the staff policies for management approval and its implementation;</li> <li>• Advise management on any strategic HR issues;</li> <li>• Development of staff hierarchy, grades and salary scales;</li> <li>• Provision of support on all compensation and benefits related issues;</li> <li>• Development of staff job descriptions in coordination with respective line managers;</li> <li>• Supporting management in all permanent, temporary and contractual recruitments, including participation in career fairs, graduate hiring programs etc;</li> <li>• Development of proposals concerning employee relations for management approval and subsequent implementation;</li> <li>• Designing and development of any staff related policies; and</li> <li>• Other duties as and when assigned by the supervisor.</li> </ul>
HR Assistant	<ul style="list-style-type: none"> <li>• Assist HR Manager n day to day routine HR matters</li> <li>• Prepare and manage CV database</li> <li>• Prepare and organize all the relevant paperwork and maintain recruitment record as per company policies and recruitment</li> <li>• Manage and update staff contracts and relevant records</li> <li>• Manage and update staff training records</li> <li>• Identify best value training providers and organize trainings for the staff</li> <li>• Assist in payroll preparation</li> <li>• Manage general communication with staff and staff related issues</li> </ul>

## Annexure P

### Joiners and leavers during last two years

Skill Group	2009		2010	
	Joiner	Leaver	Joiner	Leaver
Administration	1	8	5	1
Bridges	2	3	-	-
Bridges -CAD	-	2	-	-
Business Development	-	1	-	1
Business Performance	-	2	-	-
Communication	1	1	-	1
Construction & Supervision	7	13	10	7
Electrical	1	1	3	1
Environment	-	2	6	6
Finance	-	2	1	1
Geotechnical & Pavement	-	-	1	-
Highways	-	10	-	-
Highways -CAD	-	5	-	-
HR	-	1	-	-
MIS	1	2	-	-
Rural Development	-	-	-	1
Structures	2	12	1	1
Structures -CAD	3	16	-	2
Water & Sanitation	1	6	1	2
Water & Sanitation -CAD	-	6	-	-
Water Resources	3	1	1	-
<b>Total</b>	<b>22</b>	<b>94</b>	<b>29</b>	<b>24</b>

## Annexure Q Staff attrition calendar - 2010

As on date	1-Jan-10	1-Feb-10	1-Mar-10	1-Apr-10	1-May-10	1-Jun-10	1-Jul-10	1-Aug-10	1-Sep-10	1-Oct-10	1-Nov-10	1-Dec-10
Total strength of Employees	114	114	111	112	114	116	116	116	116	117	118	119
Attrition details:	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Resigned	2	5	1	0	2	4	2	1	1	1	3	2
Absconding	0	0	0	0	0	0	0	0	0	0	0	0
Termination	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Attrition</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>2</b>
Recruitment	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Total recruitment</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>2</b>
<b>Total Employees on last day of the month*</b>	<b>114</b>	<b>111</b>	<b>112</b>	<b>114</b>	<b>116</b>	<b>116</b>	<b>116</b>	<b>116</b>	<b>117</b>	<b>118</b>	<b>119</b>	<b>119</b>

Staff Attrition during last three years			
Year	opening Employees	Closing Employees	Employees Left
2008	182	187	49
2009	183	114	94
2010	114	119	24

Annexure R  
Payroll segregation of duties matrix

Responsibility	Tasks
Human Resource (HR) Manager	<ul style="list-style-type: none"> <li>-Maintenance of payroll</li> <li>-Communication of payroll information to finance department</li> </ul>
Accountant	<ul style="list-style-type: none"> <li>-Preparation of Salary Summary, Salary Slips, Journal/Payment Vouchers, Bank advices, Cheques</li> <li>-Sending bank advices to bank</li> <li>-Transmitting salary slips to all employees electronically</li> </ul>
Manager Finance	<ul style="list-style-type: none"> <li>-Review of the overall payroll and forwarding it to MD</li> </ul>

## Annexure S Payroll compliance

Sr. No	Name of Staff member	Designation	Payroll for the Month of	Basic Pay as per Employment Contract/ Approved Salary Increment Letter	Payroll Checked for			Benefits as per Approved Limits	Tax Deducted as per Applicable Law	Deductions Appropriate	Approved Payment Authorisation Letter to the Bank	Joiners Added from the date of Joining	Leavers Removed from the date of Severance
					Prepared by HR in co-ordination with Senior Accounts Officer	Reviewed by Manager Finance	Approved by MD						
1	Shahzad Zafar	Admin Assistant	Jan-11	✓	✓	✓	✓	✓	✓	✓	✓	N/A	✓
2	Saeed Zia	Resident Engineer	Jan-11	✓	✓	✓	✓	✓	✓	✓	✓	N/A	✓
3	Saima Awis	Regional MIS Support	Jul-11	✓	✓	✓	✓	✓	✓	✓	✓	N/A	✓
4	Azib Siddiqui	Assistant Engineer	Mar-11	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
5	Inayat ullah Khan	Resident Engineer	May-11	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
6	Muddasir Ahmed	Manager Infrastructure and	Apr-11	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A
7	Aqib Gulzar	Project Manager	Feb-11	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A
8	Haibat Khan	Resident Engineer	Aug-11	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A

## Annexure T Recruitment process compliance

Sr. No	Name	Designation	Staff Requisition form checked	Hiring Approval Form Checked for			Preliminary Interview	Final Interview	Job Offer Letter	Joining Report	Probation Period Performance Review	Confirmation of Service Letter	Staff Induction Checklist	Contract of Employment
				Approval of Department Head	Approval of MD	Employment Justification Stated								
1	Farrukh Iqbal	CAD Technician	✓	✓	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓
2	M. Ali Khan	Project Manager	✓	✓	✓	✗	✗	✗	✓	✓	✗	✗	✗	✓
3	Azib Siddiqui	Assistant Engineer	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓
4	Inayat ullah Khan	Resident Engineer	✓	✓	✓	✓	✗	✗	✓	✓	✗	✗	✗	✓
5	Usman Alvi	Environmental Monitoring	✓	✓	✓	✓	✓	✗	✗	✓	✗	✗	✓	✓

Annexure U  
Leavers' compliance

Sr. No	Name	Designation	Notice Period Served as Stipulated in the Employment Contract	Reason for Leaving Halcrow	Clearance sought of				Exit Interview Conducted by			Removed from Payroll of subsequent month
					IT	Admin	Accounts	HR	HR	Dept Head	MD	
1	M. Saeed Zia	Resident Engineer	✓	Resignation	✓	✓	✓	✓	✓	✓	✓	✓
2	Shahzad Zafar	Admin Assistant	✓	Service Discontinued by Halcrow	✓	✓	✓	✓	✓	✓	✓	✓
3	M. Amir Khan	Engineer	✓	Service Discontinued by Halcrow	✓	✓	✓	✓	N/A	N/A	N/A	✓
4	Nadeem Parvez	Surveyor	✓	Resignation	Clearance Missing	Clearance Missing	Clearance Missing	✓	✗	✗	✗	✓
5	Saima Awis	Regional MIS Support	✓	Service Discontinued by Halcrow	✓	✓	✓	✓	✓	✓	✓	✓
6	Bilal	Engineer	✓	Resignation	✓	✓	✓	✓	✓	✓	✓	✓

Annexure V  
Payroll files compliance

Sr. No	Name	Designation	Staff Requisition form	Hiring Approval Form	Interview Assessment Form	Complete Bio-data/ Resume	Contract of Employment	Staff Probation Performance Review	Educational Certificates	Experience Certificates	Copy of NIC	Copy of National Tax Certificate/ Taxpayer Registration Form	Passport size photographs	Salary Increment Approval Letter	Joining Report	PID Form	Employee Record and Emergency Locator Form	Health Declaration Form for Health Insurance	Designation of Beneficiary Form/ Next of Kin and Bank Details Form	EOBI Registration Form
1	Farrukh Iqbal	CAD Technician	✓	✓	✓	✓	✓	✓	N/A	✗	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✗
2	M. Ali Khan	Junaid Hassan	✓	✓	✗	✓	✓	✗	✗	✗	✓	✗	✗	N/A	✓	✓	✓	✓	✓	✗
3	Azib Siddiqui	Assistant Engineer	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓
4	Inayat ullah Khan	Mudassir Iqbal	✓	✓	✗	✓	✓	✗	✗	✗	✓	✗	✓	N/A	✓	✗	✓	✓	✗	✗
5	Usman Alvi	Environmental Monitoring	✓	✓	✓	✓	✓	✗	✓	✗	✓	✗	✓	✓	✓	✗	✓	✗	✓	✗
6	Waqas Hussain	Design Engineer	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
7	Saad H Siddiqui	Junior Engineer	✓	✓	✓	✓	✓	✗	✗	✗	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓
8	Muddasir Ahmed	Manager Infrastructure and Support	✓	✓	✓	✓	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9	Aqib Gulzar	Project Manager	✓	✓	✓	✓	✓	✓	✗	✗	✓	✓	✓	✓	✗	✗	✓	✗	✓	✓
10	Haibat Khan	Resident Engineer	✓	✓	✓	✓	✓	✗	✗	✗	✓	✗	✓	N/A	✓	✗	✓	✗	✓	✗

Annexure W  
Travelling policy compliance

Sr. No	Voucher Number	Name of Staff member	Date of Travel	Travel Description	Vouchers checked for		Travel Autorisation Sought	Purpose of Travel mentioned on the Travel form	Copy of Air Ticket Checked	Payment checked in line with the invoice	Per diem payments in Compliance with the Approved per diem rates
					Prepared by Finance	Approved by MD/ DD					
1	JV/04/64	Hasan Ilyas	09 April, 2011	ISB -SKZ -ISB	✓	✓	✓	✓	✓	✓	✓
2	JV/04/64	Junaid Hassan	17 April, 2011	KHI-DXB-KHI	✓	✓	✓	✓	✓	✓	✓
3	JV/04/64	Shahab Uddin	24 April, 2011	ISB-KHI-ISB	✓	✓	✓	✓	✓	✓	✓
4	JV/06/66	Mudassir Iqbal	20 June, 2011	ISB-KHI	✓	✓	✓	✓	✓	✓	✓
5	JV/06/66	Usman Mumtaz	20 June, 2011	ISB-KHI	✓	✓	✓	✓	✓	✓	✓
6	JV/06/66	Mudassir Iqbal	4 July, 2011	KHI-ISB	✓	✓	✓	✓	✓	✓	✓
7	JV/07/96	Syed Adnan	11 July, 2011	KHI-ISB	✓	✓	✓	✓	✓	✓	✓
8	JV/07/96	Ali Hassan	11 July, 2011	KHI-ISB	✓	✓	✓	✓	✓	✓	✓
9	JV/07/96	Faizan Alam	18 July, 2011	KHI-ISB	✓	✓	✓	✓	✓	✓	✓

## Annexure X Per diem rates

Per Diem rates for domestic travel				
Type of Allowance	Rationale	Applicability	Grade 3 and below	Grade 4 and above
Incidental	To cover out of pocket expenses	Applicable for number of nights away from base location.	Rs 250	Rs 500
Disturbance	For being away from family	Applicable on after 3 nights away from base location (effective from 1 <sup>st</sup> day).	Rs 250	Rs 500
Hardship	For being away from amenities available at base location	Applicable for number of nights away from base office for remote locations	Rs 250	Rs 500
Per Diem rates for international travel				
Type of Allowance	Rationale	Applicability	Grade 3 and below	Grade 4 and above
Meal	To cover daily meal expenses	Applicable for number of nights away from home country.	Rs 100	Rs 100
Incidental	To cover out of pocket expenses	Applicable for number of nights away from home country where food is company provided	Rs 50	Rs 50
Disturbance Short	For being away from family	Applicable only after 3 nights away from base location but less than 1 month.(effective from 1 <sup>st</sup> day)	Rs 25	Rs 50
Disturbance Long	For being away from family	Applicable only after 1 month away from base location but less than 6 months.	Salary Uplift as follows: TL or equivalent: 25% of PRC. Sr. Eng and equivalent: 28% of PRC. Eng and equivalent : 32% of PRC.	

## Annexure Y Training plan – 2011

Date From	Date To	Course Title	Timings	Duration	Participant's	Department	Institute	Location
26-Jan-11	26-Jan-11	Creating Dashboard Reports Using MS Excel	09:00am - 05:00pm	1Day	Rehmatullah Khan	Finance	Octara (Pvt.) Ltd	Lahore
23-Feb-11	23-Feb-11	Self Grooming & Personal Effectiveness	09:00am - 05:00pm	1Day	S.M. Ali	Highways	Quick Biz	Karachi
					Waqas Hussain	Structires	Quick Biz	Karachi
					Ajmal Abbasi	Environment	Quick Biz	Karachi
21-Apr-11	21-Apr-11	Success Through Positive Mental Attitude	09:00am - 05:00pm	1Day	M. A dnan	Watsan	Osalp	Lahore
					Aqib Gulzar	Environment	Osapl	Lahore
23-May-11	27-May-11	How to improve Morale, Motivation and Commitment	09:00am - 02:00pm	5 Days	Saeed Mukhtar	Highways	PIM	Karachi
					Sohail Shamim	Bridges	PIM	Karachi
23-May-11	26-May-11	The Power of Positive Thinking	09:00am - 02:00pm	4 Days	Khursheed Ali	Electrical	PIM	Karachi
19-Sep-11	23-Sep-11	Finance for non-financial managers	09:00am - 05:00pm	5 Days	Usman Mumtaz	Business Development	LUMS	Lahore
26-Sep-11	30-Sep-11	Forecasting Techniques for Managers	09:00am - 02:00pm	5 Days	Saeed Mukhtar	Highways	PIM	Karachi
					Amir Shabbir	Structures	PIM	Karachi
10-Oct-11	13-Oct-11	Advance MS Excel	09:00am - 02:00pm	4 Days	Fasih Uddin Baqai	Bridges	PIM	Karachi
17-Oct-11	19-Oct-11	Implementing 5S	09:00am - 02:00pm	3 Days	Asif Jafri	Administration	PIM	Karachi
24-Oct-11	25-Oct-11	Balance Score Card	09:00am - 05:00pm	2 Days	Syed Kashif Hasan	HR	IBA	Karchi
22-Nov-11	23-Nov-11	Business Communication Skills	09:00am - 05:00pm	2 Days	S.M. Ali	Highways	IBA	Karachi
12-Dec-11	16-Dec-11	Development Course for Managers	09:00am - 02:00pm	5 Days	Farhan Ahmed	Bridges	PIM	Karachi
					Waqas Hussain	Structures	PIM	Karachi
13-Dec-11	17-Dec-11	Project Management Professional	09:00am - 05:00pm	5 Days	Amir Shabbir	Structures	IBA	Karachi
					Saeed Mukhtar	Highways	IBA	Karachi
20-Dec-11	21-Dec-11	Strategic Decision Making	09:00am - 05:00pm	2 Days	Sohail Shamim	Bridges	IBA	Karachi
		Lead Auditor Course			Farhan Ahmed	Bridges	TBA	Karachi

## Profile of key management staff

Key Management Profiles				Experience (Years)		Major Engagement Areas
S. No	Name	Designation	Qualifications	External	Within Halcrow	
1	AMIR SHABBIR	Senior manager (Structures), team leader	MS (Structures), NED University of Engineering and Technology Karachi, 1997 B.E, Civil Engineering, NED. University, 1991	14	7	–Structural designing; –Project/design management; –Conceptual and detailed designing of highrise buildings/tower structures, industrial foundations, residential complexes, school buildings, and civil structures for oil and gas developments;
2	AQIB GULZAR	Project manager, environment	M.S (Environmental Engineering), Institute of Environmental Sciences and Engineering NUST, Rawalpindi, 1997-99 B.Sc. (Civil Engineering), University of Engineering and Technology, Taxila, 1991-96	4	10	–Environmental Impact Assessment studies for (design, construction and operation phase) various sectors including oil & gas E&P, infrastructure and other industries; –Environmental site assessments, due diligence and environmental feasibility studies; –Environmental audit and monitoring of impacts related to construction activities, seismic and drilling operations etc;
3	JUNAID HASAN	Managing director, Pakistan	ME, Water engineering, University of New South Wales, Sydney, Australia, 1998 BE, Civil and environmental engineering, University of Engineering and Technology, Taxila, Pakistan, 1996	0	14	–Delivery and management of water, social and environmental projects
4	KHURSHEED ALI	Senior electrical engineer	M.E. (Electrical Power System), NED University of Engineering and Technology, Karachi, Pakistan, 2010 B.E. (Electrical), NED University of Engineering and Technology, Karachi, Pakistan, 1998	6	1	–Design of electrical services for various vertical structures such as hotels, office, health care, banks, industries and shopping malls. Expertise includes lighting calculation, cable design, short circuit calculation, voltage drop calculation using various computer software packages.
5	MAHMOOD AHMED MUFTI	Chief engineer	B.E. (Civil), Engineering College, Peshawar , 1967	34	7	High-rise buildings, industrial projects, bridges and infrastructure
6	MOHAMMAD KHALID	Senior contracts manager	M.S (Environmental Engineering) N.E.D University of Engineering and Technology, Karachi, 1990 B.E (Civil Engineering), University of Karachi, 1967	41	1	–Contract administration comprising but not limited to short-listing of bidders, inviting bids, appraisal and evaluation of bids, contract award and administration pertaining to contractual matters including Contractor's claims for Extension of Time and Cost.

## Annexure Z

## Profile of key management staff – contd..

Key Management Profiles				Experience		Major Engagement Areas
S. No	Name	Designation	Qualifications	External	Within Halcrow	
7	MUHAMMAD IQBAL REHMANI	Senior consultant GIS/RS	M.Sc. Geography, University of Karachi, 1992 B. Sc (Hon) Geography, Statistics and Mathematics, University of Karachi, 1991	12	5	–Remote sensing and geographical information system projects planning, design, development, and management.
8	SAEED MUKHTAR	Team leader (Highways)	M.Sc (Transportation Engineering), NED University of Engineering Technology, Karachi, 1994 BE (Civil), NED University of Engineering and Technology, Karachi, 1989.	18	4	–Highway design and transport engineering
9	SOHAIL S. SIDDIQUI	Senior manager / Team leader (Bridges)	MSc, Structure, NED University, Karachi, 1997 BE, Civil, NED University, Karachi, 1993	14	4	–Structural engineering and project management for bridges, buildings and industrial structure projects.
10	SYED RAZA UR RAHMAN	Manager geo technical and pavement engineering	M.S, Asian Institute of Technology (AIT), School of Civil Engineering, Geo technical and Transportation Engineering Division, Bangkok, Thailand, 1992 M.Sc, University of Karachi, 1989 B.Sc, University of Karachi, 1987	4	4	–Geotechnical and pavement engineering, designing highways and airport pavements.
11	USMAN MUMTAZ	Development director	MSc, Construction management, University of Birmingham, UK, 1996 BE, Civil engineering, University of Engineering & Technology, Peshawar, Pakistan, 1990	8	14	–Strategic planning, project management, resource planning, business development, preparation of proposals, procurement including pre-qualification of contractors, preparation of tender documents, contract documents, specifications, evaluation procedures, and administration of contracts; –Sites and access road designs and construction supervision for oil and gas companies; –Health safety and environmental audits.
12	YASIR GHAFFAR QURESHI	Senior engineer	Master of Engineering (Hydraulics), M.U.E.T, 2005 Bachelor of Engineering (Hons) – Civil, NED UET, Karachi, 2001	10	1	–Integrated urban water modeling, Storm water drainage including SUDS, water trunk mains design and distribution main rehabilitation & renewal projects, Legionella Risk Assessment and Control Procedures, hydraulic modeling, design and construction of potable water and sewerage networks including vacuum systems and CSOs, clean water DMA modeling / leakage detection studies and pressure management solutions, treatment plants (Conventional, MBR & Biofilm Technology), desalination plants (Multi-stage, RO).

## List of top 20 projects - 2008 to 2011

<b>Halcrow Pakistan (Pvt.) Limited</b>						
<b>List of top 20 projects - 2008 to 2011</b>						
Title	Market Sector	Client	Start Date	Status	Contract Value PKR	
Engineering Services TA Border Areas	Bridges	DFID	August-10	ongoing	238,000,000	
Design and Supervision of Karachi New Port	Contracts & Supervision	Karachi New Port Container Terminal	April-08	ongoing	192,211,000	
Supervision of Sites for 6 Packages	Bridges	DFID	September-07	Complete	147,073,000	
Construction Supervision DHAI Phase II Extension, EMAAR	Contracts & Supervision	EMAAR DHA Islamabad Limited	October-06	ongoing	70,953,979	
Punjab Irrigation System Improvement Project	Water Resources	NESPAK	October-09	ongoing	59,203,750	
Consultancy Services to Roads, Infrastructure, Traffic Impact Studies for the Extension of DHAI Phase-II, EMAAR	Contracts & Supervision	EMAAR	June-06	Complete	55,096,000	
TA to Provincial Govt of Balochistan on Sub-Provisional Fiscal Framework	Development	World Bank	March-07	Complete	35,571,859	
Engineering Services to ANC, Libya	Structures	Al-Nahr Co Limited, Libya	March-09	ongoing	32,219,000	
Consultancy Services to Roads, Infrastructure, Traffic Impact Studies for the Extension of DHAI Phase-I, EMAAR	Contracts & Supervision	EMAAR	June-06	Onhold	27,160,000	
IBA –Aman Tower Project Management	Structures	Institute of Business Administration	April-11	ongoing	23,965,395	
EMAAR DHA PHASE II Ext. (re-design services)	Contracts & Supervision	EMAAR	June-07	ongoing	21,122,015	
ADB TA –4560: Supporting Public Resource Management in Balochistan	Development	Asian Development Bank	August-06	Complete	20,234,346	
Structural Design of Pakistan Mall, Karachi	Structures	Ankaa Group	September-07	Onhold	18,000,000	
Structural Design of Karachi IT Complex, Sign Towers	Structures	IJM Construction (Pakistan) Pvt Ltd	August-06	Onhold	17,500,000	
Technical Assistance to Canadian Commercial Corporation (CCC)	Bridges	Canadian Commercial Corporation	January-11	ongoing	16,639,799	
Beleli Training Facility (BTF)	Structures	Kestral SPD (Pvt) Limited	November-09	ongoing	13,784,774	
Consultancy Services for Community Infrastructure Implementation Review: A Case of Pakistan	Development	World Bank	September-09	ongoing	13,318,393	
Karachi Education City –Conceptual design for infrastructure work	Infrastructure	Arcop Private Ltd	December-10	ongoing	12,756,000	
Design and Top Supervision Services –Gate Complex 2	Structures	Tuwairqi Steel Mills Ltd	February-07	ongoing	12,720,914	
ANC Headquarter Main Administration Building	Structures	Al-Nahr Co Limited, Libya	April-09	Complete	12,669,710	

## Project profile codes for Halcrow Pakistan under Pakistan Engineering Council Registration

Project profile codes for Halcrow Pakistan under Pakistan Engineering Council Registration	
1201	Public building as offices, commercial buildings and offices, residential buildings and offices, hotels and motels, hospitals, medical facilities, education facilities, recreation and sports facilities, libraries, museums, galleries.
1202	Industrial economics, policy and planning, industrial projects development and appraisal.
1203	Urban developments, housing estates, industrial estates/ complexes, urban roads and surface drainage
1204	Urban sewerage and water supply, solid waste collection and disposal, water treatment plants, sewerage treatment plants
1205	Irrigation systems, hydraulic structures, dams, reservoirs, tunnels, salinity control and land reclamation, agriculture drainage, dikes, levees, embankments, ground water development and irrigation, water resources appraisal.
1206	Water transmission lines
1207	Hydraulic power stations
1208	Thermal power stations, power transmission and distribution systems.
1209	Nuclear plants, nuclear research.
1210	Renewable energy resources and systems
1211	Coal mining, processing, gasification
1212	Petro-chemicals, refineries.
1213	Oil and gas pipelines, oil and gas development, storage, transmission and distribution systems.
1214	Railways and railway bridges
1215	Tunnel, subways, rapid transit, highways, bridges, transportation system services
1216	Airports
1217	Ports, harbors, marine terminals, shipyards, dockyards, ship breaking yard, breakwaters, revetments, beach protection.
1226	Rural development and social infrastructure.

## Annexure AC List of Sub-Consultants

Sr. No.	Title	Market Sector	Client	Sub-consultant appointed
1	Supervision of sites for 6 Packages	Bridges	DFID	Mabey & Jhonson Limited
2	Engineering Services TA border areas	Bridges	DFID	Nazar Abbas Naqvi Javed Iqbal Consultant
3	Consultancy services to roads, infra, traffic impact for DHA Phase I & II	Contracts & Supervision	EMAAR	Power Communication Consultants Adnan Ghaffar Lodhi & Co. Peter Glover Consulting Limited
4	Design and supervision of karachi new port	Contracts & Supervision	KNPCT	SUPARCO National Institute of Oceanography Fareed Associates Halcrow Group
5	Engineering Services to ANC, Libya	Structures	Al-Nahr	Survey Tech

	<p><b>1 Prospect and project management systems</b></p> <p><b>1.1 Identification of business opportunities</b></p> <ul style="list-style-type: none"> <li>● The overall guidance for identifying and pursuing business opportunities comes from the business strategy document. Halcrow Pakistan management classifies business opportunities in the following two segments:             <ol style="list-style-type: none"> <li>a. Tendered opportunities (Halcrow Pakistan has a subscription with Tendered News Flash, where the relevant tenders are forwarded by Tendered News Flash to Halcrow Pakistan management). Tendered opportunities also include invitation of Expression of Interests, prequalification or offers. (refer to Annexure AG for list of organizations with whom Halcrow Pakistan holds pre-qualified firm status).</li> <li>b. Other opportunities – this includes the work sourced by existing and previous clients (relationship based work), repeat works and change orders.</li> </ol> </li> </ul> <p><b>1.2 Pre-proposal/bid opportunity analysis and evaluation</b></p> <ul style="list-style-type: none"> <li>● At Halcrow Pakistan, on receipt of an invitation or identification of an opportunity (business lead), the recipient employee forwards the relevant documents or correspondence to the Development Director for their necessary action or decision. For verbal requests, Halcrow Pakistan management requests the clients to send the requirements in writing.</li> <li>● The Development Director, in consultation with the Managing Director, selects the prospect leader with relevant competence and experience for the identified opportunity.</li> <li>● To determine the merits in proceeding with the prospect, a go/no go evaluation is prepared by the prospect leader.</li> <li>● A prospect registration is carried out through a Prospect Registration Form and a prospect code is opened (the code is to book the time and costs relating to the prospect).</li> <li>● In respect of significant prospects, a Business Risk Register is filled out by the prospect leader. Business Risk Register identifies a structured approach with a scoring system for analyzing and evaluating the risks associated with the prospect. The Business Risk Register identifies risk grades from 1 to 6 (lower the grade, lower the risk).</li> </ul>	<ul style="list-style-type: none"> <li>● For pursuing the high risk prospects (Level 6), the Group CEO approval is mandatory (the Group retains certain key controls to ensure compliance with business principles and policies).</li> <li>● The final decision to pursue a prospect with lower risk grade rests with the Managing Director and the Development Director.</li> </ul> <p><b>1.3 Prospect planning, preparation and submission of proposal/ bid</b></p> <ul style="list-style-type: none"> <li>● Once the prospect is selected for perusal, the prospect planning phase starts. The prospect leader is responsible for prospect planning.</li> <li>● Prospect planning checklist and the Business Risk Register are used as guiding documents for prospect planning. Advice from finance manager is also sought by the prospect leader on the credit history of the client.</li> <li>● The prospect leader is responsible for preparation of the offer, expression of interest or pre-qualification document or bid, in consultation with other functions within the organization and is also responsible to formalize agreements with sub-consultants (if required); PI insurance; bank guarantees; bank account arrangements, and other business communications.</li> <li>● The development director reviews, where required, and approves for submission (especially for risk level 4 or higher).</li> <li>● The prospect leader is also responsible for follow-ups, where possible and allowed by the clients.</li> </ul> <p><b>1.4 Contracting (agreement review and business risk assessment)</b></p> <ul style="list-style-type: none"> <li>● On an intimation of Halcrow Pakistan selection on a prospect, the Managing Director selects a Project Director (PD) or Project Manager (PM) (for Risk Level 1 and small scale projects, Project Manager is appointed). Where a Project Director is not appointed the Project Manager assumes the Project Director role and all the associated authorities.</li> <li>● The PD/ PM is responsible for reviewing client instructions, all relevant information and documents, ensuring that the Client's requirements are adequately defined, that any variations to the offer or client's instructions differing from those previously expressed are resolved, and that Halcrow Pakistan has the ability to meet the defined requirements.</li> </ul>
--	--	--

	<p><b>1.4 Contracting (agreement review &amp; business risk assessment) – contd..</b></p> <ul style="list-style-type: none"> <li>At Halcrow Pakistan, all contractual agreements are required to be in writing, while the material variations are also be agreed in writing to avoid future disputes.</li> <li>The PD/ PM is responsible to review the business risk assessment prepared at bid stage along with reviewing the opportunity and assessing the risks affecting the decisions to proceed and evidencing the review by updating the Business Risk Register and initiating actions or preventive actions resulting from the review.</li> </ul>	<ul style="list-style-type: none"> <li>The PD/ PM shall be responsible to register the commission and the Original Budget using Project Registration form and Project Budget Registration form. The PD shall send the forms to the OD and Finance Manager and he/she shall be responsible to update and maintain the currency of information in the forms.</li> </ul>
	<ul style="list-style-type: none"> <li>The “fitness for purpose” prospects are not preferred and the Halcrow Group Chief Executive is required for pursuing “fitness for purpose” prospects.</li> <li>The PD/ PM is also responsible to changes to the Agreement, if necessary, and take or initiate action to establish a set of interim services in writing with the Client.</li> </ul>	<p><b>1.6 Project planning</b></p> <ul style="list-style-type: none"> <li>PM with the required competence shall be appointed by the OD/ MD for each project. Where a PD is appointed, he shall delegate authorities to the PM using the Delegation of PD’s Authority form.</li> <li>The PM should produce a project data sheet if required by the Development Director (DD). The PM shall also prepare a Management plan and get it approved from the PD before commencement of work on the project. The PM shall use professional work order form to assign work to different package managers.</li> </ul>
	<ul style="list-style-type: none"> <li>Halcrow Pakistan is entering into the agreements with clients with are either based on Pakistan Engineering Council guide lines or are under International Federation of Consulting Engineers framework. The legal review of agreement is generally not performed, as the agreements are on standard formats with leverage of modifications limited to commercial terms only.</li> <li>In case of performance bond or bank guarantee requirements, the Managing Director is authorized to signoff issuance of up to PKR 2 million, while where the requirement exceeds PKR 2 million pre-authorization from the Chief Executive Officer is required.</li> </ul>	<p><b>1.7 Project delivery</b></p> <ul style="list-style-type: none"> <li>The PD shall ensure that the management plan is prepared and kept up to date. The PD shall establish or confirm the project concept and record on a Concept Review Record form, if requested to do so by the OD/ MD.</li> <li>The PM shall be responsible for managing the work in accordance with the Task Order and carrying out the communications in accordance with the communications plan of the project.</li> <li>The PM shall be responsible to use the data supplied by the client in accordance with the project requirements, perform accuracy or sufficiency tests on the data and seek any additional data from the client. Where the work involves ground work or foundation the PM shall always involve geotechnical engineers.</li> </ul>
	<ul style="list-style-type: none"> <li>The signing authority for agreements with clients rests with Managing Director (up to PKR 50 million) and for agreement valuing over PKR 50 million pre-authorization from the Chief Executive Officer is required.</li> </ul> <p><b>1.5 Project initiation</b></p> <ul style="list-style-type: none"> <li>The PD/ PM shall confirm that an Agreement is in place with the Client before project registration. Project may be registered with the approval of Operations Director’s (OD) if an Agreement is not in place.</li> </ul>	<ul style="list-style-type: none"> <li>All project staff shall submit a weekly timesheet to the finance department. It shall be the responsibility of the PM to initiate the preparation of invoices and checking invoices prior to issue. The PM shall monitor payment receipt through data supplied by Finance Manager and act in respect of delayed payments. Further, the PM shall also seek to minimize Halcrow’s capital employed on projects by following the company stipulations on payment periods and intervals.</li> </ul>

	<p><b>1.7 Project delivery – contd..</b></p> <ul style="list-style-type: none"> <li>● The PM shall document all changes in the project affecting project output, on a Change Control form (this together with some other forms are optional meaning that the requirement can be met by alternative means) and shall notify all concerned in the Company.</li> <li>● It shall be the responsibility of the PM to regularly monitor the financial data held in the Project Monitoring Sheet and notify the PD immediately when the project targets are in doubt. The PD shall immediately notify the OD. If there are any changes in the scope and/or output, a revised budget shall be prepared and approved by the OD.</li> <li>● The PM is also responsible for monitoring any non-conforming item during the course of project execution.</li> </ul> <p><b>1.8 Project direction</b></p> <ul style="list-style-type: none"> <li>● The PD shall review and approve the Project Management Plan and Original Budget and resolve any queries before start of work on each project. The PD shall be responsible to regularly monitor the performance of the PMs and review his/her work and report in accordance with the requirements of the OD. The OD shall be responsible to monitor and oversee the performance of the PDs and where appropriate take appropriate action. The OD shall report to the MD and act where there is variance with the agreed targets.</li> </ul> <p><b>1.9 Project closure</b></p> <ul style="list-style-type: none"> <li>● The PM shall fill the project closure checklist and ensure that all project activities have been finalized including financial closing of the project, Project Performance Internal Review (PPIR) and archiving.</li> <li>● The PD shall obtain references from clients, using a Client Reference template. The completed reference shall be forwarded to the Development Support Unit.</li> <li>● The PD shall fill the PPIR form and distribute copies to OD and Business Systems Manager and the OD/MD shall take appropriate action, if any, required on the basis of PPIR.</li> <li>● The PM is entrusted with all duties and obligations in relation to archiving of the project records and files.</li> <li>● The PD shall authorize the closure of the project and inform the finance department of the closure in due course.</li> </ul>	<p><b>2 Monitoring and evaluation systems</b></p> <ul style="list-style-type: none"> <li>● An independent dedicated unit has not been established for monitoring and evaluation of administrative and project activities. The company's existing monitoring and evaluation framework operates at various tiers both with reference to the decision making authority levels and from functional perspective.</li> <li>● Key components of the Halcrow Pakistan monitoring and evaluation framework includes the following:</li> </ul> <p><b>2.1 Monitoring and evaluation systems at corporate level</b></p> <ul style="list-style-type: none"> <li>● The Board of Directors retains governance oversight over the company and monitors the company's performance against agreed objectives and targets.</li> <li>● A three year strategy is prepared outlining the company's business strategy and high level objectives and targets is identified and approved by the Board of Directors (refer to 'Governance and Management Structure' section of this report for details).</li> <li>● Each year an annual business plan is prepared in line with the approved strategy. The business plan includes detailed budgets for the year. The business plan is approved by the Board of Directors.</li> <li>● The board meets at least once every year to review current year's performance and approve budgets for next year. A record of the board minutes is kept. Informal reporting is also done at more regular intervals (status updates).</li> <li>● The company secretary appointed by the Board ensures legal and corporate compliance with all applicable local statutes.</li> </ul> <p><b>2.2 Monitoring and evaluation systems – Financial</b></p> <ul style="list-style-type: none"> <li>● Profit and loss (P &amp; L) statement is generated every month) where the profit and other P&amp;L items including earnings, payroll costs and overhead costs are compared against budget agreed at the beginning of each year. Any variances/ deficiencies are noted and corrective actions are taken.</li> <li>● A Monthly Management Report (MMR) is also generated with cash, payables, receivables and other information to monitor actual expenses vs. budgets and company's cash/liquidity position.</li> <li>● The company endeavors to maintain positive cash and not more than 15 weeks of earnings.</li> </ul>
--	---	--

## Monitoring and evaluation systems – contd..

	<p><b>2 Monitoring and evaluation systems - contd..</b></p> <p><b>2.3 Monitoring and evaluation systems – business systems</b></p> <ul style="list-style-type: none"> <li>● Compliance with business systems is monitored every quarter through internal system audits.</li> <li>● An business systems internal audit plan is prepared annually and is approved by MD.</li> <li>● Halcrow Pakistan follows the guidance provided by HIMS for carrying out the business system audits (defining the audit methodology, programs and reporting).</li> </ul>	<ul style="list-style-type: none"> <li>– Project billings identifying actual billing to date, actual billing during the year, balance total and the current year forecast.</li> <li>– Project expenses details covering budget, revised forecast, actual to date, actual for the year, balance total and forecast for the current year.</li> <li>– Net project earnings identifying the budget, revised forecast, actual to date, actual for the year, balance total and forecast for the current year.</li> </ul>
	<ul style="list-style-type: none"> <li>● Halcrow Pakistan has a business systems manager who also acts as the internal auditor.</li> <li>● Any deficiencies noted by the internal auditor are raised as observations or non-compliances and corrective actions are taken accordingly.</li> <li>● A management review is done at least once every year to note deficiencies and recommend corrective actions at company level.</li> </ul>	<ul style="list-style-type: none"> <li>– Payroll costs details covering the budget, revised forecast, actual to date, actual for the year, balance total and forecast for the current year.</li> <li>– Project wise contributions (identifying budget, revised forecast, actual to date and actual for the year.</li> <li>– Project wise contributions in percentage terms (identifying budget, revised forecast, actual to date and actual for the year.</li> <li>– Aging analysis of bills receivables.</li> </ul>
	<p><b>2.4 Monitoring and evaluation systems – Projects</b></p> <ul style="list-style-type: none"> <li>● Performance of projects against budgets is monitored on a quarterly basis or less as required using a Project Monitoring Sheet.</li> <li>● The responsibility of maintaining Project Monitoring Sheet rests with Project Director or Project Manager (as the case may be).</li> <li>● The project managers also hold project progress review meetings at appropriate stages of the project.</li> <li>● For certain projects monthly or quarterly project progress reports are prepared and submitted to clients.</li> </ul>	<ul style="list-style-type: none"> <li>● At Halcrow Pakistan, the indirect overheads and central offices costs are not allocated to specific projects, while for the purposes of analytical report the totals for such costs are added. We have been given to understand that the Halcrow minimum benchmark overhead rate is 85% of the direct payroll and related costs (applicable to time based contracting arrangements) i.e. for the purpose of identifying the charge out rates for the client. For fixed price arrangement, the staff utilization levels are considered while deciding on lower recover rates i.e. contribution break even levels.</li> </ul>
	<ul style="list-style-type: none"> <li>● A consolidated Project Monitoring Report is also prepared covering all the ongoing and on-hold projects, which includes the following: <ul style="list-style-type: none"> <li>– Basic project information including project code, project description, project type, client, client type, funding, market segment, country, project manager, project start and end dates, duration and the current status.</li> <li>– Contract information including contract value, total variation, current year variations and the revised contract vale.</li> </ul> </li> </ul>	<p><b>2.5 Monitoring and evaluation systems – Human resources</b></p> <ul style="list-style-type: none"> <li>● Staff utilization on projects, staff attrition rate, results of staff exit interviews, results of staff engagement surveys and budgets staff performance appraisal, spent on training and development are prepared by HR manager.</li> <li>● The HR manager submits the said analysis reports with the Managing Director while identifying any trends and corrective actions are decided accordingly by Managing Director.</li> </ul>

	<p><b>3 Overview of selected projects</b></p> <p><b>3.1 DFID – Pakistan Bridging Program</b></p> <ul style="list-style-type: none"> <li>This project involves replacement of 50 bridges which were either lost or severely damaged in the wake of earthquake. 9 bridges are located in KPMG and remaining 41 are located in AJK. These damaged bridges were replaced with state of the art panel bridges provided by Mabey &amp; Johnson.</li> <li>Total Capital cost of the project was GBP 40 million and the value of services provided by HPL amounted to GBP 1.1 million. The contract was won through a bid submitted by HGL. The project started in 2007 and was completed in 2008.</li> <li>The program description under this consultancy mainly comprises addressing issues pertaining to inventory of bridging panels &amp; components such as verification &amp; security and secondly it entails about the provision of services in preparation of plans and assessment of present capability and the capacity required for timely completion of the bridging programme.</li> </ul> <p><b>3.2 DFID – Vital Transport &amp; Education Infrastructure in Border Areas</b></p> <ul style="list-style-type: none"> <li>This project involves construction of 66 steel bridges and 40 schools in KPK and FATA. 50 bridges are located in KPK and 16 bridges are located in FATA. The project commenced in August 2010 and is for a period of three years.</li> <li>Total Capital cost of the project was GBP 50 million and the value of services provided by HPL amounted to GBP 1 million. The contract was won through a bid submitted by HGL. Project staff of 50 is deputed on the project.</li> <li>HPL’s role involves assisting DFID and the C&amp;W Department of KPK Province in planning, design and construction supervision of the bridges and technical over sight of the schools.</li> <li>Detailed scope includes hydrology study, topographic survey, detailed design, preparation of tender documents, preparation of BOQs, and advice to DFID on procurement of steel bridge kits. The scope of services also included providing support to the C&amp;W Department in bridge site selection and tender packaging.</li> </ul>	<p><b>3.3 EMAAR – EMAAR DHA Phase I &amp; II Extension, Islamabad</b></p> <ul style="list-style-type: none"> <li>These are two separate projects for Phase I and Phase II separately. However, Phase I work has been on hold due to non-finalization of modalities among EMAAR and DHA.</li> <li>This project involves construction of residential apartments and villas, public facilities such as clinics, schools, community centers and recreational areas, water features and parks etc. When completed the two projects with 1,500 acres between them will offer over 9000 exclusive single family town homes and villas in a range of architectural styles with access to luxury amenities.</li> <li>The value of services to be provided under the project amounts to PKR 82 million, approximately. The project started in 2006, however, due to multiple factors not in control of HPL there has been significant delays in the projects.</li> <li>The role of HPL under the project includes, verification of topographic data, geotechnical investigations, levelling and grading and finish grading, platting, traffic impact study, roads and parking designs, structural design of bridges and drainage structures, water supply design, sewerage design, irrigation systems design, storm water drainage design, electrical power design, road and amenity lighting and telecommunication systems.</li> </ul> <p><b>3.4 Hutchison Port Holdings Ltd – Karachi New Port Container Terminal Project</b></p> <ul style="list-style-type: none"> <li>This project involves construction of a port terminal that is situated on the estuary of Keamari Groyne and will provide first access to cargo ships entering Karachi, including docking facilities for “Panamax” super container ships. Main contract for construction is awarded to Hutchison Port Holdings Ltd. Project duration is approximately 5 years.</li> <li>Total capital cost of the project is USD 1.6 billion, whereas, the value of services to be provided by HPL amounts to USD 2.2 million approximately.</li> <li>HPL’s program description includes design services in relation to construction and operation of a Deep Water Container Port.</li> <li>HPL has appointed three sub-consultants for this project i.e. Fareed Associate Architects, SUPARCO and NIO.</li> </ul>
--	---	--

	<p><b>3 Overview of selected projects – Contd..</b></p> <p><b>3.5 Al-Nahr Company Ltd – Libya Headquarters Building</b></p> <ul style="list-style-type: none"> <li>This project involves construction of a head office building of Al-Nahr Company Ltd with single basement, ground floor and three upper floors, situated in Tripoli, Libya. The total built-up area of the building was approximately 8500 m2 providing various facilities for the administration of personnel.</li> <li>The value of services provided by HPL amounted to PKR 32 million. The project started in 2009 and was finished in 2011 due to deterioration in security and political situation in the Libya.</li> <li>HPL's role on the project was the secondment of staff for carrying out various tasks under the project including the structural design. Architectural design was sub-contracted to Fareed Associates – Architects.</li> </ul> <p><b>3.6 Irrigation and Power Deptt. Government of Punjab – Punjab Irrigation System Improvement Project</b></p> <ul style="list-style-type: none"> <li>This project is part of the medium term irrigation sector reform program to improve the management and maintenance of irrigation system. The project will improve conveyance efficiency of distributaries and minor canals, reduce seepage losses and breaches. A total area of 655,240 hectares area would benefit from the project. There are total 23 contract packages under the project.</li> <li>Total value of the project is PKR 6.3 billion, approximately. Value of services of the HPL amounts to PKR 59 million. The project started in October 2009 and is for a duration of 4 years.</li> <li>HPLs role in the project includes, designs for lining / rehabilitation and up-gradation of distributaries and minor canals including all type of structures and buildings. The contract also involves resident supervision of civil works to ensure correct specification of materials and execution of works as per design.</li> <li>HPL is working in conjunction with two associated consultants in this project i.e. National Engineering Services Pakistan (Pvt) Limited (NESPAK) and Integrated Consulting Services (ICS). Work is distributed among HPL, NESPAK and ICS under the project.</li> </ul>	<p><b>3.7 Government of Qatar – Lusail Water Supply Design</b></p> <ul style="list-style-type: none"> <li>Lusail is the newest city in Qatar, located on the coast in the northern part of the municipality of Umm Salal. The city is located about 15 km north of the city center of Doha, just north of the west Bay Lagoon, on over 35 km2. The city will provide accommodation to 200,000 citizens approximately. This project involves design and supervision of all infrastructure for the multi-billion dollar development project. Halcrow, Hyder and Adamson are the associated consultants for execution of the project.</li> <li>The value of services to be provided under the project amounts to PKR 4 million, approximately. The project started in 2006 and is still in progress. HPL is working on the basis of task orders received from HGL.</li> </ul>
--	---	--

## Annexure AE

### Project Audit Observations

Project	Audit Observations
PKDTBA100 –Emergency bridges in Swat	1) Status of project agreement not identified in the project management plan and/or included in the action list for follow up. 2) Project program is not updated on a regular basis. The level of details of program needs to be increased to identify resources and deliverables for each activity (i.e. each field visit). 3) The QMS documents (Program, PMP) are not dated and controlled. It is suggested to maintain log for revisions for control documents such as scope related documentation, project master schedule etc. 4) All external meetings and important internal meetings are not minuted. Minutes are prepared and circulated for meetings with government agencies only. It is recommended that minutes should be prepared and circulated to all concerned. 5) It is suggested that a monthly report (narrative style) prepared for the project.
PKKGP200 –Karachi New port project	1) Project schedule was out of date, as the project was on hold for sometime. 2) Project management plan for the project does not detail the controls for work to full extent.
KGPD (Kemari Groyne)	1) The process outlined by HSP 13 (Project suppliers) has not been completely adhered to for the aforementioned services that were required for the project.
PKLSDD 110, PKLSDD120	1) The checklist maintained by document control did not contain a version number.
DHA Phase II design PKDHAP: 400 & 401	1) Planning of the resources and time frame to submit the deliverables does not exist.
Construction supervision on Emaar project, DHA Phase II	1) Design drawings receiving register not updated. 2) Approved site management plan not prepared.

## Annexure AF. Summary of Audit Observations

Date of Audit	Auditor	Business Group	Location	Project Name	Observation
18-Sep-08	Ahsan Paracha/Aamir	Water resources	Islamabad	Shawka Munaiy Interchange – Flood protections works design	HPK-3: Verification check list is electronically maintained which does not provide sufficient evidence of real checks and also against management plan guidelines
25-Sep-08	Syed Adnan Moinuddin	Supports	Karachi	N/A	IAR: MIS procurement requires administration to authorize purchase from management. Administration should receive a pre-approved procurement document from MIS
10-Oct-08	Syed Adnan Moinuddin	Bridges	Karachi	Yas Island Development (Retail Malls and Car Park Ramps)	IAR: A rework on approach of getting client feedback forms filled is required so that more percentage of clients provide HIMS form based feedback
10-Jul-08	Syed Adnan Moinuddin	Structures	Karachi	Tuwairqi Steel Mills	IAR: A rework on approach of getting client feedback forms filled is required so that more percentage of clients provide HIMS form based feedback  NCR: a major purchase of printers was done and delivery and acquisition is by the administration department. But as IT equipment ownership and record maintenance is MIS responsibility, administration department lacks the proof of "printers" handover to IT department
21-Jan-09	Aamir Shahzad Bhatti	Supports	Islamabad	N/A	NCR: Library at Islamabad lacks fire and safety equipment IAR: Library record access is provided to employees through online book search folder. Access is neither universal nor on prominent location IAR: An approved vendor list for IT purchase is not updated and followed  Negative Observation: Generator fuel consumption log need updation
22-Jan-09	Aamir Shahzad Bhatti	Business Development	Islamabad	N/A	NCR: Project registration forms for various OMV projects were not present but project codes were issued for the project Negative Observation: Prospect codes for HDC projects are not issued as a routine procedure but are left on PM discretion Negative Observation: Progress on PDSs and CVs issued is not satisfactory
26-Jan-09	Aamir Shahzad	MIS	Islamabad	MIS Data & Equipment Record audit	NCR: Storage of data tapes at an inappropriate place exposes to risk of company server data loss
11-Jan-09	Aamir Shahzad	Structures	Islamabad	Yas Island, Abu Dhabi	Negative Observation: PPIR & CSF was identified in plan for year 2008. CSF is done and awaiting client comments while PPIR is still to be done

## Summary of Audit Observations – contd..

Date of Audit	Auditor	Business Group	Location	Project Name	Observation
22-Jan-09	Aamir Shahzad	Urban Water	Islamabad	Lausail Development Project	IAR: Management plan, Authority Delegation and Communication Authorization matrix form is not well compiled on various projects. Negative Observation: The process outlined by HSP 13 has not been completely adhered to for the afore mentioned services that were required for the project. Since a retrospect NCR will be of no avail as output of the services have already been rendered, future HSP-13 category processes will be strictly adhered to (Primarily filling of a supplier assessment/appointment form by PM or delegate with approvals).
26-Jan-09	Syed Adnan Moinuddin	Geo Technical	Karachi	KGPD (Kemari Groyne)	Negative Observation: CDRs for this year were not completed and have been left pending NCR: Storage of data tapes at an inappropriate place exposes to risk of company server data loss
22-Jan-08	Syed Adnan Moinuddin	HR	Karachi	N/A	Negative Observation: The accounts software (Quick books) has not been approved by MIS and is also in the custody of Accounts department
19-Jan-09	Syed Adnan Moinuddin	MIS	Karachi	MIS Data & Equipment Record audit	IAR: Prospect approval forms from Jim Five to be obtained for OPI recent proposal submissions.
20-May-09	Ahsan Paracha/Aamir	Business Development	Islamabad	N/A	IAR: Designs drawings receiving register not updated and site management plan not updated.
22-May-09	Aamir Shahzad	Construction Supervision	Islamabad	Construction Supervision on Emaar Project, DHA Phase-II	Negative Observations: Issues in prospect and project registration for all projects under MSA agreements.
22-May-09	Aamir Shahzad Bhatti	Environment	Islamabad	All OMV & PCPL ongoing projects	IAR: Possession of Quick Book original CD is with finance & IT to get an approval for liability exemption from that software.
21-May-09	Aamir Shahzad	MIS	Islamabad	MIS Data & Equipment Record audit	IAR: HDC prospects without any prospect code need to be get registered. HDC prospects codes from Syrian Government are to be obtained from Business Development by providing Prospect registration forms by 31 May 2009
21-May-09	Aamir Shahzad Bhatti	Water resources	Islamabad	PKWBHP100 –Dadu Concession –BHP	NCR: The non conformity was observed against HPC-5j, Site Management. The non compliance was related to the preparation of site management plan for the project and has been categorized as significant NCR: Environmental aspect register has not been updated for the last months, which is required to be updated on quarterly basis.
14-Dec-09	Ahsan Paracha		Islamabad	Emaar Infrastructure Construction Supervision	IAR: Legal register has not been updated. As per requirements legal register needs to be updated on quarterly basis. IAR: Fire drill has not been conducted at Islamabad office during the year 2009
17-Dec-09	Ahsan Paracha	EMS	Islamabad	N/A	

## Summary of Audit Observations – contd..

Date of Audit	Auditor	Business Group	Location	Project Name	Observation
23-Dec-09	Ahsan Paracha		Karachi	Uch Power Social Uplift Project	IAR: Report issue register and drawing issue register was not maintained for the project. Issue register needs to be maintained IAR: Project Closure Checklist should be filled upon the closure of project
15-Mar-10	Ahsan Paracha	Property	Islamabad	Al Gadeer Sub station	IAR: Verification plan for the project has not been developed IAR: QC sheets for the drawings were not prepared NCR: PWO for the work package do not exist with the work package manager
15-Mar-10	Ahsan Paracha	Water	Islamabad	Belleli Training Facility	IAR: Verification levels for the project deliverables have not been identified IAR: Resources (Financial & Man power) plan for the project do not exist with the work package manager IAR: Project plan including the resources allocation was not done properly and it is advised to prepare a proper project plan along with the resource allocation
15-Jul-10	Muhammad Farhan Ahmed	Transportation	Karachi	Sangin Highway Project – Afghanistan (PFVICC100)	IAR: Verification levels are defined and are being followed, however, no, drawing check lists was found to be in used on regular basis, therefore it was advised to develop/follow a standard drawing check list on regular basis.
16-Jul-10	Muhammad Farhan Ahmed	Transportation	Karachi	Infrastructure Design of Naya Nazimabad, Karachi (PKIDNN100)	IAR: Verification levels are defined and are being followed, however, drawing Check lists was found to be in used on regular basis, therefore it was advised to develop/follow a standard drawing check list on regular basis.
25-Sep-10	Muhammad Farhan Ahmed	Property	Karachi	Beckton STW Aeration Tanks (PKBSTW100)	IAR: Place all project related data (design, drawings etc) on the server in order to facilitate future retrieval and when appropriate archiving Equipment: A master log of the equipment has not been maintained identifying the frequency of calibration requirements . It has been observed that all the equipment is not completely tagged. Procurement: A list for approved supplier not maintained Outgoing Communication: The reference serial number followed by the project code is not appropriately maintained
4-Jan-11	Zulfikar Hasan	Administration	Islamabad	N/A	
4-Jan-11	Zulfikar Hasan	Environment	Islamabad	EIA for Toot Block –OGDC (OGDC100) IEE for hala block –PPL (OKPPLS220)	It was observed the folder structure for the data storage was not being observed properly

## Summary of Audit Observations – contd..

Date of Audit	Auditor	Business Group	Location	Project Name	Observation
5-Jan-11	Zulfikar Hasan	Urban Water	Islamabad	PKLSDD110, PKLSDD120	Communication log for additional scope of work not maintained and referred
27-Dec-10	Muhammad Farhan Ahmed	Supports	Islamabad	N/A	No action have been taken on the recommendation made in last audit report regarding assessment and review of supplier/vendor performance and quality standards, Front desk data was being stored on the personal system instead of server Project Agreements: The project agreement was agreed on email. Signed agreement for the project is not available Project Program: The project program dated 5th October was communicated to client. However, it was not updated on a regular basis.
5-Jan-11	Zulfikar Hasan	Transportation	Islamabad	PKDTBA100 –Emergency Bridges in SWAT	Change Control: The documentation for change control following HIMS was not maintained  Document Control/Logs: The QMS documents no dated and controlled.  Monthly Report: Monthly report on the format agreed with a client should be prepared
29-Dec-10	Muhammad Farhan Ahmed		Karachi	N/A	The department carry out the maintenance/calibration of equipments as and when required, however, corrective actions taken to resolve the issues were not documented as required under HPS-6
18-Jul-11	Muhammad Farhan Ahmed	Development (Building Engineering)	Karachi	PKIBAB200: Aman Tower Project Management	Communication authorization matrix and incoming/outgoing registers were verified by the auditor and it was noticed that they are not being updated on regular basis. Project management plan not detailed enough to capture the complexity of the project.
18-Jul-11	Muhammad Farhan Ahmed	Development (Building Engineering)	Karachi	PKIBAB200: Aman Tower Project Management	PMP department is planning to adopt the same site management plan which is currently in place for IBA CED building No verification plans included in the project management plan  Project plan for pre tender (design review) phase is not being updated.
11-Jul-11	Muhammad Farhan Ahmed	Business support & corporate functions (HR)	Karachi	N/A	Exit interview are not being conducted on regular basis as required by the system. Exit interview of the employees who leave Halcrow on their own should be conducted and recorded

## Summary of Audit Observations – contd..

Date of Audit	Auditor	Business Group	Location	Project Name	Observation
19-Apr-11	Muhammad Farhan Ahmed	Development	Karachi	PKIBAB100: IBA –CED Building (Site Office)	Project data is being stored on different servers And to date no back of the site data was taken. RE is using personal emails
19-Apr-11	Muhammad Farhan Ahmed	Development	Karachi	PKIBAB100: IBA –CED Building (Site Office)	IAR: Project program is not updated on regular basis
29-Mar-11	Zulfikar Hasan	Maritime	Karachi	PKKGP200: Karachi new port project	Project management plan prepared by UK office does not detail the control for work in Halcrow Pakistan to full extent. Feedback is not being updated in the database on regular basis (Since August 2010)  No log has been maintained for Submission of EOI and prequalification
22-Mar-11	Zulfikar Hasan	Development Support Unit	Islamabad	Development Support Unit (Islamabad)	No regular reports are being generated for business development activities. HIMS procedure is written keeping in view CMS system which is not implemented in Halcrow Pakistan. Lesson learnt from sales/bidding are not being captured and shared with the wider organization Scanned copies of all agreements are not stored on the server by Business development unit.

## List of organizations with whom Halcrow Pakistan holds pre-qualified firm status

Organization	Sector			
Sarhad Hydel Development Organization (SHYDO)	Water Resource: Hdropower			
CDM	Environment			
Mari Gas Company Limited	Structures			
Governement of AJK	Environment			
Capital Deveopmet Authorioty (CDA)	Water and Sanitation: Highways and Bridges: Environment			
Uch Power Limited	Highways: Environment			
Fauki Akbar Portia Marine Terminal (pvt) Limited	Environment			
National Highway Authority	Highways and Bridges: Environment: GIS			
OMV Pakistan	Environment			
National Engineering Services Pakistan (NESPAK)	Water Resource			
Petronas Carigali (Pakistan) Limited	Environment			
Pakistan Petroleum Limited	Environment: Structures			
ENI Pakistan Limited	Environment			
Oil and Gas Development Company Limited	Environment			
ARCOP	Structures: Infrastructure			
Habib Fida Ali	Structures: Infrastructure			
EMAAR Pakistan	Infrastructure			

Annexure AH  
**Rating Matrix**

	<b>Low Risk</b>	<ul style="list-style-type: none"> <li>• Capacities and systems fully satisfy minimum requirements.</li> </ul>						
	<b>Medium Risk</b>	<ul style="list-style-type: none"> <li>• Capacity gaps pose some manageable risks and certain strengthening measures must be completed.</li> </ul>						
	<b>High Risk</b>	<ul style="list-style-type: none"> <li>• Capacity gaps pose major risks which must be addressed to ensure that the risks have been mitigated to manageable levels.</li> </ul>						

## Annexure A1

### Notice to the reader

<p><b>Notice to reader</b></p>	<p>This report has been prepared by KPMG Taseer Hadi &amp; Co.('the Firm/ KPMG') solely for the purpose of providing reasonable assurance to ASP, RSPN/ the Client that Halcrow Pakistan (Private) Limited has an acceptable organizational structure organizational and management structure, accounting, financial management systems and other systems of internal controls, quality assurance capabilities, as well as acceptable policies, procedures and practices. KPMG has been mandated by the ASP, RSPN to perform pre-award assessment on Halcrow Pakistan</p>						
	<p>(Private) Limited in accordance with the Task Order shared with KPMG through email dated 05 September 2011. This report contains our findings, based on our field work up to 13 September 2011. We have not undertaken to update our report for events or circumstances arising after that date.</p> <p>This report is limited to the scope set out in our task order. Accordingly, there may be other issues of interest to the Client which may not be included in this report.</p> <p>This report is confidential and for the internal use of the Client only. It is not to be distributed or to be referred or quoted, in whole or in part, without our prior written consent except as specifically provided in our work order.</p>						
	<p>The Firm does not accept or assume responsibility to anyone other than the addressees of this report, for its work, for this report or for any judgments, findings, conclusions, recommendations or opinions that the Firm has formed or made. The work was undertaken and this report was issued, on agreed terms of engagement, in order that the Firm might state to the addressees those matters on which it agreed to report and for no other purpose.</p> <p>The Firm's work and this report were not planned or prepared in contemplation, or for the purpose, of anyone other than the addressees' interests or needs.</p>						
	<p>Therefore, items of possible interest to others may not have been specifically addressed for the purposes of this report. The use of professional judgment, and the assessment of issues or their relevance (as appropriate) for the purpose of the Firm's work and this report, mean that matters may have existed that would have been assessed differently by others for their purposes. The Firm does not warrant or represent that the information in this report is appropriate for their purposes. This report was not created for, and should not be treated as suitable for, any purpose other than that set out in the report itself and/or in the terms of engagement.</p>						

For the foregoing reasons, this report cannot in any way serve as a substitute for other enquiries and procedures that others would (or should) otherwise undertake and judgments others must make for the purpose of satisfying themselves regarding any matters of interest to others regarding this report or the Client or any other purpose. Apart from the addressees and their reliance on this report, no-one else should rely for any purpose whatsoever upon this report.

Our report makes reference to 'KPMG Analysis'; this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.

In accordance with its policy, KPMG advises that neither it nor any Partners or employees undertakes responsibility arising in any way whatsoever, to any person other than the management of the Client in respect of the matters dealt with in this report, including any errors or omissions therein, arising through negligence or otherwise, howsoever caused.

Notice to the reader – contd..

	<p><b>Scope of work</b></p> <p>In accordance with the terms of reference as per task order shared with KPMG through email dated 05 September 2011, we have performed pre-award assessment of Halcrow Pakistan (Private) Limited (The Company).</p> <p>The procedures we performed were based on the our agreement with the scope of the Client. The management of the Client have confirmed that these procedures will be sufficient for their purpose. We make no representation regarding the sufficiency of these procedures for the addressees’ purpose.</p>				
	<p>Our comments are based on the work carried out on the basis of information provided by the Halcrow Pakistan (Private) Limited, the stakeholders and other publicly available information. The information provided by the stakeholders and the Company included the information made available during our fieldwork in premises of the Company.</p> <p>We draw your attention to the following significant matters:</p> <p>The findings of the procedures performed are presented in this report. The procedures performed do not constitute an audit and had we performed additional procedures or conducted an audit in accordance with generally accepted auditing standards, other matters might have come to our attention which we would have reported to the addressees.</p>				
	<p>We have indicated within our report the sources of the information presented. We have not sought to establish the reliability of these sources by reference to independent evidence. We have analysed the information made available and to the extent possible, have satisfied ourselves that the information presented is consistent with other information provided to us during the course of our work.</p> <p>All analysis, conclusions or assessments have inherent limitations since they are based on un-verified information.</p> <p>Our reading of the documents and relevant records was limited to those provided to us by the Company and the stakeholders and other publicly available information. In performing our work, we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us, whether original or copies.</p>				

## Management comments

Management Comments	KPMG Analysis
<p><b>COMMENTS ON EXECUTIVE SUMMARY</b> Comments on Section A and B</p> <ol style="list-style-type: none"> <li>The Executive summary mainly focuses on gaps and recommendations and does not give a balanced view of the organization. It needs to appropriately reflect current policies and procedures and the benchmarks against which the company was assessed. We suggest that in Section A our current policies and procedures should be listed in a tabular form. In Section B, it should be mentioned that the assessment was done against pre-defined benchmarks reflecting USAID/Pakistan requirements for this IQC. These benchmarks should be summarized in a tabular form at the end of Section B.</li> <li>In Section B, the definition of High, Medium and Low risks should be given.</li> </ol>	<ol style="list-style-type: none"> <li>Halcrow Pakistan current policies &amp; procedures and the applied benchmarks have been discussed in detail under the respective sections of the report. Our view to not include the policies and benchmarks in a tabular form in the executive summary is based the logical relevance of such inclusion for ASP-RSPN/ USAID purposes, the deviations from the agreed reporting template and the restrictions viz-a-viz the size of report in terms of number of pages. Reference to Halcrow Pakistan business systems, pre-defined benchmarks and core functions being subject to assessment is included in the introduction to assignment in the executive summary.</li> <li>Included in the introduction to assignment in the executive summary.</li> </ol>
<p><b>Comments on Risk assessment matrix</b></p> <ol style="list-style-type: none"> <li>In all core functions, we request that wherever applicable key observations should include appreciation of current strengths (i.e. current policies and procedures and their compliance) followed by identified gaps. This is appropriately done in the Governance and Management Structure and Financial Management and Accounting core functions. We request that the same format be followed for all other core functions.</li> <li>We request that where gaps are identified against benchmarks, wherever applicable it should be mentioned that current policies and procedures are sufficient for the current scale and nature of the business.</li> <li>We would request that in the Absorptive Capacity core function, our past ability to increase our absorptive capacity whenever there has been a demand and intent to increase our absorptive capacity in future as well should be appropriately reflected.</li> </ol>	<ol style="list-style-type: none"> <li>We have included comments on Halcrow Pakistan current strengths to the extent that such insertions are in line with our detailed analysis and our professional view for the conclusions.</li> <li>Incorporated in the risk assessment wherever applicable.</li> <li>We have analyzed the absorptive capacity in detail on historic information with reference to the number and size of completed and ongoing projects, the recent staff utilization levels, revenue compositions, financial management systems, procurement systems, M &amp; E systems and HR systems, where we remain of the view that our conclusions adequately describe the absorptive capacity of Halcrow Pakistan and the extent to which Halcrow Pakistan can enhance the absorptive capacity remains subjective.</li> </ol>
<p><b>Comments on Key findings</b></p> <ol style="list-style-type: none"> <li>Similar to our Comment # 1 and 2 on Risk assessment matrix, we request that in all core functions issues identified should include appreciation of current strengths (i.e. current policies and procedures and their compliance) followed by identified gaps. We also request that where issues are identified against benchmarks, wherever applicable it should be mentioned that current policies and procedures are sufficient for the current scale and nature of the current business but would need to be strengthened to meet USAID/Pakistan's requirements/benchmarks.</li> </ol>	<ol style="list-style-type: none"> <li>Key findings are reported on the principle of exceptional reporting. Strengths and existing systems are included in the core functions analysis in sufficient detail and the suggested inclusion was not considered for the key findings section.</li> </ol>

Management Comments	KPMG Analysis
<p>Comments on Key findings – Contd..</p> <p>2. Some specific comments on the issues identified are as follows:</p> <p>a) <b>Procurement Systems:</b> the size of procurement for our own organization is small and hence we do not meet most of the benchmarks used for assessment. However, we are of the opinion that our current procurement policy is adequate for the scale and nature of procurement that the company undertakes. We request that the discussion on issues should appropriately reflect our capability to provide procurement services to clients for procurement of large civil works. We also request that the last bullet point under "Adequacy of policies and procedures" should reflect that we have a procedure in our business system to adequately cover all these points for procurement services given to clients for procurement and management of large civil works.</p> <p>b) <b>Human Resources:</b></p> <p>i. <b>Appropriateness of policies and procedures</b>            Bullet Point # 2: final settlements and mandatory clearances are an established practice in our company. This is covered under the heading Staff Leavers in HSP-7.</p> <p>ii. <b>Staff hiring</b>            Bullet Point # 2: we would need more clarity on what is meant by centralized HR planning and formal job position needs assessment. There are current practices within the company that fall under HR planning that can be shown and explained to KPMG            Bullet Point # 3: there are current procedures for hiring of consultants and contract employees. These can be further explained to KPMG</p> <p>iii. <b>Staff performance evaluation</b>            Bullet Point # 1: there is a performance evaluation framework present in the company. Records of past performance evaluation can also be shown to KPMG            Bullet point # 3: same as above</p> <p>iv. <b>Staff retention and employee turnover</b>            Bullet point # 2: we would need clarity on how KPMG has established this and would like to discuss the current succession planning measures in place</p> <p>c) <b>Monitoring &amp; Evaluation</b></p> <p>i. <b>Structure and independence of monitoring &amp; evaluation function</b>            Bullet point # 1: we agree that a dedicated separate department for M&amp;E does not exist but there is a clear M&amp;E function in the company. The independence of the function can be further improved.</p>	<p>2.</p> <p>a) Key findings are reported on the principle of exceptional reporting. Strengths and existing systems are included in the core functions analysis in sufficient detail and it was not considered appropriate to include them in the key findings. Such insertion, where possible, have been accorded in the risk assessment matrix.</p> <p>b)</p> <p>i. Incorporated in the relevant sections of the report.</p> <p>ii. Incorporated in the relevant sections of the report.</p> <p>iii. Incorporated in the relevant sections of the report.</p> <p>iv. No modifications were required in this case.</p> <p>c)</p> <p>i. No modifications were required in this case.</p>

## Management comments – Contd..

Management Comments	KPMG Analysis
<p>Comments on Key findings – Contd..</p> <p>ii. Project management            Bullet point # 1: QMP and Project Monitoring Sheet are a mandatory requirement in our system.</p> <p>iii. Level 4 / external checks            Bullet point # 1: we have a robust multi-tiered level checking system. External check is not a standard industry practice on all projects. External checks are arranged only on client instructions. The cost of such checks is borne by the client.</p> <p>iv. Client satisfaction survey            Bullet point # 1: this is highly dependent on the client providing us feedback. If we keep this mandatory it would be difficult to close-out any project.</p> <p>v. Adequacy of policies and procedures relating to bidding stage            Bullet point # 1: although there is already some standardization in our bids (e.g. introduction, company profile, approach and methodology, work programme and staffing and commercial proposal) our bids cannot be entirely standardized. Every bid conforms to the respective terms of reference. Bids to Halcrow Group are as per their requirement.</p> <p>vi. Agreements with clients            Bullet point # 1: the work was done against a Letter of Acceptance which was preceded by our acceptance of the agreement terms and conditions. The LOA is a legally enforceable document. The formal Agreement was delayed by the client, despite our repeated reminders.</p> <p>vii. Monitoring of business partners            Bullet point # 1: there is a complete procedure of business partner assessment (HSP 13). In addition, each business partner is assigned a work package and their M&amp;E is done similar to M&amp;E of internal work packages as per our procedures for Project Planning, Delivery and Close-out.</p> <p>viii. Receivables from ANC            Bullet point # 1: there is a provision already made in the P&amp;L for this.</p>	<p>ii. No modifications were required in this case.</p> <p>iii. No modifications were required in this case.</p> <p>iv. No modifications were required in this case.</p> <p>v. No modifications were required in this case.</p> <p>vi. No modifications were required in this case.</p> <p>vii. No modifications were required in this case.</p> <p>viii. The issue was not included in the final draft issued.</p>

## Management comments – Contd..

Management Comments	KPMG Analysis
<p><b>Comments on Summary of Award Obligation Conditions</b></p> <ol style="list-style-type: none"> <li><b>1. <i>Strengthening of governance structure:</i></b> sufficient controls and checks are in place currently to meet statutory requirements and our own corporate governance requirements. This is partly reflected in the Low risk rating given to us in the Financial Management and Accounting System core function. A dedicated internal audit function is not typical for companies of our size. A dedicated function will have resource and cost implications for which we would like to be compensated separately. Alternatively, increased checks and controls and transparency and accountability can be introduced on USAID/Pakistan projects through existing resources or if agreed by USAID/Pakistan the function can be outsourced to a reputed audit firm or dedicated resource(s) can be hired and the cost can be built into the Task Order price.</li> <li><b>2. <i>Capacity building of finance department:</i></b> KPMG have assessed in the Risk assessment matrix that existing staff strength and qualifications are adequate for current operations. We believe that, if required, additional hiring to cater for any Task Orders should be part of the Task Order price.</li> <li><b>3. <i>Strengthening of procurement processes:</i></b> We recognize that our procurement policy is not suited for large scale procurements. We will develop a separate policy for procurements needed on USAID/Pakistan awarded Task Orders</li> <li><b>4. <i>Strengthening of human resource functions:</i></b> detailed procedure on staff hiring is already available. We will strengthen other policies and procedures as advised in the assessment report.</li> <li><b>5. <i>Strengthening of monitoring and evaluation mechanism:</i></b> our comments on this are same as the comments on internal audit function. An M&amp;E system already exists in the company. This function can be strengthened and improved using existing resources. If additional dedicated resources are required these should be part of the Task Order price.</li> </ol>	<ol style="list-style-type: none"> <li>1. The Halcrow management comment is specific to the contemplated arrangement with USAID and was not considered for the purposes of this pre-award assessment report.</li> <li>2. The Halcrow management comment is specific to the contemplated arrangement with USAID and was not considered for the purposes of this pre-award assessment report.</li> <li>3. No modifications were required on this comment.</li> <li>4. No modifications were required on this comment.</li> <li>5. The Halcrow management comment is specific to the contemplated arrangement with USAID and was not considered for the purposes of this pre-award assessment report.</li> </ol>
<p><b>COMMENTS ON THE MAIN REPORT</b></p> <p>We request that the comments above be kindly considered for relevant sections in the main report as well.</p>	<ul style="list-style-type: none"> <li>• Required changes have been incorporated wherever applicable. The extent of changes accorded in the report are in line with our detailed analysis and our professional view for the conclusions.</li> </ul>